SRI LANKA CEMENT CORPORATION

FINANCIAL STATEMENTS

2015

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

20.11.2017

The Secretary,
Ministry of Industry and Commerce,
73/1,Galle Road,
Colombo-03.

Dear Sir,

SRI LANKA CEMENT CORPORATION
FINANCIAL STATEMENTS FOR THE YEAR, 2015

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, 2015together with the following documents.

a). Financial Statement for the year, 2015
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,
HUSSEIN AHAMED BHAILA
CHAIRMAN

SRI LANKA CEMENT CORPORATION

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SRI LANKA CEMENT CORPORATION

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2015

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.

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 , Palaviand 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 year2014.

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. The Corporation imported 1,540 MT in 2015.

Sales of Cement

Year	2013	2014	2015
Qty (MT)	20,512	19,812	2,780
Value (Rs.)	317,967,355	273,160,258	37,872,483

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 2009to 2012.

The corporation has produced 2,003 Nos. Concrete Poles in the year 2013and 1,674Nos. 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.

Sales of Concrete Products

Year	2013	2014	2015
Concrete poles (Qty)	1,142	1,670	-
Panthan poles (Qty)	-	4	810
Concrete blocks	-	-	54,805
Total Value (Rs.)	**4.02Mn**	**12.50Mn**	**2.69Mn**

According to the circular no.02/2016, 28nos of K.C.W.employees office and 10 nos of Head Office employees head office left their service from 31.07.2016.

One permanent employee and one daily pay employee were retained for sales of concrete products. &13 permanent employeeswere retained in the Head Office.

c) Medieval Procedures for attain efficiency of the organization

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

Further, the restructuring program is going on to the Corporation and our subsidiary company of Lanka Cement PLC.

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.

In the financial statements 2015, expressed the accounting profit before comprehensive expenses of Rs.4,344,849/-. It shows a 132% growth with last year figure. The written-off balance of Rs.16,364,454/- directly affected to this growth.

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**.**

And we will manage the income generate from those projectsandtry 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 theSri Lanka Cement Corporation, Officials of the Line Ministry, General Treasury, Sri Lanka Standard Institution, Sri Lanka Ports Authority and State Banks, Other Government Institutions and Cement Manufacturing Organizations for their co-operation given to the SLCC in 2015.

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
LimitedNo.27,VauxhallMension,
Vauxhall Street, Colombo 02.

Telephone Nos.: 011-2440201,2440203

Fax No. : 011-2448866

Subsidiary Registered Head Office

Lanka Cement
No.27,Vauxhall Mension,
Vauxhall Street,Colombo 02.

Telephone Nos. : 011-2447746, 254158

FACTORY

Kankesan Cement Works,

Kankesanturai.

Telephone No. : 021-3215340, 3215341

CONCRETE PROJECT, JAFFNA

Kankesan Cement Works,

Kankesanturai.

Telephone No. : 021 321 5340

CEMENT STORES

472, SriSangarajahMawatha,

Colombo 10.

Tel. &Fax : 011- 2440207

BANKERS

People's Bank

Bank of Ceylon.

Colombo-07.

AUDITORS

The Auditor General Department,

Colombo 07.

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 2015, under review consisted of the following Directors.

01. Mr.K.G.Leelananda	Chairman	- Appointed on 13.02.2015
02. Mr.Reyyaz Sally	Working Director	- Appointed on 16.02.2015
03. Mr.W.D.Janaka	Director	- Appointed on 25.02.2015
04. Mr.M.S.M.Kabeer	Director	- Appointed on 18.03.2015
05. Mr.N.M.Murawar	Director	- Appointed on 31.03.2015
06. Mr.A.Rafeek	Director	- Appointed on 30.04.2015
07.Mr.H.G.Sumanasihghe	Treasury rep.	- Appointed up 01.03.2015 to 30.10.2015
07. Mrs.D.S.A.Costa	Treasury rep.	- Appointed on 30.10.2015
08. Mr.T.O.R.Wanigarathne	Ministry observer	- Appointed on 10.03.2015

The Board of Management from the year 2016, under review consisted of the following Directors.

01. Mr.H. AhamedBhaila	Chairman	- Appointed on 10.12.2015
02. Mr. S.AbdeenEhiya	Managing Director	-Appointed on 25.02.2016
03. Mr.W.D.Janaka	Director	- Appointed on 25.02.2015
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. Mr.T.O.R.Wanigarathne	Ministry observer	- Appointed on 10.03.2015

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
02.Mrs.E.S.Chandani	Personal Officer

SRI LANKA CEMENT CORPORATION

HUMAN RESOURCES MANPOWER AS AT 31.12.2015

CATEGORY	Senior Mgt.	Middle Mgt.	Junior Mgt.	Management Assistant	Primary Level	Total
Head Office	--	02	04	09	08	23
Kankesan Cement Works	--	--	01	02	26	29
TOTAL	**--**	**02**	**05**	**11**	**34**	**52**

CHAIRMAN'S REPORT REGARDING THE PERFORMANCE OF THE ORGANIZATION.

I am pleased to present the Annual Report of Sri Lanka Cement Corporation for the year ended 31st December, 2015.

The organization had to contend with significant challengers during the year, 2015.

Our turnover was Rs.40.57 Million compared to a turnover of Rs285.66Million in the previous year. The profit after tax of Rs.4.34Million was a 131% increase over the loss after tax of Rs.13.79Million recorded in the previous year.

We have 23nos of employees at head office and 29nos of employees at Concrete yard in 2015. Under the Voluntary Retirement Scheme 10nos of employees at head office and 28nos of employees at Concrete yard have left their service from 31st July, 2016.

We have given considerable attention to proceed will development projects on the lands owned by us and manage the income generated from them to capture the strong financial strength & continue the stability of the organization.

However, we will attempt to achieve stability and efficiency to the organization in future.

I take this opportunity to thank all for the support given to the SLCC.

………………………………….
HUSSEIN AHAMED BHAILA
Chairman
Sri Lanka Cement Corporation

SRI LANKA CEMENT CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2011-2015

	2015	2014	Restated 2013	2012	2011
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Income	40,571	285,657	287,913	365,333	656,071
Costs of sales	(50,781)	(280,878)	(272,178)	(374,016)	(656,676)
Gross profit/(loss)	**(10,211)**	**4,779**	**15,735**	**(8,683)**	**(605)**
Other income	60,043	34,233	34,885	32,751	35,623
Distribution costs	(1,904)	(2,951)	(6,670)	(4,906)	-
Administrative costs	(28,249)	(29,211)	(448,079)	(78,899)	(20,873)
Financial costs	(15,334)	(20,642)	(20,474)	(15,362)	(11,545)
Profit/(loss) before tax	**4,345**	**(13,793)**	**(424,603)**	**(75,099)**	**2,600**
Taxation	-	-	-	-	-
Profit/(loss) after tax	**4,345**	**(13,793)**	**(424,603)**	**(75,099)**	**2,600**
Other comprehensive income/(expense)					
Gain/(loss) on financial assets	140,870	43,345	-	-	-
Net profit/(loss) for the year	**145,215**	**29,552**	**(424,603)**	**(75,099)**	**2,600**

Figures in brackets indicate deductions.

SRI LANKA CEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at year ended 31 December, 2011-2015

	2015	2014	Restated 2013	2012	2011
ASSETS	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Non-current assets					
Property, plant & equipment	777,878	779,317	779,486	608,596	550,705
Long term receivables	757,224	757,224	757,223	757,224	757,224
Investments	855,458	721,589	678,244	1,090,019	1,090,019
Financial assets	35,469	33,428	31,247	28,280	25,526
	2,433,029	**2,291,558**	**2,246,200**	**2,484,119**	**2,423,474**
Current assets					
Inventories	9,181	18,933	39,024	19,739	20,532
Trade & other receivables	80,551	96,247	89,549	84,242	76,972
Pre-payments	-	-	261	244	1,248
Cash & cash equivalents	8,743	2,076	3,592	4,201	14,071
	98,475	**117,256**	**132,426**	**108,426**	**112,823**
TOTAL ASSETS	**2,531,504**	**2,408,814**	**2,378,626**	**2,592,545**	**2,536,297**
EQUITY & LIABILITIES					
Equity					
Stated capital	966,971	966,971	966,971	966,972	966,972
General reserves	9,997	9,997	9,997	9,997	9,997
Revaluation reserves	713,619	713,619	713,619	536,119	536,119
Retained earing	337,314	333,315	(66,820)	357,783	372,864
Available for sales reserves	(227,560)	(368,430)	-	-	-
	1,800,341	**1,655,474**	**1,623,767**	**1,870,871**	**1,885,952**
Non-current liabilities					
Long term liabilities	500,426	519,303	543,914	578,543	492,426
Retirement benefit obligation	18,697	19,394	18,290	17,952	18,919
	519,123	**538,698**	**562,204**	**596,495**	**511,345**
Current liabilities					
Trade & other payables	90,057	93,227	85,224	96,195	62,857
Current position of interest bearing liabilities	93,330	68,515	79,015	2,068	53,665
Cash & cash equivalents	28,653	52,900	28,416	26,916	22,478
	212,040	**214,642**	**192,655**	**125,179**	**139,000**
TOTAL EQUITY & LIABILITIES	**2,531,504**	**2,408,814**	**2,378,626**	**2,592,545**	**2,536,297**

Figures in brackets indicate deductions.

Audit Committee Report -2015

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.

Mr.H.G.Sumanasihghe was the Chairman of the Committee during period up to 30th October, 2015 under review of Mr.M.S.M.Kabeer and Mr.N.M.Munawar were the other two Non-executive Directors.

After the date from 30th October, 2015, Mrs.D.S.A.Costawas the Chairman of the Committee under review of Mr.M.S.M.Kabeerand 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

මගේ අංකය / எனது இல. / My No. TCM/A/SLCC/1/04 /2015/FA
මබේ අංකය / உமது இல. / Your No.
දිනය / திகதி / Date 19 March 2017

The Chairman,
Sri Lanka Cement Corporation

Report of the Auditor General on the Financial Statements of the Sri Lanka Cement Corporation for the year ended 31 December 2015 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Sri Lanka Cement Corporation for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 29 (1) of State Industrial Corporations Act, No.49 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed Report in terms of Section 13(7)(a) of the Finance Act, was furnished to the Chairman of the Corporation on 03 February 2017.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94-11-2887028-34 +94-11-2887223 oaggov@sltnet.lk www.auditorgeneral.gov.lk

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraphs 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of comprehensive income and statement of changes in equity, and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Consolidated Financial Statements

Even though 62.45 per cent of the shares of the Lanka Cement Company Ltd- a subsidiary of the Sri Lanka Cement Corporation, is owned by the Corporation, the consolidated financial statements had been not been prepared for the year 2015.

2.2.2 Sri Lanka Accounting Standards

The following observations are made

Sri Lanka Accounting Standard 16

(a) As the Corporation had been subjected to restructuring, the assets thereof are required to be revalued. Nevertheless, 08 motor vehicles costing Rs.15,392,480 had not been revalued and adjusted to the current market value.

(b) Action had not been taken to assess the land , 5718 acres in extent, buildings and the factory that had been vested in the Corporation in the years 1964 and 1977 by the Gazette notifications.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) According to the balance confirmation sent by the Bank relating to 2 loan accounts and a bank current account of a State Bank, the bank loan interest and the overdraft interest totalled Rs.6,805,093. Nevertheless, that loan interest and the overdraft interest had been accounted for as Rs.15,271,328 in the financial statements. Accordingly, the bank loan interests and the overdraft interests had been overstated by Rs.8,466,235.

(b) As a sum of Rs.3,388,010 and Rs.19,752,464 required to be debited and credited respectively to the Retained Earnings Account by 02 journal entries had not been posted to that account and dividends amounting to Rs.1,728,000 received during the year under review had not been adjusted to the comprehensive income statement, the equivalence of the financial statements was questionable in audit.

(c) Even though clay and limestone deposit 604 acres in extent situated at Pulliyadi Irakkam in Mannar district had been leased out the Corporation on long term basis, action had not been taken to get the ownership of the land established and bring it to accounts.

(d) Even though the increase in opening and closing trade payables of the year under review amounted to Rs.24,814,414, in adjusting the difference of the Working Capital in the cash flow statement received by the operating activities, that increase had been understated by Rs.11,226,932 in the cash flow statement.

(e) Even though the net value of the long term and short term loan obtained and the repayment of loans amounted to Rs.4,580,014, that net value had been overstated by Rs.1,819,094 under the financial activities in the cash flow statement.

(f) Although the value of cash and cash equivalents in the statement of financial position as at 31 December 2015 was Rs.19,909,145, that value had been stated as Rs.29,408,442 in the cash flow statement.

(g) The payable audit fees totalling Rs 516,185 as at 31 December 2015 had not been brought to accounts.

(h) The ledger of the Corporation had been prepared by a computer programme and presented to audit. Nevertheless, the Retained Earning Account appeared in that ledger had not been prepared by that programme and that ledger account entries had been separately typewritten and affixed on the ledger account. Therefore the accuracy of the ledger account presented to audit could not be accepted.

2.2.4 Unexplained Differences

The following observations are made.

(a.) According to the ledger account, the sundry advance balance as at the end of the year was Rs.245,946, whereas that balance was Rs.116,336 according to the Register of Advance furnished to audit . As such, a difference of Rs.129,610 could be observed.

(b.) A difference of Rs. 3,770,794 was observed between the previous years closing balances and the opening balances of 04 ledger accounts of the Corporation.

(c.) Although the value of the Retained Earnings in the statement of changes in equity was Rs.337,660,694 according to the financial statement, that value had been stated as Rs.337,313,622 in the statement of financial position. Accordingly, a difference of Rs.347,072 was observed.

(d.) Even though the balance of a current account of a State Bank as at 31 December 2015 was Rs.148,061 according to the cash book, that balance had been stated as Rs.1,696,150 in the statement of financial position by overstating Rs.1,548,089.

2.2.5 Accounts Receivable and Payable

The following observations are made.

(a.) Trade and other receivable balance as at 31 December of the year under review amounted to Rs. 80,551,270. Out of that, balances of Rs. 8,245,359, Rs. 14,323,896 and Rs. 57,982,015 had remained outstanding for less than one year, 1 to 3 years, and more than 3 years respectively. Proper steps had not been taken to recover those outstanding loan balances.

(b.) The trade and other payable liability balances as at the end of the year under review amounted to Rs. 93,330,134, of which a sum of Rs. 41,640,831 had remained outstanding for less than one year, a sum of Rs.22,459,105 for 1 to 3 years and Rs.29,230,198 for more than 3 years. Action had not been taken to settle those payable loan balances.

2.2.6 Lack of Evidence for Audit

As the evidence indicated against the following each item of accounts had not been made available to audit, accuracy of those transactions could not be vouched or accepted in audit.

Item of Account	Value	Evidence not made available
	Rs.	
Lands and Buildings	775,295,981	Register of Fixed Assets
Motor Vehicles	15,392,480	Board of Survey Reports
Furniture and Fittings	5,512,601	
Equipment and Communicating Equipment	1,194,398	
Closing stock		
Concrete Productions	6,104,684	
Jaffna- Cement Stock	501,461	
Long Term Loans	56,293,352	Balance Confirmation Letters

2.2.7 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a.) Section 4 of the Nation Building Tax Act, No. 09 of 2009	Nation Building Tax amounting to Rs.11,548,263 that should have been remitted to the Commissioner General of Inland Revenue, had not been remitted.

(b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 371 (2)	Although the advance obtained should be settled immediately after the completion of the relevant purpose, action had not been taken to settle the advances totalling Rs.83,836 since a period from 2 to 3 years.
(ii) Financial Regulation 396 (d)	Action in terms of the Financial Regulations had not been taken on two cheques totalling Rs.390,485 issued but elapsed a period of more than 06 months.
(iii) Financial Regulation 751	The Corporation had not maintained an Inventory registers.
(iv) Financial Regulation 756 (1)	Action had not been taken to appoint Boards of Survey for the year 2015.
(iv) Financial Regulation 757 (4)	Even though a survey should be conducted on assets immediately after the completion of the financial year and the reports thereof should be furnished to the Auditor General, action had not been taken accordingly.
(c.) Public Enterprises Circular, No. PED/12 dated 02 June 2003	
(i) Section 5.1.3	Updated copies of the Corporate Plan approved by the Board of Directors together with the Budget had not been forwarded to the Line Ministry, Department of Public Enterprises, General Treasury and the Auditor General 15 days before the commencement of the financial year.

(ii)	Section 8.3.9	Although the resources of the State Corporation, Boards should not be made available to the affairs of the Line Ministry, the cab purchased by the Corporation at a cost of Rs.4.8 million in the year 2011 had been released to the Ministry of Industry and Commerce form the date of purchase.
(d.)	Section 02 of the Public Finance Circular No.02/2015 dated 10 July 2015.	Two motor vehicles removed from running had remained condemned position without being taken action to dispose of.

2.2.8 Transactions Not Supported by an Adequate Authority

The following observations are made

(a) Without obtaining a proper approval, a sum of Rs.1,100,000 had been paid for a trip in the years 2014 and 2015.

(b) Although the Corporation had prepared 74 journal vouchers for the year under review, 73 of those journal vouchers had not been approved.

(c) Out of the land, 221 acres in extent situated at Palavi, Puttlam vested in the Corporation by a Gazette notification, a land area of 50 acres had been vested in the project of the Board of Investments in the year 2005 without a proper approval.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Corporation for the year under review had resulted in a surplus of Rs.4,344,849 as against the deficit of Rs.13,792,672 for the preceding year, thus indicating an improvement of Rs.18,137,521 in the financial results of the year under review as compared with that of the preceding year. The above improvement was mainly attributed to the writing off of three payable account balances of Rs.19,752,464 in the year under review.

Analysis of the financial results of the year under review and the preceding years revealed that, although the net profit of the year 2011 was Rs.2,600,000, after sustaining continuous losses form the year 2012 to 2014, it had turned out to be a net profit of Rs.4,344,849 again by the year 2015. When taking into consideration the employees remuneration, tax paid to the Government and the depreciation for the non-current assets, the contribution of the Corporation was a positive value of Rs.33,720,000 in the year 2011 and it had been a negative value in the years 2012 and 2013. It had again improved to a positive value of Rs.38,344,849 in the year 2015.

3.2 Analytical Financial Review

The following observations are made.

(a) As compared with the preceding year, the current ratio of the year under review had increased by 58 per cent and the quick ratio had also increased by 87 per cent. It was observed that as the current liabilities had increased by Rs.113,564,793 than the current assets, there had been no adequate liquidity to settle the current liabilities and as such the liquidity of the Corporation was at a weak level.

(b) The sales income amounting to Rs.285,657,759 in the preceding year had decreased up to Rs.40,470,803 by Rs.245,086,956 in the year under review. Failure to import cements after December 2014 up to July 2015 due to the financial difficulties and making supplies on the orders after being registered as the supplier in the Government institutions by entirely ceasing the sale of cement on credit basis have mainly attributed to the above decrease of the sales income.

(c) The Gross Profit amounting to Rs.4,779,245 in the preceding year had turned out to be a gross loss of Rs.10, 210,679 in the year under review. While the direct cost of cement production division was prevailing in a higher level, the huge drop of the sales had been the main reason for sustaining a gross loss. Even though such a gross loss had incurred, a gross profit of Rs.4,344,849 was shown by stating the previous year adjustments of Rs.16,364,454 made on the decision of the Board of Directors under the other income.

4. Operating Review

4.1 Performance

In terms of the Gazette (Extraordinary) No.11634 dated 2 January 1959, the main objectives of the Corporation was to manufacture, import and sale of cement, sale of items made of cement or production of telephone and telecommunication posts, telephone booths, water tanks, hums pipes and tiles inclusive of cement concrete and supply of electronic powers in bulk to any person.

The following observations are made on the achievement of the above objectives.

(a) Even though manufacturing and sale of cement and cement based products was the main objectives of the Corporation, with the cessation of the cement production at Kankassanthura during the past war environment, at present, the main functions of the Corporation have been confined to import and sale of cement bags and the sale of concrete products.

(b) When comparing the Corporate Plan and the Action Plan relating to the year under review with the Performance Report, it had not been prepared in a manner enabling to compare the actual performance.

(c) Although it had been planned to sale cement valued at Rs.574,892,000 during the year under review according to the Corporate Plan, only cement valued at Rs.42,060,062 had only been sold according to the Performance Report. Accordingly, the achieved performance had been 7.3 per cent of the expected target.

(d) Even though plans had been drawn to earn a targeted income of Rs.12,000,000 on the production of concrete posts based products, only an income of Rs.1,026,147 had been earned during the year under review and as such the performance achieved had been 8.6 per cent of the anticipated target.

(e) As the expenditure of the Concrete Production and Marketing Division, Kankasanthure had exceeded its total income, it had sustained a continuous loss. Examination of the losses sustained during the period of past nine years revealed that, the sustained losses had ranged from Rs.30,298 to Rs.19,526,633.

(f) Action had not been taken to review and revise the targeted income and expenditure in the Corporate Plan. Although the total targeted sales income of the Corporate Plan was Rs.613,662,000, the actual income earned had been Rs.67,235,628. Accordingly, 11 per cent of the targeted income only had been achieved. As the import of cement had decreased by 17,500 metric tons in the year 2015 as compared with the year 2014, the sales income had decreased by Rs.245.08 million.

(g) According to the Action Plan, 2015, it had been planned to achieve a sales turnover of Rs.2,055 million by packaging and sale of imported cement stocks and the production capacity of 148,500 million metric tonne under the establishment of the new Cement Packaging Factory at Muthurajawela. Those targets had not been included in the Corporate Plan while the Action Plan had not been put into practice to achieve any expected targets at the end of the year.

4.2 Management Inefficiencies

The following observations are made

(a) In order to mine limestones for the production of cement, the Corporation had leased the limestone deposit, 5352 acres in extent situated at Aruwakkalu to a private company for a period of 50 years in the year 1995. The value equivalent to the annual rent of US$202,000 to be recovered according to the lease agreement was Rs.26,664,825 for the year under review. However, as a clause relating to the revision of annual rent had not been included in the agreement reached, instructions had been given to revise this lease agreement at the Committee on Public Enterprises held on 16 August 2011. Nevertheless, action had not been taken accordingly.

(b) Out of the land, 604 acres in extent situated at PulliyadiIrakkam in Mannar District owned by the Corporation, a land area of 10 acres in extent had been granted to settle the displaced families by the District Secretary, Nevertheless. action had not been taken to look into this encroachment and settle the lands.

(c) Although it had been stated in the financial statements by a notice that, action was being taken to lease the land 89.9 perches in extent situated in Kollupitiya and vested in the Corporation by the Extraordinary Gazette Notification No.14756/7 dated 12 July 1967 to a foreign investor on long term basis according to the recommendations of the Standing Reviewing Committee appointed by the Cabinet of Ministers, the examination conducted thereon revealed that the Management had not taken action relating to this long term leasing.

(d) The Divisional Secretariat had constructed houses for the Tsunami victims and settled them on the land 6 acres in extent situated at Unawatuna Kesbapana. Action had not been taken either to settle the ownership of this land owned by the Corporation or recover the compensation.

(e) Encroachers had constructed houses on a block of land 09 acres in extent out of the land situated in Palam, Puttlam. The Management had not taken action to settle the ownership of this land by looking into this matter.

4.3 Idle and Underutilized Assets

It was observed that the land, 741 acres in extent with the factory, the assessed value of which had not been brought to account and the buildings complex valued at Rs.395,000 situated in Kankasanturei owned by the Corporation had remained idle in the custody of Army in the high security zone over a long period of time.

4.4 Uneconomic Transactions

The following observations are made.

(a.) Although 62.45 per cent ownership of the shares of the Lanka Cement Company Ltd commenced in the year 1981 is owned by the Corporation, no return whatsoever had been received by the Corporation for that investment during the period of past 25 years.

(b.) A sum totalling Rs. 10,066,774 had been paid as loan interests by the end of the year under review in respect of the bank loan amounting to Rs.38,704,668 obtained from a State bank in the year 2012 for the payment of compensation to an international company.

4.5 Staff Administration

The following observations are made.

(a.) The approved cadre and the actual cadre of the Corporation had been 76 and 53 respectively and the vacancies stood at 23. It was observed that due to the existence of these vacancies, internal control, duty assigning, internal checking and internal audit activities were not taking place efficiently.

(b.) An officer who had not fulfilled the basic qualifications had been recruited as a Sales and Marketing Officer in the year 2012 and as a result of issuing cement by him on credit basis exceeding the approved credit limit, a financial loss of more than Rs.6 million had incurred. Therefore, his service had been terminated from 04 November 2015. Although complaints had been lodged with the Criminal Investigation Department to recover the loss sustained by the Corporation, action had not been taken to recover that loss.

(c.) Action had not been taken to recruit a qualified officer for the post of Sales and Marketing Officer that had fallen vacant since 04 November 2015.

(d.) Despite the decrease in the total number of staff during the 5 years under review, the total employees cost amounting to Rs.24,410,000 in the year 2011 had increased up to Rs. 29,840,000 by Rs.5,430,000 by the year 2015. Accordingly, the average cost per employee amounting to Rs.358,970 in the year 2011 had increased up to Rs.563,018 by the year 2015.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the financial statements and the draft annual report should be furnished to the Auditor General to audit within 60 days from the close of the financial year. Nevertheless, the consolidated financial statements of the Cement Corporation for the year 2015 had not been furnished to audit up to 31 December 2016.

5.2 Action Plan

The following observations are made

(a) In terms of Section 5.1.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the responsibility of the Managers with regard to the objectives and targets required to be achieved within the planned period had not been clearly stated in the Action Plan .

(b) The Performance Reports had not been reviewed once in every three month by the Board of Directors as required by Section 4.2.6 of the Public Enterprises Circular No.PED/12 dated 02 June 2003. Although those should be submitted to the Department of Public Enterprises and the General Treasury before 30 days after the end of the quarter, the Corporation had not taken action accordingly.

5.3 Internal Audit

The following observations are made.

(a) Even though the areas required to be covered according to the audit plan prepared for the year 2015 had been stated, audits had not been carried out accordingly and the audit activities had been mainly confined to the verification of physical stock.

(b) One female officer only had been attached to the Internal Audit Division of the Corporation and it could not be possible to carry out the activities of the Internal Audit Division properly due to the lack of sufficient staff.

5.4 Audit Committees

In terms of Section 7.4.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the Audit Committee meetings should be held at least once in every three month. Nevertheless, the Corporation had conducted only 02 Audit Committee meetings during the year 2015.

5.3 Unresolved Audit Paragraphs

Even though the deficiencies such as failure to obtain a security bond in commensurate with the value given on credit in awarding the Post of Sales Representative for the sale of cement on credit basis, not indicating the maximum possible amount of debt in the agreement, not including the strategy relating to the recovery of loan form the defaulters in the agreement, supply of credits again and again despite the failure to settle the loans obtained, furnishing false information for the bank guarantees, failure to take disciplinary action against the officers who approved loans in an irregular manner and not taking follow-up action regarding the outstanding debtor balances had been pointed out even by the previous audit report, the total balance of Rs.52,506,824 had not been recovered even by the end of the year under review.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

Areas of System and Control	Observations
(a) Financial Control	Failure to introduce formal financial control systems, not making essential payments such as tax and bank loans, continuing bank overdrafts.
(b) Fixed Assets Control	Failure to maintain Registers of fixed assets and not completing the verification of assets by appointing the Board of Survey.

(c) Stores Control	Maintenance of stocks, inventories and books and registers should be properly maintained and stock damages and demurrage charges should be minimized.
(d) Control of Debtors and Creditors	Failure to recover the outstanding debtor balances, not maintaining the records relating to the credit sales and failure to settle creditors by making payments.

H.M. Gamini Wijesinghe

Auditor General

SRI LANKA CEMENT CORPORATION

Statement of comprehensive income and retained earnings

For the year ended 31 December 2015

	Notes	2015 H/O Rs.	2015 KCW Rs.	2015 SLCC Rs.	2014 SLCC Rs.
Revenue	**03**	37,872,483	2,698,320	40,570,803	285,657,759
Cost of sales		(36,021,224)	(14,760,259)	(50,781,482)	(280,878,514)
Gross profit/(loss)		**1,851,259**	**(12,061,939)**	**(10,210,679)**	**4,779,245**
Other income	**04**	53,960,334	6,083,124	60,043,458	34,232,652
Distribution expenses		(1,614,792)	(289,510)	(1,904,302)	(2,951,004)
Administrative expenses		(22,200,903)	(6,048,319)	(28,249,222)	(29,211,369)
Finance costs	**05**	(15,334,406)	-	(15,334,406)	(20,642,196)
Profit/(loss) before tax	**06**	**16,661,492**	**(12,316,644)**	**4,344,849**	**(13,792,672)**
Income tax expense		-	-	-	-
Profit/(loss) for the year		**16,661,492**	**(12,316,492)**	**4,344,849**	**(13,792,672)**
Other comprehensive income/(expenses)					
Gain on financial assets		140,870,459	-	140,870,459	43,344,756
Total comprehensive income/(expenses)		**157,531,951**	**(12,316,644)**	**145,215,308**	**29,552,084**
Retained earnings as at start of year	**07**	655,430,124	(690,891,781)	(35,114,584)	(64,666,668)
Prior year adjustments		-	-	-	-
Retained earnings at end of year		**812,962,075**	**(703,208,425)**	**110,100,724**	**(35,114,584)**

Figures in brackets indicate deductions.

The accounting policies and notes to the financial statements from pages 30 to38form an integral part of these Financial Statements.

SRI LANKA CEMENT CORPORATION

Statement of consolidated financial position

As at 31 December 2015

ASSETS	Notes	2015 H/O Rs.	2015 KCW Rs.	2015 SLCC Rs.	2014 SLCC Rs.
Non-current assets					
Property, plant and equipment	08	777,546,389	331,553	777,877,942	779,317,184
Long term receivables	09	757,223,883	-	757,223,883	757,223,883
Investments	10	897,927,959	-	897,927,959	755,016,704
		2,432,698,231	**331,553**	**2,433,029,784**	**2,291,557,771**
Current assets					
Inventories	11	3,075,850	6,104,684	9,180,534	18,932,852
Trade and other receivables	12	71,210,888	9,340,382	80,551,270	96,247,326
Current account - KCW		693,067,396	-	693,067,396	-
Cash & cash equivalents	13	8,743,454	-	8,743,454	2,076,155
		776,097,588	**15,445,066**	**791,542,654**	**117,256,333**
Total assets		**3,208,795,819**	**15,776,619**	**3,224,572,438**	**2,408,814,104**
Equity and Liabilities					
Equity					
Stated capital		966,971,845	-	966,971,845	966,971,845
General reserves		9,996,952	-	9,996,952	9,996,952
Revaluation reserves		713,619,419	-	713,619,419	713,619,419
Retained earnings		1,040,522,047	(703,208,425)	337,313,622	333,315,846
Available sales reserves		(227,559,971)	-	(227,559,971)	(368,430,430)
		2,503,550,292	**(703,208,425)**	**1,800,341,867**	**1,655,473,632**
Non-current liabilities					
Interest bearing liabilities	14	8,000,000	-	8,000,000	250,250
Long term payables	15	492,426,190	-	492,426,190	519,053,946
Retirement benefit obligation	16	-	18,696,935	18,696,935	19,393,825
		500,426,190	**18,696,935**	**519,123,125**	**538,698,021**
Current liabilities					
Trade payables	17	86,443,301	6,886,833	93,330,134	68,515,720
Current Portion of inte.be. lia.	14	89,793,352	263,964	90,057,316	93,227,052
Current accounts – H/O		-	693,067,398	693,067,398	-
Cash & cash equivalents	13	28,582,684	69,914	28,652,598	52,899,679
		204,819,337	**700,288,109**	**905,107,446**	**214,642,451**
Total liabilities		**705,245,527**	**718,985,044**	**1,424,230,571**	**753,340,472**
Total equity and liabilities		**3,208,795,819**	**15,776,619**	**3,224,572,438**	**2,408,814,104**

Figures in brackets indicate deductions.

The accounting policies and notes to the financial statements from pages 30 to 38form an integral part of these Financial Statements.

Signed,

M.G.A.T.R.Jayathilaka

Accountant

The Directors are responsible for the fair preparation &presentation of Financial Statements. Signed for and on behalf of the Board,

Signed,	***Signed,***	***Signed,***
W.D.Janaka	**S.AbdeenEhiya**	**H.AhamedBhaila**
Director	**Managing Director**	**Chairman**

28th April 2016

SRI LANKA CEMENT CORPORATION

Statement of consolidated changers in equity

For the year ended 31 December 2015

	Balance as at 01.01.2014	Year, 2014	**Balance as at 31.12.2014**	This year (2015)	**Balance as at 31.12.2015**
Capital Contributed	966,971,845	-	966,971,845	-	966,971,845
General Reserves	9,996,952	-	9,996,952	-	9,996,952
Revaluation Reserves	713,619,419	-	713,619,419	-	713,619,419
Retained Profit	347,108,518	(13,792,672)	333,315,846	4,344,848	337,660,694
Available for sales reserves	(411,775,186)	43,344,756	(368,430,430)	140,870,459	(227,559,971)
Total	**1,625,921,548**	**29,552,084**	**1,655,473,632**	**145,215,307**	**1,800,688,939**

Figures in brackets indicate deductions.

The accounting policies and notes to the financial statements from pages 30 to 38form an integral part of these Financial Statements.

SRI LANKA CEMENT CORPORATION

Statement of cash flow

For the year ended 31 December 2015

	Notes	2015 SLCC Rs.	2014 SLCC Rs.
Cash flows from operating activities			
Profit/(loss) for the year		4,344,848	(14,490,896)
Adjustments for non-cash income and expenses:			
Depreciation of property, plant and equipment	**08**	1,457,422	1,447,247
Gratuity provision		923,388	1,733,061
Pre-year adjustments, KCW		(347,072)	-
Interest on deposits		(2,269,769)	(2,402,466)
Cash flow included in investing activities:		**4,108,817**	**(13,713,054)**
Changes in operating assets and liabilities			
Decrease (increase) in current account			
Decrease (increase) in inventories	**11**	9,752,318	20,091,178
Decrease (increase) in trade and other receivables	**12**	15,696,056	(4,702,098)
Increase (decrease) in trade payables	**17**	24,814,415	(16,708,691)
		50,262,789	**(1,319,611)**
Less :			
Gratuity paid	**16**	(1,620,278)	(629,664)
Net cash from operating activities		**52,751,329**	**(15,662,329)**
Cash flows from investing activities			
Purchases of equipment	**08**	(18,180)	(161,972)
Invested into investment		228,973	2,402,466
Net cash used in investing activities		**210,793**	**2,240,494**
Cash flows from financing activities			
Loan obtained & repayments		5,018,545	(10,579,664)
Long term payables paid		(26,627,756)	-
Lease repayments		(438,531)	(1,998,152)
Net cash used in financing activities		**(22,047,742)**	**(12,577,816)**
Net increase (decrease) in cash and cash equivalents		30,914,380	(25,999,651)
Cash and cash equivalents at beginning of year	**13 & 14**	(50,823,524)	(24,823,873)
		-	-
Cash and cash equivalents at end of year		**(19,909,144)**	**(50,823,524)**

Figures in brackets indicate deductions.

The accounting policies and notes to the financial statements from pages 30 to 38 form an integral part of these Financial Statements.

SRI LANKA CEMENT CORPORATION
Accounting policies and explanatory notes to the financial statements
For the year ended 31 December2015

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.

The address of its head office of business is No.130,W.A.D.RamanayakaMawatha,Colombo 02.
In the year 2015, the address of head office was change as No.27, Vauxhall Mansion, Vauxhall Street, Colombo 02.
The current principal activities are the import & sales the bags of ordinary Portland cement and manufacturing & sales of concrete products.
The immediate and ultimate holding company of Lanka Cement PLC is Sri Lanka Cement Corporation.

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

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.

Lanka Cement Limited is control and monitoring by same management. up to 25.02 2016.

Investments in associates are accounted for at market value and the dereference between cost of investment & market value as at ended of the year charged as other comprehensive income/(expense) to available for sales reserve.
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.

2.03 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) 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.

b) Rendering of Services

Revenue from rendering of services is recognized by reference to the stage of completion, determined by taking into accounts the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliability, revenue is recognized only to the extent of expenses incurred that are recoverable.

c) Interest

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

d) Others

Other income is recognized on an accrual basis.

2.04 Government Grants

Revenue nature grants and subsidies

Grants and subsidies that compensate the Organization for expenses incurred are recognized as revenue in the statement of comprehensive income on a systematic basis in the period in which the expenses are recognized.

2.05Borrowing costs

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

2.06Income tax

Income tax expense represents the aggregate amount including in the determination of profit/ (loss) for the period, adjustments and appropriate income tax rate related to it.

The tax currently payable is based on income tax expense for the year and Receivables from Economic Service Charges paid& income tax payments.

2.07Property, 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:

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.

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

2.08Investment 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 process is completed.

B.Land at Kollupitiya

We are making arrangement to lease out the land for the period of 99 years to a foreign investor as per the recommendation of Standing Cabinet Appointed Review Committee (SCARC).

2.09Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognized as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2.10Inventories

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.

2.11Trade 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.

2.12Trade 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.

2.13Bank loans and overdrafts

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

Accounting policies and explanatory notes to the financial statements

For the year ended 31 December 2015

		2015	2015	2015	2014
		H/O	KCW	SLCC	SLCC
		Rs.	Rs.	Rs.	Rs.
03.	**Revenue**				
	Sales of cement	37,872,483	-	37,872,483	273,160,258
	Sales of concrete poles	-	2,698,320	2,698,320	12,497,501
		37,872,483	**2,698,320**	**40,570,803**	**285,657,759**
04.	**Other income**				
	Lease of quarry land	26,664,825	-	26,664,825	26,590,711
	Interest on deposits	2,040,796	-	2,040,796	2,180,974
	Interest on employees loans	-	228,973	228,973	221,492
	Sundries	278,528	40,683	319,211	4,337,571
	Exchange gain	2,727,000	-	2,727,000	-
	Rent from Premises	-	-	-	121,000
	Tipper Hiring Charges	-	-	-	82,680
	Treasury grants for salary	5,884,732	5,813,468	11,698,200	-
	Gain on written-off balances	16,364,453	-	16,364,453	-
	Reimbursement of salary	-	-	-	698,224
		53,960,334	**6,083,124**	**60,043,458**	**34,232,652**
05.	**Finance costs**				
	Bank Overdraft interest	4,371,107	-	4,371,107	4,859,705
	Hyper loan interest	8,429,483	-	8,429,483	11,997,994
	Term loan interest - ital	2,470,738	-	2,470,738	3,497,635
	Lease interest	63,079	-	63,079	286,862
		15,334,406	**-**	**15,334,406**	**20,642,196**
06.	**Profit/(Loss) before tax**				
	The following items have been recognized as expenses in determining profit / (loss) before tax :				
	Staff costs	15,155,109	5,326,184	20,481,293	16,206,609
	Directors remunerations	2,498,291	-	2,498,291	2,122,678
	Depreciation	1,307,881	149,542	1,457,423	1,442,871
	Audit Fees	120,000	-	120,000	120,000
	Loss in Stock	44,407	-	44,407	249,376
	Gratuity provision	393,783	529,605	923,388	1,733,061

7.0 Restatements for the year ended 31/12/ 2014

Effect for the statement of comprehensive income & retained earnings

Sri Lanka Cement Corporation

Retained earnings as previously reported	(80,974,287)
Effect of restatement	(45,859,703)
Retained earnings as restated	**(35,114,584)**

08. Property, plant & equipment – Sri Lanka Cement Corporation

Cost	Balance as at 01.01.2015	Additions during the year	Disposals during the year	Balance as at 31.12.2015
Land & Building	775,295,981	-	-	775,295,981
Motor Vehicles	15,392,480	-	-	15,392,480
Furniture, fixture & fitting	5,512,601	-	-	5,512,601
Tools & Mobile equipment	1,176,218	18,180	-	1,194,398
	797,377,280	**18,180**	**-**	**797,395,460**

Depreciation	Balance as at 01.01.2015	Charges during the year	Disposals during the year	Balance as at 31.12.2015
Land & Building	280,987	26,412	-	307,399
Motor Vehicles	11,519,408	1,183,779	-	12,703,186
Furniture, fixture & fitting	5,145,390	216,702	-	5,362,092
Tools & Mobile equipment	1,114,311	30,530	-	1,144,841
	18,060,096	**1,457,423**	**-**	**19,517,518**
Net book value	**779,317,184**			**777,877,942**

08.1 Property, plant & equipment –Head office

Cost	Balance as at 01.01.2015	Additions during the year	Disposals during the year	Balance as at 31.12.2015
Land & Building	774,900,000	-	-	774,900,000
Motor Vehicles	8,492,060	-	-	8,492,060
Furniture, fixture & fitting	4,207,717	-	-	4,207,717
Tools & Mobile equipment	267,430	7,400	-	274,830
	787,867,207	**7,400**	**-**	**787,874,607**

Depreciation	Balance as at 31.12.2015	Charges during the year	Disposals during the year	Balance as at 31.12.2015
Land & Building	-	-	-	-
Motor Vehicles	4,956,109	1,071,429	-	6,027,537
Furniture, fixture & fitting	3,840,506	216,702	-	4,057,208
Tools & Mobile equipment	223,723	19,750	-	243,473
	9,020,338	**1,307,881**	**-**	**10,328,218**
Net book value	**778,846,869**			**777,546,389**

08.2 Property, plant & equipment – K.C.W.

Cost	Balance as at 01.01.2015	Additions during the year	Disposals during the year	Balance as at 31.12.2015
Land & Building	395,981	-	-	395,981
Motor Vehicles	6,900,420	-	-	6,900,420
Furniture, fixture & fitting	1,304,884	-	-	1,304,884
Tools & Mobile equipment	908,788	10,780	-	919,568
	9,510,073	**10,780**	**-**	**9,520,853**

Depreciation	Balance as at 31.12.2015	Charges during the year	Disposals during the year	Balance as at 31.12.2015
Land & Building	280,987	26,412	-	307,399
Motor Vehicles	6,563,299	112,350	-	6,675,649
Furniture, fixture & fitting	1,304,884	-	-	1,304,884
Tools & Mobile equipment	890,588	10,780	-	901,368
	9,039,785	**149,542**	**-**	**9,189,300**
Net book value	**470,315**			**331,553**

Cont………………..

Under the mortgage bond no.2426 , the land at 287, Galle Road, Colombo-02 has been mortgaged to get series of loan facility of Rs.172,000,000 on 25th Feb. 2008.This Land value include in Land & building.

In 2013, We have taken action to revalue the Land at Kollupitiyaand recorded the same at Financial Statement, 2013.

In 2013, the forest land of 221 acres situated at Palavi,Puttalam is identified as a land belongs to us and included the value for 152 acres in the Financial Statement, 2013.

Sri Lanka Cement Corporation has totally 751 acres land available at Kankesanturai but not recorded in our Financial Statements. Out of this, there is 231 acres land under the Plan No. A 2099 as state land and the balance land acquired by us in 1964 after compensation paid to the previous owners under the Land Acquisition Act No 40,012, 1964.

In further, the land situated at TaplePattu of Galle District, Southern Province, Containing in extent six acres.

	2015 H/O Rs.	2015 KCW Rs.	2015 SLCC Rs.	2014 SLCC Rs.
09. Long term receivables				
Short term & Long term loan for formation of L.C.L	424,169,977	-	424,169,977	424,169,977
Internal transaction between L.C.L. And SLCC until the closure of the both factories	333,053,906	-	333,053,906	333,053,906
	757,223,883	**-**	**757,223,883**	**757,223,883**

SRI LANKA CEMENT CORPORATION

Accounting policies and explanatory notes to the financial statements

As at 31st December, 2015

		2015	2015	2015	2014
		H/O	**KCW**	**SLCC**	**SLCC**
10.	**Investments**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Treasury bills	35,469,020	-	35,469,020	33,428,224
	Investment in subsidiary & others				
	Subsidiary - Lanka Cement Ltd. (PLC)	856,058,939	-	856,058,939	715,188,480
	Lafarge Cement Co. Ltd. (Pvt)	6,400,000	-	6,400,000	6,400,000
		897,927,959	**-**	**897,927,959**	**755,016,704**
11.	**Inventories**				
	Stock of Raw material and Work in Progress for concrete production	-	995,914	995,914	1,028,421
	Stock of finished goods of concrete poles etc.	-	5,108,770	5,108,770	4,435,235
	Stock of Cement	3,075,850	-	3,075,850	13,469,196
		3,075,850	**6,104,684**	**9,180,534**	**18,932,852**
12.	**Trade and other receivables**				
	Trade debtors	49,761,503	2,745,321	52,506,824	66,249,030
	Rent receivable	1,965,636	-	1,965,636	1,965,636
	Mahaweli marine cement (Pvt) Ltd	-	-	-	2,816,000
	Advance payment - local orders	1,108,322	39,600	1,147,922	2,547,922
	Deposit receivables	2,442,379	854,438	3,296,817	4,331,149
	Staff loan	1,020	2,279,855	2,280,875	5,270,475
	Pre-paid expenses	407,382	-	407,382	351,784
	Lanka Cement receivables	268,430	-	268,430	268,430
	Sundry advance	245,947	-	245,947	173,521
	Receivables from treasury bills	48,000	-	48,000	48,000
	VAT receivables	11,294,485	-	11,294,485	4,281,739
	ESC receivables	3,120,284	-	3,120,284	3,093,025
	Withholding tax receivables	-	2,748,462	2,748,462	2,748,462
	Other receivables	547,500	-	547,500	1,261,667
	NHDA receivable	-	672,706	672,706	672,706
	NEMO receivables	-	-	-	57,780
	Receivable from Holcim Lanka	-	-	-	110,000
		71,210,888	**9,340,382**	**80,551,270**	**96,247,326**
13.	**Cash & cash equivalents**				
	Cash at bank	8,743,453	-	8,743,453	2,076,155
	Cash in hand	-	-	-	-
		8,743,453	**-**	**8,743,453**	**2,076,155**
14.	**Interest bearing liabilities**				
	Bank overdraft				
	People's Bank	-	69,915	69,915	374,125
	Bank of Ceylon	28,582,684	-	28,582,684	52,525,554
	Commercial Bank	-	-	-	-
		28,582,684	**69,915**	**28,652,598**	**52,899,679**

	Payable within one year	**Payable after one year**	**Balance as at 31.12.2015**	**Balance as at 31.12.2014**
Lease creditor				
Lease creditor	267,818	-	267,818	790,382
Interest in suspense	(3,854)	-	(3,854)	(87,887)
	263,964	**-**	**263,964**	**702,495**

Accounting policies and explanatory notes to the consolidated financial statements
As at 31 December 2015

Conti…………….

Bank loan	Payable within one year	Payable after one Year	Balance as at 31.12.2015	Balance as at 31.12.2014
Loan-BOC bank 74129310	16,000,000	8,000,000	24,000,000	24,366,017
Loan-BOC bank - import of cements	56,293,352	-	56,293,352	47,408,790
Loan- BOC Bank	17,500,000	-	17,500,000	21,000,000
	89,793,352	**8,000,000**	**97,793,352**	**92,774,807**
Total	**90,057,316**	**8,000,000**	**98,057,316**	**93,477,302**

	2015 H/O Rs.	2015 KCW Rs.	2015 SLCC Rs.	2014 SLCC Rs.
15. Long term payables				
HLL advance	-	-	-	26,627,756
Treasury advance	492,426,190	-	492,426,190	492,426,190
	492,426,190	**-**	**492,426,190**	**519,053,946**
16. Retirement benefit obligation				
Opening Balance of Provision	-	19,393,825	19,393,825	18,290,428
Payment made during the year	-	(1,620,278)	(1,620,278)	(629,663)
Balance provision available as at end	-	17,773,547	17,773,547	17,660,765
Provision for the year	-	923,388	923,388	1,733,060
Provision entitlement as at end	**-**	**18,696,935**	**18,696,935**	**19,393,825**
17. Trade payables				
Trade creditors	754,320	3,235,608	3,989,928	4,051,836
Advance for cements	1,079,410	-	1,079,410	1,079,410
Accrued expenses	4,251,790	7,858	4,259,648	6,620,346
Rent payables	9,088,874	347,500	9,436,374	9,405,952
B.T.T.payables	-	-	-	7,101,932
Deposit payables	1,468,700	31,926	1,500,626	1,500,629
ESC payable	1,764,335	-	1,764,335	497,448
HLL advance	26,851,358	-	26,851,358	6,628,208
Kataragama Housing Project payable	-	-	-	5,882,831
NBT payable	11,317,452	230,811	11,548,263	5,002,459
Payroll control account	199,082	3,087	202,169	195,120
EPF payable	2,756	312,601	315,357	351,396
ETF payable	376	42,628	43,004	47,918
Sales commission payable	-	-	-	6,767,700
PAYE tax payables	44,988	-	44,988	23,683
VAT payable	18,392,928	2,674,814	21,067,742	13,358,852
Loan interest payables	11,226,932	-	11,226,932	-
	86,443,301	**6,886,833**	**93,330,134**	**68,515,720**

18. Approval of financial statements

These financial statements were presented to board of directors for approval and authorization for issue on 28th April, 2016.

Directors' comments to the audit report issued by Auditor General's Department to the financial statements of the Sri Lanka Cement Corporation for the year ended 31st December 2015.

2. Financial statement

2.2 Comments on financial statements

2.2.1 Consolidated Financial Statements

The corporation has delay to prepared Consolidated Financial Statements for 2015 due to the frailer of presenting the Financial Statements by the subsidiary company of Lanka Cement PLC until April, 2016.

However, the corporation has prepared the Consolidated Financial Statements for 2015after receiving the Financial Statements from Lanka Cement PLC in December, 2016.

2.2.2 Sri Lanka Accounting Standards

a. We accept the comment. We have already taken action to disposed two motor cycles and cab in July, 2016.

b. The corporation has not taken the valuation for the land at Kankasanthurei received in 1964 due to that land under the Sri Lanka Army protection.

The valuation has already done for the land at Puttalam and the Valuation Department sent the invoice for valuation as per the fees of Rs.22, 985,800/-. The corporation has not financial arrangement to pay this amount now but we will take the action to discuss with Valuation Department and get in to the account.

2.2.3 Accounting Deficiencies

a. We did not agree with this comment. The bank issued the balance confirmation letter to us on 14.03.2016 without accrued interest for the accounts. After that we got the correct balance confirmation letter on 04.04.2016 and submitted it to the auditors.

b. The debit balance of Rs. 3,388,010/- and credit balance of Rs. 19,752,464/- have been recorded in the ledger accounts correctly. There is an error in journal notes only and we correct these errors.

The amount of Rs. 1,728,000 received in 2015 as a Dividend for 2014. After that we adjusted this amount to opening balance of retained earning.

c. The land at Mannar district comprises 204 acres owned by the Sri Lanka Cement Corporation. We have folios of the land and will find out applicable Gazette to ensure the right of ownership.

d.e. & f.The Corrected cash flow statement submitted to audit section in 31.08.2016. The copy attached herewith.

g. The provisions made as audit fees in every year in the Financial Statement and we will be correctly recorded the audit fees payable in 2016 accounts.

f. We separately prepared and included this ledger account to the General ledger in 2015 due to the technical error in accounting software and we already present both of General ledger and accounting software to the auditors.

However, we had been correct this technical error in the accounting software.

Conti.......

Directors' comments to the audit report issued by Auditor General's Department to the financial statements of the Sri Lanka Cement Corporation for the year ended 31st December 2015.

2.2.4 Unexplained differences

a. The difference is shown in sundry advance account since 2012. We will take action to correct this account in future.

b These unrecognized transactions recognize in this year and adjust these balances to the accounts as effect for the opening balances in 2015.

c. We will correct this in future after the recognition.

d. Difference of Rs. 1,548,089 of bank current account which brought forward before 2009. It will be correct in future.

2.2.5 Receivable and payable balances

a. We have already appointed the special committee to check and get the action to collect these receivable balances.

b. We will take action to settle these payable balances after stabilizing financial conditions in the organisation.

2.2.6 Lack of evidence for Audit

a. Property, plant & equipment – A fixed asset register already present to auditors.

b. Vehicle, furniture, equipment, communication equipment and closing stock – The survey report for 2015 prepared and got the approvals from the board of directors. We will take action to present it to the auditors.

c. Long term liabilities- The related documents are submitted to auditors.

2.2.7 Non- compliances with laws, rules, regulations and management decision

a. We make arrangement to settle the amount of NBT payable in installment basis.

b. Financial Regulations of the Democratic Socialist Republic of Sri Lanka;

i. We will take action to present it to the auditors.issue the sundry advance as per guidelines in financial regulations.

ii. We cancel these expired cheques according to financial regulations and correctly recorded it in the accounts.

iii. The inventory list will be maintained in future.

iv. Action has been taking to appoint board of survey since 2016.

v. The Survey Report for the year 2015 submitted to the Board of Directorget the approval for it. We will take action to present it to the auditors.

Conti.......

Directors' comments to the audit report issued by Auditor General's Department to the financial statements of the Sri Lanka Cement Corporation for the year ended 31st December 2015.

c. Public Enterprises Circular No.PED/12 dated 02nd June, 2003 ;

i. The Corporate Plan and Budget already submitted to the applicable agencies and we provide the instructions to submit these documents within the time line.

ii. The vehicle no. WP- PP9585 already takeover from the Ministry of State Resources and Enterprise Development in 2014.There is no such release will be done in future.

d. These vehicles were disposed in 2016.

2.2.8 Transactions had not confirmed adequate authority

a. The payment has been made with an approval of chairmen. There is no this kind of payments will be done in future.

b. The Journals will be signed by an authorized officer to avoid such incident in future.

c. We will take action to get information from the Board of investment through our ministry of Industry and commerce.

3 Financial reviews

3.1 Financial results

We expect to utilize the corporation's resources effectively and maintain the favorable financial position in the organization.

3.2 Analytical financial reviews

a. The lands are the main asset in the corporation and that will be utilized for suitable development projects through intervention from our ministry and will be stabilized the liquidity position of the organization.

b. The importation of cement was decreased due to the un-favorable financial situation. And, sales income was drop as a result of that.

4. Operating review

4.1 Performances

a. We accept the comment.

b. The Corporate Plan and Action Plan will be prepared further to compare with Performance Report easily.

c. &d. We accept the comment.

e. All employees in K.C.W. retired on 31.07.2016 under the Voluntary Retirement Scheme. And we will take action to close down this concrete yard in this year.

Conti.......

Directors' comments to the audit report issued by Auditor General's Department to the financial statements of the Sri Lanka Cement Corporation for the year ended 31st December 2015.

f. We accept the comment.

g. The new cement packaging plant planned to start at Muthurajawela and it will be stop due to lack of finance and difficulties of acquire the land.

4.2 Management Activities

a. After the discussions had with the private company they present their proposal regarding the amendment of lease rental to us. We send it to our Ministry of Industry and Commerce for further action.

b.The amount of acres in manner, pulliyadihi land should be corrected as 204 and looking for illegal residence in that area.

c. Our Ministry of Industry and Commerce look for the suitable investor for the land at Kollupitiya to implement development project with the Cabinet approvals and other necessary approvals.

d. Tsunami Houses were constructed by Divisional Secretariat without approval of Corporation, and also we expect to get appropriate amount of compensation.

e. Regarding on this illegal residents, a case has been filed under the Puttalam Court Case No. B.R.232.

4.3 idle and under-utilized assets

We accept the comment.

4.4 Uneconomic Transactions

a. The production was stop in that company from 1990, due to war situation in the country and observed later there is lose incurred continuously.

b.We accept the comment.

4.5 personnel administrations

a. We have vacancies compare with the approved carder and actual number of employees but we are unable to fill vacancies despite the adverse financial condition.

b The investigation have been continued by the Criminal Investigation Department.

c. There was impossible to appoint the sale officer due to financial situation in 2015. After the introduced Voluntary Retirement Scheme the carder limited to 14 employees. We will take action to appoint sale officer after receiving the approval for new carder.

d. Although the decrease of 15 employees from 2011 to 2015, the rest of the employee's salary adaptations according to the budget proposals and annual increment have been lead to incurred increase of cost of employees.

Conti.......

Directors' comments to the audit report issued by Auditor General's Department to the financial statements of the Sri Lanka Cement Corporation for the year ended 31st December 2015.

5. Accountability and Good Governance

5.1 Submit of Financial Statements

We send requests to Lanka Cement PLC to get financial statements for 2015 for prepared consolidated financial statements but, it was received to us in December, 2016.

However, the corporation has prepared the Consolidated Financial Statements for 2015.

5.2 Action Plan

a. The Action plan will be prepared according to the good governance Circulars with Section 5.1.2 in future.

b. The Performance Reports will be prepared on a quarterly basis and it will be presented to respective institutes after getting approval from the Board of Directors.

5.3 Internal Audit

a. and b. There are no adequate employees to cover all sections.

5.4 Audit Committee

In 2015, the Board of Directors has been changed; the treasury representative appoint as a Chairmen of Audit Committee and that time the Chairmen of Audit Committee has been resigned and cause of delay in the appointment of a new representative.

5.5 Unresolved Audit paragraphs

We avoid these errors in future and we already appoint the special committee to find out and recover these receivables.

6. Systems and controls

a. Financial control – We give the instructions to pay taxes on time. Currently, the Corporation has not capacity to pay bank loan and we get the decision to settle the bank liabilities with the receivable balance of rentals from Ceylon Petroleum Storage Terminals Limited for using oil tanks at Kankasanturei owned by us.

b. Fixed Assets control – We already prepared Fixed Assets register and appoint committee for board of server for the year 2016.

c. Stores control – We maintain our stocks under the "First in First out" system and keep the books properly.

d. Debtors and creditors' control - We already appoint the special committee to find out and recover these receivables. We issue cement only to the government organizations under the tender precede in credit terms.