SRI LANKA CEMENT CORPORATION

FINANCIAL STATEMENTS

2021

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

.08.2022

The Secretary,
Ministry of Industries,
73/1,Galle Road,
Colombo-03.

Dear Sir,

<u>SRI LANKA CEMENT CORPORATION</u>
<u>FINANCIAL STATEMENTS FOR THE YEAR, 2021</u>

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, 2021 together with the following documents.

a). Financial Statement for the year, 2021
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,
GAMINI EKANAYAKE (Attorney-at-law),
CHAIRMAN,
SRI LANKA CEMENT CORPORATION

SRI LANKA CEMENT CORPORATION

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SRI LANKA CEMENT CORPORATION

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2021

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, the Ministry of Industry and Commerce, resettlement of protracted displaced persons and Corporative development up to 2019. Thereafter, Sri Lanka Cement Corporation functioned under the Ministry of Industries.

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	**2018-2021**	**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 No’s 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 No’s of Panthal Post and 71,771 Nos of concrete blocks. In the year 2016 produced 168 Nos Concrete Poles, 224 Nos of Fence Post, 95Nos of RC Colum’s and 30,122 Nos of Concrete blocks.

Sales of Concrete Products

Year	**2021-2021**	**2019**	**2018**	**2017**	**2016**	**2015**
Concrete poles (Qty)	-	-	-	-	304	-
Fence poles (Qty)	-	-	-	4	253	391
RC colums (Qty)	-	114	99	145	169	419
Concrete blocks	-	-	-	-	46,907	54,805
Total Value (Rs.)	**-**	**0.57Mn**	**0.56Mn**	**1.13Mn**	**4.07Mn**	**2.69Mn**

Accordingto 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 until and in the last years of 2019 and 2020 had a surplus of Rs.39.35Mn and 39.40Mn respectively as profit after tax.

As per the financial statements for 2021, we earned the accounting profit before income tax of Rs.44.67Mn. It shows 10% increasewith compared for the previous year figure. With the other accounting adjustments the Corporation reported Rs.19.35Mn as a net profit for the year 2021.

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 close down the factory at Kankesanturai from June 1990, which is the only factory owned by SLCC. With the present context, the situation has been created to open up manufacturing of cement at Kankasanthurei with the guidance of “Vistas of Prosperity and Splendour”.

Before beginning of the new project, there should be demolished the old factory buildings and obsolete equipment. The documentation & planning part for demolishing works going-on with the line ministry interlude

According to the expertise views and recommendations, there will be more opportunity and feasibility vested to established Cement packing plant as a first step. As a kickoff, the feasibility studies, environmental studies and the marketing analysis (cement requirement in the area, commodity requirement & support for the project) being conducted. So far the investment of installation of packing plant has been identified as Rs.73.2Mn.

And also, we carrying out the relevant activities for start the project of import of ordinary Portland cement and distribute it with reasonable and affordable price.

6.0 APPRECIATIONS

The Board of Directors sincerely thank to the Honorable Minister, Ministry of Industriesfor the directives given to theSri Lanka Cement Corporation, Officials of the Line Ministry, General Treasury, State Banksand Other Government Institutions for their co-operation given to the SLCC in 2021.

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

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 Directors;

01. Mr.GaminiEkanayake	Chairman	-	Appointed on 01.01.2020
02. Mr. E.A.S.Suranga Silva	Director	-	Appointed on 01.01.2020
03. Mr.G.L.ChamindaJayalal	Director	-	Appointed on 01.01.2020
04. Mr.U.L.R.SenarathPerera	Director	-	Appointed on 02.06.2020
05. Mr.S.P.Lokuhannadige	Director	-	Appointed on 26.02.2020
06. Mr.W.R.Paranagama	Treasury rep.	-	Appointed on 16.12.2020

SRI LANKA CEMENT CORPORATION

HUMAN RESOURCES AS AT 31.12.2021

CATEGORY	Senior Level	Tertiary Level	Secondary Level	Primary Level	Total
Head Office	01	01	03	06	11
Kankasanthurei Cement Works	-	-	-	-	-
Total	**01**	**01**	**03**	**06**	**11**

CHAIRMAN'S MESSAGE

I was appointed as Chairman of the Sri Lanka Cement Corporation in 1St January 2020 and spent the fiscal year (ended 31st December 2020) and irrespective of COVID 19 which began in March of the same year and I am proud to mention that what we have achieved to date is measurable and invaluable.
Highlights some of these significant achievements appended below:

Immediate action and preventative measures were taken any future destruction when part of the land vested to SLCC at Aruwakkalu being destroyed and encroached.

Restructured the existing system to more productive and revenue earning to the land belongs to the SLCC at Colpetty.

At this juncture, I am proud to mention that the idea of bringing back the SLCC to the glory of the yesteryears assisted with a team of experts.we have drawn an action plan to manufacture cement once again. For this, we have done several trips to KKS to take stock of existing machinery, plant and building and completed a comprehensive report in this regard.

The Report reveals that 80% of existing building and civil structures are able to be renovated and used for cement factory. But 20 % of damaged buildings and civil structures should be demolished and removed.The report of current condition of K.K.S Cement Factory was handed over to Honorable Minister for further operation.

Sri Lanka Cement Corporation should take the initiative to develop a strategy where all the stakeholders should fall inline in producing, importing, marketing, and saving the environment as well as maintaining the affordability.

Also, should create and design a strategy in empowering underprivileged society, especially village levels by creating more opportunities to be engaged on cement-based products such as bricks, cladding materials, tiles to name a few. Similarly, this could extend to clay and other additives
At present only one integrated plant exists in Sri Lanka (Puttalam Plant) and opening of another fully integrated plant in KKS or close to the limestone belt would ease a lot of Clinker imports thus saving huge amounts of foreign exchange to the country.According to the Geological Survey, the Limestone (being the main ingredient to produce the clinker) the bed lies from KKS to Puttalam.
I strongly believe that the Sri Lanka Cement Corporation should recover the fame she lost and come back as the leader and to become the sole authority for the quality, clinker and cement imports, supply and demand, and all aspects of the product.

It's not wrong to say that difficulties open the new doors of growth. And when you have innovative brains, you don't to worry about missing any chance.Whatever the future may bring, I will strive to build a robust foundation and continue to evolve beyond the boundaries of the SLCC mold **as we aim to become a value-creative corporation.**
I would like to seize this opportunity to thank the Honorable Minister of Industry, Secretary to the Ministry, the staff of the Ministry for their cooperation generous and support rendered towards us to achieve and fulfillments of above said objectives.
I would also like to extend my gratitude to the board of directors and staff at the office of the Sri Lanka Cement Corporation for the previous Financial Year.
Signed,
GAMINI EKANAYAKE (Attorney-at-law),
CHAIRMAN,
SRI LANKA CEMENT CORPORATION

SRI LANKA CEMENT CORPORATION

SENIOR MANAGEMENT COMMITTEE

01. Mrs.M.G.A.T.R.Jayathilaka	Accountant	Head Office
02. Mrs.E.S.Chandani	Administrative Officer	Head Office

Sri Lanka Cement Corporation
Audit Committee Report

The Audit Committee of the Corporation consists of three Non-executive Directors, Chief Internal Auditor of the Ministry of Industry and Supply Chain Management and a representative from the National Audit Office were the observers of the Committee.

Presently, Mr.W.R.Paranagamaappointed as a Chairman of the Committee under review of Mr.U.L.R.SenarathPereraand Mr.E.A.S.S.Silva 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,
W.R.Paranagama,
Chairman,
Audit Committee

17th June 2022

My No.IMT/B/SLCC/100/2021/FS

The Chairman,
Sri Lanka Cement Corporation

Report of the Auditor General's in terms of Section 12 of the National Audit Act No. 19 of 2018 regarding the financial statements and other legal and regulatory requirements of the Sri Lanka Cement Corporation for the year ending 31 December 2021

1. **Financial Statement**

1.1 Qualified Opinion

The Audit of the financial statements of the Sri Lanka Cement Corporation for the year ended 31st December 2021 comprising the statement of financial position as at 31st December 2021 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 2021 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.

1.1. Basis for the Qualified Opinion

(a) In accordance with paragraph 51 of Sri Lanka Accounting Standard 16, 02 vehicles with a cost of Rs.4,463,964/- which have been fully depreciated due to non-review of the effective life of the items of property and equipment, are shown in the accounts at historical cost.The error in estimation of the useful life of the assets had not been revised in accordance with Sri Lanka Accounting Standard 8 and the correct carrying value had not been disclosed in the financial statements.

(b) Although the total value accounted for 03 types of assets included in the property and equipment of the corporation is Rs.10,113,706/-, according to the fixed assets register, the total value of those assets was Rs.6,518,682/-and a difference of Rs.3,595,024/-was observed.

(c) In calculating the cash flow generated from operating activities in the cash flow statement, the income tax expense of Rs.10,113,706/-not paid during the year has been recorded as the payment of the year and the increase in sales and other income has been Rs.20,202,989/-,but it is stated as Rs.5,727,328/-.

(d) Out of the total debtor balance of Rs.33,779,005/-, only an allocation of Rs.1,688,950/-was made, but no allocation was made from the unidentifiable debtor balance of Rs.25,925,739/-. To confirm the balance of 7,859,266/-, no balance confirmations letters of debtor balance was submitted for audit.

(e) The evidence was not submitted to the audit to confirm the outstanding balance of Rs. 24,548,240 /-which has existed for many years.

(f) The Sri Lanka Cement Corporation had invested Rs.1,083,618,910/- in M/s. Lanka Cement PLC.Accordingly, although the Sri Lanka Cement Corporation owns 62.45 % of the share 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 Sri Lanka Cement Corporation.

(g) An annual survey was not conducted regarding the Closing Stock of Rs.238,256/- and Rs.807,440,987/- in property, plant and equipment.The value of the limestone stock which was 25,750 cubic meters had not been calculated and reported to the financial statements and no annual survey had been conducted in this regard.

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

1.3 Other information included in the annual report of the corporation for the year 2021

Other information means the information included in the Sri Lanka Cement Corporation's 2021 Annual Report, which is expected to be provided to me after the date of this audit report, but which is not included in the financial statements and my audit report thereon.Management is responsible for these other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with my knowledge obtained in the audit or otherwise.

When reading the 2021 annual report of the Sri Lanka Cement Corporation, if I conclude that there are material misstatements, those facts should be communicated to the controlling parties for correction.

If there are any further uncorrected misrepresentations, they will be included in the report tabled by me in Parliament in due course in terms of Article 154(6) of the Constitution.

1.4 Responsibilities of Management and controlling parties for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lankan accounting standards and for determining the internal controls necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

1.5 **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.

As part of the audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and professional skepticism in the audit,I further

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

- In providing a basis for the audit opinion expressed, appropriate audit procedures were designed and implemented to identify and assess the risk of material misstatements in the financial statements, whether due to fraud or error.

  The effect of fraud is stronger than the effect of material misstatements due to misrepresentation because they are caused by negligence, falsification of documents, willful omission, misrepresentation or circumvention of internal controls.

- An understanding of internal control was obtained in order to design appropriate audit procedures as appropriate, although not with the intention of expressing an opinion on the effectiveness of internal control.An understanding of internal control was obtained in order to design appropriate audit procedures as appropriate, although not with the intention of expressing an opinion on the effectiveness of internal control.An understanding of internal control was obtained in order to design appropriate audit procedures as appropriate, although not with the intention of expressing an opinion on the effectiveness of internal control.An understanding of internal control was obtained in order to design appropriate audit procedures as appropriate, although not with the intention of expressing an opinion on the effectiveness of internal control.An understanding of internal control was obtained in order to design appropriate audit procedures as appropriate, although not with the intention of expressing an opinion on the effectiveness of internal control.

- An understanding of internal control was obtained in order to design appropriate audit procedures as appropriate, although not with the intention of expressing an opinion on the effectiveness of internal control.

- Appraised the appropriateness of accounting policies used, reasonableness of accounting estimates and related disclosures made by management.
- The relevance of using the going concern basis for accounting was determined based on the audit evidence obtained regarding whether there is substantial uncertainty about the continued existence of the corporation due to events or circumstances.If I conclude that there is sufficient continuing uncertainty in the corporation due to events or circumstances, my audit report should focus on the related disclosures in the financial statements, and if those disclosures are inadequate, I should modify my opinion.However, the continuance may terminate upon future events or circumstances.

- Assessed the overall presentation of the financial statements including the appropriate and fair inclusion of transactions and events based on the structure and content of the financial statements and disclosures.

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

2. The report regarding the other legal & regulatory necessities

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

2.1.1 Except for the effects of the matters described in the Basis for Evaluated Opinion section of my reportAnd in accordance with the requirements of Section 12 (a) of the National Audit Act No. 19 of 2018, I obtained all the information and explanations necessary for the audit, and the proper financial records were maintained by the Sri Lanka Cement Corporation as shown by my investigation.

2.1.3 As required by Section 6(i) (d) (iv) of the National Audit Act No. 19 of 2018, the basis for my opinion in my report includes the recommendations made by me during the previous year except for the observations set out in section 1.2 (a) ,(b),2.3(c),(d) of my report.

2.2 On the basis of the action taken and the evidence obtained and limited to the material facts, nothing came to my notice to the extent of making the following statements.

2.2.1 According to the requirement of Section 12(d) of the National Audit Act bearing No. 19 of 2018, any member of the governing body of the corporation has a relationship, directly or otherwise, out of the ordinary course of business in relation to any agreement involving the corporation.

2.2.2 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	**Observations**
(a) Financial regulation no.135	The accounting officer should delegate his work in general or in relation to each transaction according to the organizational structure of the corporation, but the corporation has not delegated any delegation of authority for the year 2021
(b) State Finance Circular No. 01/2020 dated 28.08.2020 and F.R. 371 (2)	Although an Counting Officer can give an interim advance up to a maximum of Rs.100,000/- on one occasion only to officers of staff status for a particular task, the Counting Officer of the Sri Lanka Cement Corporation himself had obtained an interim advance of Rs.660,000/- on 8 occasions.

2.2.3 That the powers, duties and functions of the corporation have not been acted upon as per the requirement mentioned in Section 12(g) of the National Audit Act No. 19 of 2018,

2.2.4 That according to the requirement mentioned in Section 12(h) of the National Audit Act No. 19 of 2018, the resources of the corporation have not been procured and used efficiently and effectively within the time limits in accordance with the relevant rules .

3. Other matters

(a) Established by the Industrial Corporation Act No. 49 of 1957, the vision of the Sri Lanka Cement Corporation is to provide guidance and leadership for the development of the cement industry in Sri Lanka and its mission is to ensure the adequate supply of quality cement and other cement-related products to meet the country's needs.But at present the corporation does not manufacture any cement or cement related products.

Before the year 2018, income has been earned from the sale of cement and concrete pillars, but in the years 2018, 2019, 2020 and 2021, it has not been possible to earn any income from the productsThe income of the Sri Lanka Cement Corporation is only from the lease of 5164 acres of Aruwakkalu limestone deposit owned by the corporation, the lease of 30 perches of 12 acres of land in Palavi and the 89.07 perches of land in Kollupitiya by running a vehicle park..In the year 2021, that income was Rs.65,256,215/-.But for 13 officers attached to the Sri Lanka Cement Corporation, an annual expenditure of Rs.19,983,648/- is spent as administrative expenses including salaries and allowances for the above tasks.It was observed that the expenditure is about 31 percent of the total rent income.

(b) In the year 2021, the total surplus before tax was Rs.44,642,491/-. In the same year, an amount of Rs.58,000,000/- was invested in fixed deposits. However, even though Rs.6,709,944/- should be paid as income tax for the year under review, the income tax money was deposited till April 2022. Not remitted to Inland Revenue Department

(c) Kollupitiya land of 89.07 perches owned by Sri Lanka Cement Corporation was mortgaged in 2008 from the Bank of Ceylon and the loan amount was restructured to Rs.97,700,000/- in 2017 and the remaining balance of the loan as of December 31, 2021 is Rs.58,700,000/-.Although an interest amount of Rs.5,511,774/- has been paid in the year 2021 for this loan amount, the rental income of the year from leasing the same land was only Rs.4,893,331/-.As per the decision of the board of directors dated 29.09.2021, the procurement of this land with a very high commercial value of Rs.735 million to start a mixed investment project had not been completed as of the date of this report.Accordingly, the corporation had failed to use this property for effective investment.

(d) Since the two oil tanks and pipe systems in Kankasanthura belonging to the Sri Lanka cement Corporation were given to Ceylon Petroleum Storage Terminal Company without entering into a written agreement from 2010 to 31st December, 2021, the corporation has not been able to collect an amount of Rs.184,680,000/-as rent income for this.

(e) To start a joint project with Ceylon Mineral Sand Company in the period of 2021 to 2025 to excavate the upper soil layer of the land with Aruwakkalu limestone deposit with high value heavy minerals.Although the preparation of agreements with the relevant parties was planned to be done within a period of 1.5 years from June 2020 to December 2021, the project could not be started until the date of this report.

(f) Due to the war in the country, it was decided to remove the unusable materials from the Kankasanthurei Cement factory in Kankasanthura, which was stopped due to the war in the country, and to clean the factory premises by the Cabinet Paper No. 21/0175/320/004 and dated 16.02.2016.Simultaneously,according to the Cabinet Decision No. PED/PMD/01/CM/2021/041 and dated 08.02.2021, it was decided to appoint a technical evaluation committee to prepare item lists of scrap iron and metal in the factory and to determine the value of removable built-up models, machines and scrap metal.But those tasks have not been completed till now. Even though 13 years have passed since the end of the war, the corporation has not been able to contribute to the local economy by starting the production activities of the factory and making the most of the resources owned by the corporation.

Signed by,

W.P.C WICKRAMARATHNA,

Auditor General

SRI LANKA CEMENT CORPORATION

Statement of Financial Position
As at 31st December,2021

ASSETS	Notes	2021 Rs.	2020 Rs.
Non-current assets			
Property, plant and equipment	**03**	798,772,382	797,608,301
Assets held for sales	**04**	750,000	750,000
Long term receivables	**05**	-	-
Investments	**06**	631,383,389	631,071,607
		1,430,905,771	1,429,429,908
Current assets			
Inventories	**07**	238,256	238,256
Trade and other receivables	**08**	53,814,296	74,017,285
Cash & cash equivalents	**09**	98,560,600	63,521,348
		152,613,152	137,776,889
Total assets		**1,583,518,923**	**1,567,206,797**
EQUITY AND LIABILITIES			
Equity			
Stated capital		966,971,845	966,971,845
General reserves		9,996,952	9,996,952
Revaluation reserves		738,702,984	738,702,984
Retained earnings		(257,133,449)	(276,879,869)
Available for sales Reserves		(465,956,132)	(465,956,132)
Total equity		**992,582,200**	**972,835,780**
Non-current liabilities			
Interest bearing liabilities	**10**	48,700,000	58,700,000
Long term payables	**12**	492,426,190	492,426,190
Retirement benefit obligation	**13**	4,746,445	5,519,302
		545,872,635	**556,645,492**
Current liabilities			
Trade & other payables	**14**	34,545,736	28,274,104
Current portion of Inter. bear. lia.	**10**	10,000,000	9,000,000
Bank Loan interest payable	**11**	518,352	451,421
		45,064,088	**37,725,525**
Total liabilities		**590,936,723**	**594,371,017**
Total equity and liabilities		**1,583,518,923**	**1,567,206,797**

Figures in brackets indicate deductions.
The accounting policies and explanatory notes on pages 23 to 31 form an integral part of these financial statements

signed

Accountant - M.G.A.T.R.Jayathilaka

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	**Director**	**Chairman**
G.L.ChamindaJayalal	**U.L.R SenarathPerera**	**GaminiEkamayake**

24th February, 2022

SRI LANKA CEMENT CORPORATION

Statement of Comprehensive income and retained earnings

As at 31st December,2021

	Notes	2021 SLCC Rs.	2020 SLCC Rs.
Revenue	**15**	65,256,215	62,305,693
Cost of sales	**Sta. I**	-	-
Gross profit/(loss)		**65,256,215**	**62,305,693**
Other income	**16**	4,888,718	4,730,156
Distribution expenses	**Sta. II**	(7,020)	-
Administrative expenses	**Sta. III**	(19,983,648)	(18,861,766)
Finance costs	**17**	(5,511,774)	(7,455,517)
Profit/(loss) before tax	**18**	**44,642,491**	**40,718,566**
Income tax expense		(10,724,585)	(1,302,335)
Profit/(loss) for the year		**33,917,906**	**39,416,231**
Other comprehensive income/(expenses)	**19**	(14,316,639)	-
Total comprehensive income/(expenses)		**19,601,267**	**39,416,231**
Retained earnings & available held for sales reserves at start		(276,879,869)	(138,864,840)
Prior years adjustments	**20**	145,153	(177,431,260)
Retained earnings at end of year		**(257,133,449)**	**(276,879,869)**

Figures in brackets indicate deductions.

The accounting policies and explanatory notes on pages 23 to 31 form an integral part of these financial statements

SRI LANKA CEMENT CORPORATION

Statement of changes in equity

As at 31st December,2021

	Balance as at 01.01.2020	The year (2020)	Prior year adjustment	Balance as at 31.12.2020	This year (2021)	Prior year adjust ment	Balance as at 31.12.2021
Capital Contributed	966,971,845	-	-	966,971,845	-	-	966,971,845
Revaluation Reserves	738,702,984	-	-	738,702,984	-	-	738,702,984
General Reserves	9,996,952	-	-	9,996,952	-	-	9,996,952
Retained Profit	(138,864,840)	39,416,231	(177,431,260)	(276,879,869)	19,601,267	145,153	(257,133,449)
Investment variation Reserves(L. C.L.share investment)	(465,956,132)	-	-	(465,956,132)	-	-	(465,956,132)
Total	**1,110,850,809**	**39,416,231**	**(177,431,260)**	**972,835,780**	**19,601,267**	**145,153**	**992,582,200**

The accounting policies and explanatory notes on pages 23 to 31 form an integral part of these financial statements.

SRI LANKA CEMENT CORPORATION

Statement of cash flow

As at 31st December,2021

	Notes		2021 SLCC Rs.		2020 SLCC Rs.
Cash flows from operating activities					
Profit/(loss) before tax for the year			44,642,491		40,701,557
Adjustments for non-cash income and expenses:					
Depreciation	**Sta.**	118,493		169,865	
Gratuity provision	**Sta.**	430,663		861,733	
Bank loan interest	**17**	5,511,774		7,452,517	
Prior years adjustments - non	**21**	-		584,030	
Interest on deposits	**16**	(4,380,682)		(4,192,841)	
Interest on treasury bills	**16**	(336,508)		(423,924)	
Provisions for the expenses	**Sta.**	216,351			
			1,560,091		4,451,380
Cash flow included in			**46,202,582**		**45,152,937**
Changes in operating assets and liabilities					
Decrease (increase) in			-		-
Decrease (increase) in trade and other receivables			5,727,328		2,845,348
Increase (decrease) in bank loan interest payable			66,931		(259,471)
Increase (decrease) in trade			6,271,632		(159,609)
			58,268,473		47,579,205
Less :					
Gratuity paid			(1,040,170)		-
Interest paid			(5,444,843)		(7,761,054)
Taxes paid			(10,724,585)		(1,302,335)
Net cash from operating			**41,058,875**		**38,515,816**
Cash flows from investing activities					
Invest in short term deposits			(58,000,000)		(51,500,000)
Withdrawals of short term deposits with interest			29,825,620		18,503,582
Purchase of Property,plant &			(1,252,574)		(46,610)
Net cash used in investing			**(29,426,954)**		**(33,043,028)**
Cash flows from financing					
Repayments of bank loan			(9,000,000)		(6,000,000)
Net cash used in financing			**(9,000,000)**		**(6,000,000)**
Net increase (decrease) in cash and cash equivalents			2,631,921		(527,212)
Cash at bank at beginning of			6,153,589		6,680,801
Cash at bank at end of year			8,785,510		6,153,589
Add : Short term deposits			89,775,089		57,367,759
cash and cash equivalents at			**98,560,599**		**63,521,348**

The accounting policies and explanatory notes on pages 23 to 31 form an integral part of these financial statements.

Accounting policies and explanatory notes to the financial statements

For the year ended 31 December 2021

1. General information

The Cement factory at Kankasanthurei which was established in 29th July, 1945 and it named as "Kankasanthurei Cement Works".

This organization was converted as a Public Corporation in 1956 under the provisions of the Government Sponsored Corporation Act No.19 of 1955 and changed the name as Ceylon Cement Corporation. On 1st January, 1959 the corporation was reconstituted under the Industrial Corporation Act No.49 of 1957. In the year 1980 the name was changed again as "Sri Lanka Cement Corporation" by a Gazette notification.

The principal place of its head office of business is No:130,W.A.D.RamanayakaMawatha,Colombo 02 and it was changed as N0.27, Vauxhall Mansion, Vauxhall street, Colombo 02 since July, 2015.

The immediate and ultimate holding company of Sri Lanka Cement Corporation is Lanka Cement PLC.

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.

2.1. 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

The Sri Lanka Cement 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 Investment has not paid and return since it's inception.

The market value was Rs.5.70 per share in 2017 and presently these shares not in trade as per the details disclosed by Colombo stock exchange.

The liquidation process of Lanka Cement PLC has been going on with the intervention of the Ministry of Industries.

2.2.2. Associates

The Sri Lanka Cement Corporation owns 320,000 ordinary shares of Rs.10/= each in the Lafarge Mahaweli Cement)Private) 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. Presently, the Corporation owns 480,000 ordinary shares in LMCCL which is 10% of the total shareholding.The company name was changed as MahaweliMariane Cement (Private) Limited from the date of 15th September, 2016.

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.

2.2.3Related 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.

2.3. 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.

2.3.1. Sales 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.

2.3.2. Interest income

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

2.3.3. Others

Other income is recognized on an accrual basis.

2.4. Borrowing costs

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

2.5. 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.

2.6. Property, plants 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:

Description	**Rate**	
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.

The values of the tools, fixture & fitting below Rs.10,000/= are not capitalized and instead charged as a expense in the year of purchase. The costs of the newly purchases has been calculate & charge the amount of depreciation from up-coming year.

2.7. Exploration and evaluation of assets

By the gazette of the republic of Sri Lanka extra ordinary no.283/2 issued on 20th September, 1977, transfer the land with mineral quarry to the Ceylon Cement Corporation. Its extent is 5,164A:0R:25P.

The whole land leased out to Ms.Puttalam Cement (Private) Limited for the period of 50 years in 1993 for excavation of limestone to manufacture cement and the name was changed as Ms.Holcim Cement Lanka (Private) Limited & presently, they used Ms.Siam City Cement Lanka (Private) Limited.

The value of the said land has not been recorded in the financial statements. The value of that land will be recorded after receiving the report from the Department of Valuation.

2.8. Assets held for sales

The Sri Lanka Cement Corporation had been used this railway engine to the operations before war time. We recognized it at fire value as per the provisions of LKAS 16 and it transfer to the category of assets held for sales under non-current assets. Any resulting increase in fair value is reverses a previous impairment loss for that property, the increase is recognized in profit or loss. Any remaining part of the increase isrecognized in other comprehensive income and increases the revaluation surplus within equity.

2.9. 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.

2.9.1. Crushed lime stones at Kankasanthurei

The remaining stock of crushed lime stones used for the rehabilitation of the Palali Airport Runway had been handed over to us by the Sri Lanka Air Force. The evaluation process is ongoing. There are six nos. of aggregate sizes and total stock was 25,750.10m^3. The value of this stock has not been recorded in the financial statements.

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	2003	U.N.Abesekara	679,500.00
56783/MR	2003	R.M.P.D.M.Rajapaksha	1,656,000.00
47175/MR	2003	K.A.J.JayanathPerera	110,500.00
000262/08 DC	2003	New Island Hardware	198,000.00
56780/MR	2003	Vinsara Distributors	195,400.00
56781/MR	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	LekaPerer	3,842,002.00
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	

2.12.1. Rent receivables for oil tanks complex

The oil tanks complex with 5 nos. of tanks constructed and used by the Sri Lanka Cement Corporation for the operations prior to the year 1990.
In the war time, Ms. Ceylon Petroleum Storages Terminals Limited used these thanks for their operations. As per the discussions hold with related parties, the decision taken to get rental for these tanks from 2010 and they have not been paid any amount as rental. The receivable was Rs.184,680,000/- as at 31st December, 2021 from that company but those parties have not been entered in to any agreement yet.

2.13. Employee benefits

2.13.1. Defined benefit plans

The liability of the defined benefit plan recognized in the statement of financial position in respect of it's present value of the define benefit obligation as at the reporting date.

Provision of the employees of the corporation is based on their salaries, allowances and the no. of service years at the reporting date. Any gain or loss arising from actuarial that arises in calculating the obligation in respect of employee benefits are recognized in other comprehensive income or expense.

Provision has been made in the financial statements for retiring gratuities payable under the Payment of Gratuity Act No.12 of 1983 to all employees including those who have less than 5 years of continued service with the corporation.

However, under the payment of Gratuity Act, the liability to an employee arises only on completion on 5 years of continuous services. The Sri Lanka Cement Corporation has been made an investment in treasury bills to meet the retiring gratuity payments to the employees.

2.13.2. Employees' provident fund and trust fund

All employees of the corporation are contributes 10% as EPF and corporation contributes 12% as EPF and 3% as ETF based on of such employee's EPF salary.

2.13.3. Medical scheme

The corporation continues the reimbursement process of medical bills to the employees as a benefit within the approved limitations decided by the board of directors. The fixed amount of contribution for this scheme deduct from employees' monthly salary.

Accounting policies and explanatory notes to the financial statements

For the year ended 31 December 2021

03.	**Property, plant & equipment Cost**	**Balance as at 01.01.2020**	**Prior year adjustment**	**Additions during the year**	**Disposals during the year**	**Balance as at 31.12.2021**
	Land & Building	797,795,981	-	-	-	797,795,981
	Motor Vehicles	4,562,891	-	783,874	-	5,346,765
	Furniture, fixture &	4,779,275	-	468,700	-	5,247,975
	Tools & Mobile	302,840	-	-	-	-302,840
		807,440,987	**-**	**1,252,574**	**-**	**808,693,561**
	Accumulated Depreciation					
	Land & Building	395,981	-	-	-	395,981
	Motor Vehicles	4,562,891	-	-	-	4,562,891
	Furniture, fixture	4,585,184	30,000	118,493	-	4,673,677
	Tools & Mobile	288,630	-	-	-	288,630
		9,832,686	**30,000**	**118,493**	**-**	**9,921,179**
	Net book value	**797,608,301**				**798,772,382**

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

Out of this, 231 acres of land are under the Plan No. A 2099 as state land. It vested by the Government gazette no.12,156issued 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).

There had been process to allocate lands for under mentioned government organitationspreviously and the special committee has been appointed with the Secretary, Ministry of Industries as a chairperson to review the final decision. We have the ownership of land situated at TalpePattu of Galle District, Southern Province, Containing in extent of six acres under the deed no.2354. But, the Divisional Secretary has constructed the T-sunami houses in this land. We made requested to getting compensation for this land & it will be take in future.

The land with extent of 87.9P at Kollupitiya own to the Corporation by the Ceylon Government Gazette No.14,756/7 in 12th July, 1967.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. 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 up to 2018 and that value transfer to the category of Lands in Property, Plants and Equipment from 2019.

By the gazette of the republic of Sri Lanka extra ordinary no.283/2 issued on 20th September, 1977, transfer the land with mineral quarry to the Ceylon Cement Corporation. Its extent is 5,164A:0R:25P. The whole land leased out to Ms.Puttalam Cement (Private) Limited for the period of 50 years from 1993 by the agreement no.495 for excavation of limestone to manufacture cement and the name was changed as Ms.Holcim Cement Lanka (Private) Limited & presently, they used Ms.Siam City Cement Lanka (Private) Limited. In 2019, the Supplemental Lease Agreement no. 268 signed on November, 2019 with them and included the incremental rate and period of lease rentals.

The value of the said land has not been recorded in the financial statements. The value of that land will be recorded after receiving the report from the Department of Valuation.

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

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.

			2021	2020
04.	**Assets held for sales**		**Rs.**	**Rs.**
	Railway Engines		750,000	750,000
			750,000	**750,000**
05.	**Long term receivables**			
	Short term & Long term loan for formation of L.C.		360,311,323	360,311,323
	Internal transaction between L.C.L. And SLCC until the closure of the both factories		396,912,560	396,912,560
	Provision for doughtf receivables		(757,223,883)	(757,223,883)
			-	-
06.	**Investments**			
	Treasury bills		7,320,610	7,008,828
	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
			631,383,389	**631,071,607**

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**		**Rs.**	**Rs.**
	Stock of Raw material and WIP for concr. production		238,256	38,256
			238,256	**238,256**
08.	**Trade and other receivables**			
	Trade debtors	Annx. I	33,779,005	48,395,643
	Provision for Doubtful		(1,688,950)	(977,166)
	Rent receivable		2,217,730	3,092,621
	Advance payment - local		1,131,622	1,131,622
	Deposit receivables		1,624,626	1,624,626
	Deposit on Purchase of		976,971	976,971
	Festival Advance		16,875	-
	Distress		2,847,570	3,029,920
	Pre-paid expenses		255,938	244,008
	Lanka Cement receivables		1,253,580	1,253,580
	Sundry advance		260,947	240,947
	Receivables from treasury		48,000	48,000
	VAT receivables		9,935,654	9,935,654
	ESC receivables		126,758	126,758
	Withholding tax receivables		-	4,014,641
	Interest receivables		355,264	206,754
	NHDA receivable		672,706	672,706
			53,814,296	**74,017,285**

8.11 **Receivable from related-** The amount of Rs.1,940,555/- included in trade debtors balance as receivable from related party of Lanka Cement PLC as a result of sales of cement. And also, the current account balance of Rs.1,253,580/- presented in trade & other receivables

8.12 Provision for Doubtful Debtors-With theapprovals of management of the corporation make a doubtful debts provision of 5% long term trade debt.

09. Cash & cash equivalents

	2021	2020
Cash at bank	Rs.	Rs.
- BOC, Lake view branch	5,211,299	397,868
- BOC, Corporate branch	1,700,250	4,412,985
- People's bank Liberty Plaza branch	1,873,962	1,342,736
Short term deposits	89,775,089	57,367,759
	98,560,600	**63,521,348**

10. Interest bearing liabilities - Bank loan

	Current liability	10,000,000	9,000,000
Loan-BOC 83124176	Non-current liability	48,700,000	58,700,000
		58,700,000	**67,700,000**

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

11. Bank loan interest payable

	Rs.	Rs.
Bank loan interest payable	518,352	451,421
	518,352	**451,421**

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	5,519,302	4,674,578
Deduction of loan made during the	(163,350)	(17,009)
Payment made during the year	(1,040,170)	-
Balance provision available as at end of the year	4,315,782	4,657,569
Provision for the year	430,663	861,733
Provision entitlement as at end of the	**4,746,445**	**5,519,302**

14. Trade & other payables

Trade creditors	3,090,311	3,090,311
Advance for cements	1,079,410	1,079,410
Advance from siam city lanka (pvt) ltd	66,550	-
Accrued expenses	3,294,343	3,760,237
Rent payables to B.C.C.	766,150	766,150
Rent payables to S.E.C.	3,572,724	3,572,724
Deposit refundable	1,253,126	1,281,626
ESC payable	126,756	126,756
NBT payable	1,881,255	1,881,255
Payroll control account	29,727	140,753
Unpaid Salaries	51,645	51,645
Retained Coins	468	468
EPF payable	123,381	135,254
ETF payable	16,931	18,550
Director remuneration payable	116,337	2,287
Income tax payable	6,709,944	-
VAT payable	12,366,678	12,366,678
	34,545,736	**28,274,104**

Accounting policies and explanatory notes to the financial statements

For the year ended 31 December 2021

		2021	2020
15.	**Income**	**Rs.**	**Rs.**
	Lease of quarry land	60,440,949	57,881,623
	Income from Premises	4,815,266	4,424,070
		65,256,215	**62,305,693**
15.1	**Income from Premises**		
	Rental income from premises	4,893,331	4,424,070
	Less : commission	(78,065)	-
		4,815,266	**4,424,070**
16.	**Other income**		
	Interest on employees loans	171,478	113,366
	Interest on deposits	4,380,682	4,192,841
	Interest on treasury bills	336,508	423,924
	Sundry income	50	25
		4,888,718	**4,730,156**
17.	**Finance costs**		
	Bank Overdraft interest	-	3,000
	Bank loan interest	5,511,774	7,452,517
		5,511,774	**7,455,517**
18.	**Profit before tax**		
	Staff costs	10,823,346	10,924,522
	Directors remunerations	2,878,051	1,845,770
	Depreciation	118,493	169,865
	Audit Fees	430,000	425,000
	Gratuity provision	430,663	844,724
	Doubtful debts	711,784	-
19.	**Other comprehensive income/(expenses)**		
	Contingent assets (Trade debtors)	(14,316,639)	-
		(14,316,639)	**-**
20.	**Prior years adjustments to Retained earning**		**Rs.**
	Retained earning balance as at 31/12/2020		**(276,879,869)**
	Adjustments :		
	'- Fixed deposits interest income	(29,532)	
	'- Salary & wages	225,000	
	'- Income from premises	890	
	'-Treasury bill interest income	5,583	
	'-Temporary staff salaries	(20,000)	
	'-Directors'remuneration	(76,000)	
	'-Postage & telephone charges	4,883	
	'Audit fees	(12,100)	
	'Rent income	16,429	
	'-Depreciation	30,000	
			145,153
			(276,734,716)

These financialstatements were presented to the board of directors for the approval and 34authorization for issue on 24th February, 2022.

Statement of detailed comprehensive income
For the year ended 31 December 2021

	Ref.	2021 Rs.	2020 Rs.
Income		65,256,215	62,305,693
Cost of sales	**A**	-	-
Gross profit		**65,256,215**	**62,305,693**
Other income	**B**	4,888,718	4,730,156
Distribution expenses	**C**	(7,020)	-
Administrative expenses	**D**	(19,983,648)	(18,861,766)
Profit before finance costs		**50,154,265**	**48,174,083**

SRI LANKA CEMENT CORPORATION

Statement to the detailed comprehensive income
For the year ended 31 December 2021

	2021	2020
A. Cost of sales	**Rs.**	**Rs.**
Sales of cement bags		
Opening stock	-	-
Purchase & other direct costs	-	-
Less : Closing stock	-	-
	-	-
Sales of concrete products		
Opening stock	-	-
Purchase	-	-
Direct expenses	-	-
Less : Closing stock	-	-
	-	-
B. Other income		
Interest on employees loans	171,478	113,366
Interest on deposits	4,380,682	4,192,841
Interest on treasury bill	336,508	423,924
Sundry income	50	25
	4,888,718	**4,730,156**
C. Distribution expenses		
Advertising & Exhibitions	7,020	-
	7,020	**-**
D. Administrative Expenses		
Salary & wages	7,634,894	7,816,936
Overtimes	586,475	388,257
E.P.F.	890,638	901,746
E.T.F	222,659	225,436
Encashment of Medical Leave	501,332	532,285
Directors remunerations	2,878,051	1,845,770
Audit committee meeting fees	95,500	37,500
Annual Bonus	162,000	174,600
Free tea subsidies	235,500	258,550
Food subsidies	477,200	556,200
Staff training	100,000	-
Medical Scheme	12,648	70,512
Welfare Expenses	281,765	478,367
Housing Loan Interest	45,937	58,518
Depreciation -Office Furniture &Equipment	118,493	169,865
Electricity Expenses	171,820	141,898
Postage & Telephone Charges	187,584	206,465
Printing &Stationery	286,551	355,338
	14,889,047	14,218,243

SRI LANKA CEMENT CORPORATION

Statement to the detailed comprehensive income

For the year ended 31 December 2021

	2021	2020
	Rs.	Rs.
Conti……………	**14,889,047**	**14,218,243**
Rent	990,000	990,020
Annual report printing & other expenses	313,895	-
Rate & Taxes	6,930	7,546
General Expenses	250,770	286,166
Travelling Expenses	112,516	70,031
Land visit & other expenses	609,692	552,506
Expenses related with Kollupitiya land	54,849	545,330
Motor Vehicle Expenses	558,501	69,785
Secretarial fees	24,000	54,667
Legal &professional charges	4,968	-
Repair of Office Furniture	8,300	14,750
Periodical &Publications	-	9,920
Audit Fees	430,000	425,000
Gratuity provision	430,663	844,724
Water	40,458	33,895
Bank charges	95,924	107,290
Survey Expenses	5,756	-
Temporary Staff Allowances	431,134	530,743
Loose tool expenses	14,461	1,150
Consultation fees	-	100,000
Doubtful debts	711,784	-
	19,983,648	**18,861,766**

SRI LANKA CEMENT CORPORATION TIN : 409000134 0000

Computation of Income Tax

Year of Assessment 2021

	Reference			+Rs.	-Rs.
Profit for the year 2021	**P & L**			44,642,491	
Interest on deposits	**P & L**				4,380,682
Interest on treasury bills	**P & L**				336,508
Capital Allowance	**Sch. I**				182,054
Depreciation	**P & L**			118,493	
Doubtful debts	**P & L**			711,784	
Advertising & Exhibitions	**P & L**			4,563	
Gratuity provision	**P & L**			430,663	
Gratuity payment	**P & L**				1,040,170
				45,907,994	**5,939,414**
Adjusted loss for the year					**39,968,580**
Interest income					4,717,190
Total statutory income					**44,685,770**
Assessable income					**44,685,770**
Less :					
Loss b/f from 2020			-		
Loss for this year (2021)			-		
100% of Total Statutory income			-		-
Loss c/f to 2022			-		
Taxable income					**44,685,770**
Total Tax Payable		44,685,770		24%	10,724,585
Tax credits					
WHT B/F from 2020		4,014,641			
Income tax claimed in 2021		(4,014,641)			(4,014,641)
Total tax credit C/F to 2022		-			
Balance Tax Payable					**6,709,944**

Computation of Income Tax

Year of Assessment - 2021

Schedule I - Capital allowance

	Rate %	Cost	Allowance Claimed 2021
Current year - 2021			
Computer & data handling equipments	20%	468,700	93,740
Motor vehicles	20%	783,874	156,775
		468,700	**93,740**
Year - 2020			
Office furniture and equipment's	20%	14,210	2,842
Buildings - Security hut	0%	32,400	-
		14,210	**2,842**
Year - 2019			
Office furniture and equipment's	20%	171,300	34,260
		171,300	**34,260**
Year - 2018			Nil
Year - 2017			
Office furniture and equipment's	20%	256,061	51,212
		256,061	**51,212**
Capital allowance for 2021			**182,054**

<u>The Comments on the matters mentioned in the Auditor General's report issued in terms of Section 12 of the National Audit Act No. 19 of 2018 regarding the financial statements and other legal and regulatory requirements of the Sri Lanka Cement Corporation for the year ended December 31, 2021.</u>

1.2 Basis for the Qualified Opinion

a.) By the letter dated 10.11.2021, a letter was sent to the Government Valuation Department to re-audit the vehicles mentioned here, and according to the reply letter, necessary steps will be taken to start the valuation work.

b.) This asset register, which has to be maintained in relation to the assets of the corporation, was prepared in the year 2016 by including the information that can be collected from the old accounts and documents.
Although the value of the asset accounts is Rs.10,113,706/-, the reason for the difference between the total of the assets that can be traced is the value of the assets that cannot be traced.

c.) The corrected cash flow statement will be presented with the accounts for the year 2022.

d.) The debtor balance as on 31.12.2021 is Rs.33,779,005/- is the total of identified and unidentified debtor balance.This allocation has been made from the total amount. The allocation is related to identified and unidentified debtor balances.

e.) Letters have been sent to confirm the balance, but no replies have been sent.

f.) Lanka Cement Limited is in the process of being liquidated and after the year 2016, Lanka Cement Limited has not provided accounts to the corporation.

g.) To carry out such a survey, a large cost has to be incurred and the corporation does not have enough money to bear such a financial cost.

<u>Reference to Laws,Rules/Directives</u>

a.) With the implementation of a voluntary retirement compensation scheme in the year 2016, there are no employees holding sufficient positions to carry out a proper transfer of authority among the remaining employees in the corporation. The delegation of financial authority document prepared for the year 2022 is scheduled to be presented to the next audit committee meeting.

b.) According to the Cabinet decision No. AMP/21/0175/320/004 dated 08.02.2021,To clean the factory premises by removing unusable materials from the cement factory premises in Kankasanthura belonging to the Sri Lanka Cement Corporation. I had to leave for Kankasanture from time to time to carry out those activities .These advances have been taken only to meet the necessary expenses in those cases. After one advance is settled, another advance is received.

3 <u>Other matters</u>

a.) According to the decision No. MIN/R/07/06/07 dated 2016.10.20 taken at the "meeting on the future activities of the institutions where the voluntary compensation scheme was implemented on 31.07.2016" held at the Ministry of Industry and Commerce, which was the line ministry at that time, on 20.10.2016 According to the letter, instructions have been given to use the remaining employees of the Sri Lanka Cement Corporation to lease the assets owned by the corporation and implement suitable development projects and generate income by updating the lease agreements.The total income of the Sri Lanka Cement Corporation is Rs.Mn.70.14 .
Thus, the expenses for the total administrative expenses of the Corporation include employee salaries, Office rent, water, electricity charges, director's expenses, stationery expenses depreciation,and provision of bad debtors.

b.) Income tax amount of Rs.6,709,944/- has been paid through check number 660519 on 27.07.2022.

c.) This land in Kollupitiya is a land of high commercial value, and the implementation of a mixed investment effective project should be done with the approval of the Urban Development Authority Act and a suitable investor.

It should be done with the approval of the Act and necessary procurement activities are being done to find a suitable investor. Keeping this land clean until a suitable investor is found should be done according to the regulations of the Municipal Council Ordinance Act. Parking is allowed and the corporation is getting income from it, but it is not an investment project. Comparing the income from providing the land at Kollupitiya for temporary parking with bank loan interest is not enough information.

d.) Efforts are being made to resolve this issue and due to the current situation in the country, it is practically impossible to request this money at this time.

e.) 2020.06.20 To start a mixed investment project with Lanka Mineral Sand Company to remove the heavy minerals deposited in the soil layer which is removed during the mining of limestone, which is the raw material for cement production, in the land leased by the Sri Lanka Cement Corporation for 50 years.

It was approved in the board meeting held on 2020.10.13 and in the board meeting held on 13.10.2020, it was decided that the percentage due to Sri Lanka Cement Corporation should be included in the agreement including 40% share for providing the land owned by Sri Lanka Cement Corporation in making a mixed investment with Lanka Mineral Sand Company.In the 2022.02.07 letter of the Secretary of the Ministry of Environment attached to the letter sent to us by the Ministry, it has been mentioned that the General Manager of Ceylon Mineral Sand Corporation has informed that the land with mineral sand in Aruwakkalu is no longer needed.

But no announcement has been made to the Sri Lanka Cement Corporation in this regard.

f.) Sri Lanka Cement Corporation had 03 factories in Kankasanathura, Ruhunu and Puttalam and in the year 1993 Ruhunu and Puttalam cement factories were privatized. Kankasankare cement factory was completely inoperative due to the war situation in 1990. At the same time Sri Lanka Cement Corporation was completely out of cement production activities. From time to time there were losses from cement related production activities and cement import and sale activities.

For the development of the cement industry, the necessary work for re-establishing a packing factory has started under the new management and reports have been prepared for it. Due to insufficient capital, as well as the increase in the price of cement in the world market, the increase in shipping charges, and the rapid depreciation of the rupee. Due to the fact that the continuation of this project may cause a loss to the Sri Lanka Cement Corporation, it has been temporarily stopped pending resumption.

SRI LANKA CEMENT CORPORATION

Statement of financial position for last four years
As at year ended 31st December, 2017-2020

	2020 Rs.'000	Restated 2019 Rs.'000	2018 Rs.'000	2017 Rs.'000
Non-current assets				
Property, plant and equipment	797,608	797,732	1,457	1,590
Assets held for sales	750	750	796,950	796,950
Long term receivables	-	-	-	-
Investments	631,072	624,063	624,064	624,063
Financial Assets		6,706	6,163	5,689
	1,429,430	**1,429,251**	**1,428,634**	**1,428,292**
Current assets				
Inventories	238	238	925	1,241
Trade and other receivables	74,017	76,862	72,999	74,469
Cash & cash equivalents	63,521	26,945	19,868	9,158
	137,776	**104,045**	**93,792**	**84,868**
	-	-	-	-
Total assets	**1,567,206**	**1,533,296**	**1,522,426**	**1,513,160**
EQUITY AND LIABILITIES				
Equity				
Stated capital	966,972	966,971	966,972	966,971
General reserves	9,997	9,997	9,997	9,997
Revaluation reserves	738,703	561,203	561,203	561,203
Retained earnings	(276,880)	(138,865)	(181,899)	(197,585)
Available for sales Reserves	(465,956)	(465,956)	(465,956)	(465,956)
	972,836	**933,350**	**890,317**	**874,630**
Non-current liabilities				
Long term payables	551,126	560,126	586,126	492,426
Retirement benefit obligation	5,519	4,675	4,013	3,796
	556,645	**564,801**	**590,139**	**496,222**
Current liabilities	-	-	-	-
Trade & other payables	28,274	28,434	36,824	42,317
Current portion of Inter. bear. lia.	9,000	6,000	4,000	97,793
Bank Loan interest payable	451	711	1,146	2,198
Cash & cash equivalents	-	-	-	-
	37,725	**35,145**	**41,970**	**142,308**
Total equity and liabilities	**1,567,206**	**1,533,296**	**1,522,426**	**1,513,160**

Figures in brackets indicate deductions.

SRI LANKA CEMENT CORPORATION

Statement of comprehensive income for last four years
For the year ended 31 December 2017-2020

	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000
Income	62,306	63,307	36,065	49,469
Cost of sales	-	(565)	(316)	(16,215)
Gross profit	**62,306**	**62,742**	**35,748**	**33,254**
Other income	4,730	7,045	15,375	22,217
Distribution expenses	-	-	-	(272)
Administrative expenses	(18,862)	(18,898)	(16,883)	(20,524)
Financial Expenses	(7,456)	(11,539)	(14,652)	(16,501)
Profit /(loss)before taxation	**40,719**	**39,350**	**19,589**	**18,174**
Taxation	(1,302)	-	(3,630)	(2,877)
Profit/(loss)for the year	**39,416**	**39,350**	**15,958**	**15,297**

Figures in brackets indicate deductions.