SRI LANKA CEMENT CORPORATION

ANNUAL REPORT AND ACCOUNTS

2016

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

20.07.2018

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

Dear Sir,

SRI LANKA CEMENT CORPORATION
FINANCIAL STATEMENTS FOR THE YEAR, 2016

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, 2016 together with the following documents.

a). Financial Statement for the year, 2016
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,
REYAAZ S. SALLEY,
CHAIRMAN

SRI LANKA CEMENT CORPORATION

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SRI LANKA CEMENT CORPORATION

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2016

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 responsibility of the Corporation is to ensure the recommencement of the Kankesan Cement Works. In this regard several efforts have been made over the years 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.

And, process the development projects for Lands at Kollupitiya, Mannar , Palavi and Aruwakkalu belongings to us.

MAIN ACTIVATES

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 Limited in 1981 and holds 62.45% of the Share Capital. The par value of the share is Rs.10/=. However, the share price has sharply increased during the year 2009 and 2010 due to the ending of the crises situation in the North. The maximum market price of the share has gone as Rs.34.75 and 2011 market price of the share has come down as Rs.26.20. The market value was Rs.7.90 at the month of December, 2015 and in 2016, the market value per share degraded to Rs.5.70/-.The Corporation has not been benefited from this investment. The Sri Lanka Cement Corporation and Lanka Cement PLC had been control and monitoring by same Board of Directors from April, 2010 to 25th February, 2016. Now, their control & monitoring by separate managements.

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. We received Rs.1,728,000/- in year 2015, 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. Until, the factory premises have been in the Sri Lanka Army supervision.

Sri Lanka Cement Corporation had been faced huge crisis to pay salary & allowances to their employees and the Treasury paid the salaries of the lay-by employees of the Kankesan Cement Works up to March 2001. After that, the Government had introduced a Voluntary Retirement Scheme in 2003 and 2005. There were 173 and 21 employees had left the Organization under this Voluntary Retirement Scheme in the respective years. The treasury granted Rs.49.18 Mn. and Rs.8.51 Mn. for the payment of Compensation. In 2016, the government had introduced Voluntary Retirement Scheme and 36 employees had left their service from 31.07.2016 according to that Scheme. The treasury granted Rs.31.94 Mn. as the payment of Compensation & Gratuity.

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

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 as a mission of the Organization.
From the year 2008 to 2012, we had been imported 219,559MT from M/s. D.G.Khan Cement Co. Ltd., Pakistan.

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

Sales of Cement

Year	2016	2015
Qty (MT)	4,002	2,780
Value (Rs.)	60,150,810	37,872,483

b) Manufacturing & Selling of Concrete Products

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

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

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

Sales of Concrete Products

Year	2016	2015
Concrete poles (Qty)	304	-
Fence poles (Qty)	253	391
RC colums (Qty)	169	419
Concrete blocks	46,907	54,805
Total Value (Rs.)	**4.07Mn**	**2.69Mn**

According to the circular no.02/2016, 28 nos 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 at K.C.W.Concrete yard.

13nos of permanent employees were 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 Kankasanthurei and 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.
At present, these two entities managed by separate board of directors from February, 2016.

3.0 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/-.

The total earnings of this year was Rs.64,220,735/-. Even this shows a 58.29% growth comparatively with last year. The profit before tax was Rs.32,070,027/- and profit after tax was Rs. 31,700,843/- in this year, 2016.

4.0 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 Kankesanturai in 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 projects and try to achieve the strong financial strength & continue the stability of the organization.

5.0 APPRECIATIONS

The Board of Directors sincerely thank to the Honorable Minister, Ministry of Industry & Commerce for the directives given to the Sri Lanka Cement Corporation, Officials of the Line Ministry, General Treasury, 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 2016.

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
No.27,VauxhallMension,
Vauxhall Street, Colombo 02.

Telephone Nos.: 011-2440201,2440203

Fax No. : 011-2448866

Subsidiary Registered Head Office

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

Telephone Nos. : 011-2447746, 254158

CONCRETE PROJECT, JAFFNA

Kankesan Cement Works,

Kankesanturai.

Telephone No. : 021 321 5340/41

CEMENT STORES

472, SriSangarajahMawatha,

Colombo 10.

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

CEMENT STORES

64/2, SriSangarajahMawatha,

Colombo 10.

Tel. /Fax : 0112440207

BANKERS

People's Bank

Bank of Ceylon.

Colombo-07.

AUDITORS

The Auditor General Department,

Baththaramulla.

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

The Board of Management for the years 2016 - 2018, under review consisted of the following Directors.

01. Mr.H. Ahamed Bhaila	Chairman	- Appointed on 10.12.2015
02. Mr.Reyyaz S.Salley	Chairman	- Appointed on 25.06.2018
03. Mr. S.Abdeen Ehiya	Managing Director	-Appointed on 25.02.2016
04. Mr.W.D.Janaka	Director	- Appointed on 25.02.2015
05. Mr.M.S.M.Kabeer	Director	- Appointed on 18.03.2015
06. Mr.N.M.Munawar	Director	- Appointed on 31.03.2015
07. Mr.A.Rafeek	Director	- Appointed on 30.04.2015
08. Mr.D.S.A.Costa	Treasury rep.	- Appointed on 30.10.2015
09. 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.R Jayathilaka	Accountant	Head Office
02. Mrs.E.S.Chandani	Administrative Officer	Head Office

SRI LANKA CEMENT CORPORATION

HUMAN RESOURCES AS AT 31.12.2016

CATEGORY	Senior Mgt.	Middle Mgt.	Junior Mgt.	Management Assistant	Primary Level	Total
Head Office	--	01	01	04	07	13
Kankesan Cement Works	--	--	--	--	01	01
TOTAL	--	**01**	**01**	**04**	**08**	**1**4

CHAIRMAN'S REPORT REGARDING THE PERFORMANCE OF THE ORGANIZATION.

Sri Lanka Cement Corporation functioned under the Ministry of State Resources Enterprise & Development up to February, 2015. Now, we are functioning under the Ministry of Industry & Commerce.

The organization has engaged with import and distributes Ordinary Portland Cement by head office branch continuously. After introducing Voluntary Retirement Scheme on 31.07.2016, we decided to close down concrete yard at K.C.W.

We completed the process of Voluntary Retirement Scheme with the assistance of General Treasury under the circular no.02/2016 on 31.07.2016 and 36 employees had left their service according to that scheme.

In this background, the operations of Sri Lanka Cement Corporation recorded a turnover of Rs.64.22Mn and accounting profit before comprehensive expenses of Rs.31.07Mn for the year, 2016.

And, we recorded consolidated turnover of Rs.174.08Mn and consolidated accounting profit before comprehensive expenses of Rs.21.02Mn for the year, 2016 with our subsidiary company of Lanka Cement PLC.

However, we continue our operations with 14 permanent employees from the date of 01st Aug., 2016. We are hopeful that the next financial year we will see a new development projects to our lands and other assets. We expect that these projects will bring long term benefits to the organization.

However, we attempt to achieve stability and efficiency situation to the organization doing the business from this year.

Signed,
HUSSEIN AHAMED BHAILA
Chairman
Sri Lanka Cement Corporation

SRI LANKA CEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at year ended 31 December, 2012-2016

			Restated		
	2016	**2015**	**2014**	**2013**	**2012**
ASSETS	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Non-current assets					
Property, plant & equipment	3,887	4,173	779,317	779,486	608,596
Investment properties	773,700	773,700	-	-	-
Long term receivables	-	757,224	757,224	757,223	757,223
Investments	624,063	862,458	721,589	678,244	1,090,019
Financial assets	5,162	35,469	33,428	31,247	28,280
	1,406,812	**2,433,024**	**2,291,558**	**2,246,200**	**2,484,119**
Current assets					
Inventories	3,099	8,594	18,933	39,024	19,739
Trade & other receivables	89,212	80,551	96,247	89,549	84,242
Pre-payments	-	-	-	261	244
Cash & cash equivalents	13,687	8,743	2,076	3,592	4,201
	105,998	**97,838**	**117,256**	**132,426**	**108,426**
TOTAL ASSETS	**1,512,810**	**2,530,863**	**2,408,814**	**2,378,626**	**2,592,545**
EQUITY & LIABILITIES					
Equity					
Stated capital	966,971	966,971	966,971	966,971	966,972
General reserves	9,997	9,997	9,997	9,997	9,997
Revaluation reserves	536,119	536,119	713,619	713,619	536,119
Retained earing	(210,289)	515,234	333,315	(66,820)	357,783
Available for sales reserves	(465,956)	(227,560)	(368,430)	-	-
	836,842	**1,800,761**	**1,655,474**	**1,623,767**	**1,870,871**
Non-current liabilities					
Long term liabilities	492,426	500,426	519,303	543,914	578,543
Retirement benefit obligation	3,298	18,697	19,394	18,290	17,952
	495,724	**519,123**	**538,698**	**562,204**	**596,495**
Current liabilities					
Trade & other payables	46,502	81,305	93,227	85,224	96,195
Current position of interest bearing liabilities	97,793	101,020	68,515	79,015	2,068
Bank loan interest payable	21,768	-	-	-	-
Cash & cash equivalents	14,181	28,653	52,900	28,416	26,916
	180,244	**210,978**	**214,642**	**192,655**	**125,179**
TOTAL EQUITY & LIABILITIES	**1,512,810**	**2,530,863**	**2,408,814**	**2,378,626**	**2,592,545**

Figures in brackets indicate deductions.

SRI LANKA CEMENT CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2012-2016

	2016	Restated 2015	2014	2013	2012
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Income	64,221	40,571	285,657	287,913	365,333
Costs of sales	(66,525)	(50,781)	(280,878)	(272,178)	(374,016)
Gross profit/(loss)	**(2,304)**	**(10,211)**	**4,779**	**15,735**	**(8,683)**
Other income	91,542	60,043	34,233	34,885	32,751
Distribution costs	(292)	(1,198)	(2,951)	(6,670)	(4,906)
Administrative costs	(41,172)	(30,461)	(29,211)	(448,079)	(78,899)
Financial costs	(15,704)	(15,334)	(20,642)	(20,474)	(15,362)
Profit/(loss) before Other comprehensive income/(expense)	**32,070**	**2,839**	**(13,793)**	**(424,603)**	**(75,099)**
Other comprehensive income/(expense)					
Gain/(loss) on financial assets	(995,620)	140,870	43,345	-	-
Profit/(loss) before tax	**(963,550)**	**143,709**	**(29,552)**	**(424,603)**	**(75,099)**
Taxation	(369)	(255)	-	-	-
Profit/(loss) after tax	**(963,181)**	**143,454**	**(29,552)**	**(424,603)**	**(75,099)**

Figures in brackets indicate deductions.

Audit Committee Report -2016

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

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

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

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

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

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

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

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

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

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

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය
எனது இல.
My No. TCM/A/SLCC/37/2016/FA

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date 28 January 2018

The Chairman,
Sri Lanka Cement Corporation

Report of the Auditor General on the Consolidated Financial Statements of Sri Lanka Cement Corporation, and its subsidiary- Lanka Cement Company Ltd for the year ended 31 December 2016 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 , and its subsidiary - Lanka Cement Company Ltd for the year ended 31 December 2016 comprising the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 the 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 issued to the Chairman of the Corporation on 11 October 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.

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

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).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraphs 2.2.1 and 2.2.2 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 – Group

Because of the significance of the matters described in paragraph 2.2.1 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.

Disclaimer of Opinion – Corporation

Because of the significance of the matters described in paragraph 2.2.2 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 of the Group

2.2.1 Going Concern of the Group

The capital of the Cement Corporation was Rs. 967 million, whereas the accumulated loss amounted to Rs. 676 million. Although the going concern of the Corporation had not been affected, an accumulated loss of Rs. 3,045 million had incurred as per the consolidated statement of changes in equity due to continuous losses incurred by the Corporation, whereas the capital amounted to Rs. 2,702 million. Accordingly, it was observed that 112.7 per cent of the share capital had been eroded. It was observed that the going concern of the Lanka Cement Company Ltd was uncertain without the assistance of the Treasury due to that reason.

2.2.2 Comments on the Financial Statements of the Corporation

2.2.2.1 Sri Lanka Accounting Standards

Sri Lanka Accounting Standard 37

Even though sufficient information on contingent liabilities of the Institution should be disclosed through financial statements in terms of Section 86 of the Standard, action had not been taken in terms of the Standard relating to 15 lawsuits that are being tried in the Court as at 31 December 2016 by the Corporation.

2.2.2.2 Accounting Deficiencies

The following observations are made.

(a) The gross loss of the year had been decreased by that value on noting the gross sales values including the Nation Building Tax totalling Rs.600,360 in noting the cement sales value in the year under review in financial statements.

(b) A land located in Puttalam belonging to the Cement Corporation had been rented to the Holcim Lanka Company and, the rent agreement period was from May in the relevant year to June in the next year. As such, the rent income in the year 2016 had been noted a sum of Rs.50,416 less than its value on accounting to cash basis the rent income amounting to Rs.121,000 received for the years 2015/2016 as an income in the year 2015 and, an income receivable amounting to Rs.70,584 from June to December in the year under review had not been brought to account.

(c) A sum of Rs.31,900 of the value amounting to Rs.321,900 receivable from a private institution as entrance fees to the premises for technical studies relating to the limestone deposit in the land in Aruwakkalu, Puttalam are receivables for the Value Added Tax and even the receivables on the Value Added Tax had been brought to account as Miscellaneous Income.

(d) Even though the sum of Rs.1,065,027 that could not be brought forward of the economic service fees paid in the year 2012 should be debited to the Retained Profit Account, the surplus of the year had been understated by that amount due to debiting it to the statement of comprehensive income by the Corporation.

(e) The oil tanks belonging to the Corporation had been given to the Ceylon Petroleum Storage Terminals Limited on lease basis in the year 2010. As such, the lease amount recoverable to the Corporation from the year 2010 to the year 2015 had been a sum of Rs.84.6 million. Those income receivables had not been brought to account and, action had not been taken to recover those income even by the end of the year under review.

(f) Even though the ownership of the Oil Tanks Complex and the land in Kankasanthurai belonging to the Corporation had been confirmed in writing, these assets had not been included in the statement of financial position since the year 1989.

(g) Even though only 152 acres in extent of the land 221 acres in extent in Palawi in the Puttalam District belonging to the Corporation had been estimated and had been brought to account, the remaining 69 acres in extent had not been estimated and had not been brought to account.

2.2.2.3 Unexplained Differences

Even though a balance amounting to Rs.2,654,122 remained as at 31 December 2016 according to the Cash Book maintained using computers for a Current Account maintained for the Institution, a difference of Rs.1,548,090 observed on that balance being a sum of Rs.1,106,032 according to the hand- written Cash Book. The financial statements had been prepared based on the balance of the computerized Cash Book without taking action to identify and settle that difference remaining from the year 2008.

2.2.2.4 Lack of Evidence for Audit

The following Items of Accounts shown in the financial statements could not be satisfactorily vouched or accepted due to non- submission of evidence for audit indicated against each Item of Account.

Item of Account	Value	Evidence not made Available
	Rs.	
Bank Loans	56,293,352	Loan Documents and Schedules
Receivable Deposits	859,437	Letters of Confirmation of Balance

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Trade and other receivable balances as at 31 December 2016 had been a sum of Rs.89,212,053 and, there were balances amounting to Rs.11,010,343 ranging from 1 to 3 years and amounting to Rs.57,988,878 which had lapsed over 3 years in those balances. Action had not been taken to recover those arrears balances.

(b) Payable trade balances as at 31 December 2016 had been a sum of Rs.46,502,068 and, there were balances amounting to Rs.13,180,262 ranging from 1 year to 3 years and amounting to Rs.30,086,483 which had lapsed over 3 years in those balances. Action had not been taken to settle those balances.

(c) A short- term loan had been obtained from a State Bank by putting a land belonging to the Corporation under security on the basis of making payments within 02 months in 13 instances in the years 2014 and 2015 by the Corporation. Even though the payments of this loan should be completed by 15 September 2015, a total sum of Rs.56,293,352 remained payable as at 31 December 2016.

(d) The Corporation had to pay interests for interest as well on not properly making the payment of installments and interests for the bank loans obtained by the Corporation. As such, bank loans obtained in the prior year and the total of the interest relating thereto amounting to Rs.42,000,000 had been transferred to a short- term Loan Account on the decisions of the Board of Directors and the unsettled balance of that Loan Account as at 31 December 2016 had been a sum of Rs.17,500,000.

(e) A loan amounting to Rs.40,000,000 had been obtained in the year 2012 from a State Bank for settling a loan payable to an international company as per a decision of the Cabinet of Ministers. Even though the payment of that loan should be completed in similar 5 installments within 5 years from the year 2013, the total loan value payable out of the total loan amount had been a sum of Rs.24,000,000 on not properly making the installment payments.

2.4 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 and Regulations	Non- compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 396	Action had not been taken in terms of Financial Regulations relating to 09 cheques of which the total value being a sum of Rs.1,116,485 which had been issued but not presented for payment relating to 02 Bank Current Accounts and those cheques had been cancelled.

(b) Public Finance Circular No.PED/12 of 02 June 2003 Section 4.2..6	The Performance Reports should be reviewed by the Board of Directors every three months and even though that report should be furnished to the Department of Public Enterprises and to the Treasury 30 days before the end of the quarter, action had not been taken accordingly.
(c) Public Finance Circular No.03/2015 dated 14 July 2015	The Advances totalling Rs.1,388,569 which had been provided for miscellaneous functions had been further brought to account as advances in the financial statements without taking action to identify and settle them.
(d) Public Finance Circular No.5/2016 dated 31 March 2016	A Board of Survey had not been carried out relating to the year under review relating to the lands, buildings, furnitures and equipmenst valued at Rs.2,624,338 in the Oil Tanks Complex in Kankasanthurai, belonging to the Corporation.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the year under review had resulted in a surplus of Rs.31,700,843 as compared with the corresponding surplus of Rs.2,583,617 for the preceding year, thus indicating an improvement of Rs.29,117,226 in the year under review as compared with the preceding year. The decrease of the gross loss by a sum of Rs.7,906,665 or by 77.4 per cent and the increase of other income by a sum of Rs.31,498,348 or by 52.46 per cent had been the main reason for this improvement.

In analyzing financial results in the year under review and of 04 preceding years, it had indicated gross losses continuously from the year 2012 to the year 2014 and again, had indicated a position of net profit amounting to Rs.2,583,617 and amounting to Rs.31,700,843 respectively in the years 2015 and 2016. However, the contribution of the Corporation had taken a plus value of Rs.26,165,135 in the year 2012 after adjusting personnel emoluments, taxes paid to the government and depreciation for non- current assets again to the financial result and it had taken a minus value of Rs.338,370,664 in the year 2013. It remained a plus value in the years 2014 and 2015 and it had remained a plus value of Rs.70,978,162 in the year 2016.

4. Operating Review

4.1 Performance

Manufacturing, importing and selling cement, selling goods made of cement or manufacturing telephone and electricity cable poles, telephone boxes, water transporting equipment, Hume Pipes and tiles which include cement concrete and supplying electric energy as stocks had been the main objectives of the Corporation in terms of the Gazette Extraordinary No.11634 dated 2 January 1959.

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

(a) Even though manufacturing cement and selling and manufacturing cement related products had been the main objectives of the Corporation, the key functions of the Institution had been restricted to importing and selling cement bags and to selling concrete products by the current period with defaulting of manufacturing cement in Kankasanthurai with the condition of war remained in the past years.

(b) The Performance Report had not been prepared in a manner that the actual operation could be compared, in comparing the Performance Report with the Corporate Plan and the Action Plan relating to the year under review.

(c) Even though it had been planned to sell cement valued at Rs.107,858,978 in the year under review according to the Action Plan, only cement valued at Rs.63,030,000 had been sold according to the Performance Report on the Institution facing financial difficulties. As such, the performance achieved had been 41.56 per cent of the intended target.

(d) Even though an income amounting to Rs.2,408,000 had been earned by manufacturing and selling concrete poles and cement blocks as at 31 December of the year under review, the relevant targets had not been noted in the Action Plan.

(e) Even though the main objective of the Corporation being manufacturing and selling cement, activities such as determining the lease rent, renting for the remaining lands including Kankasanthurai and updating lease agreements had been carried out by deploying the remaining 14 employees of the Corporation and the function of paying the personnel emoluments out of that income and remitting the remaining money to the Government afterwards had been handed over to the Corporation on entrusting the custody of the clinker deposits of the country to the Corporation after restructuring in terms of the Letter No.PE/RES/VRS-1-2016 of the Additional Director General of the Department of Public Enterprises dated 02 October 2016.

4.2 Management Activities

The following observations are made.

(a) A gross loss totalling Rs.2,304,013 had been obtained in the year 2016 by selling cement and cement products of the Corporation.

(b) The land, 89.9 perches in extent located in Kollupitiya had been vested by the Corporation by the Gazette Extraordinary No.14756/7 dated 12 July 1967 and the Deed No.288. This land had been mortgaged to the Bank for obtaining loans under a maximum loan limit of Rs.172,000,000 from the Bank of Ceylon in the year 2008 and a loan amounting to Rs.97,793,352 had been obtained as at 31 December 2016. The interest payable relating thereto had been a sum of Rs.21,767,910 and, the total loan and interest payable to the Bank had been a sum of Rs.119,561,262. As such, there was a risk of settling the land by the Corporation on financial difficulties.

(c) The land, 06 acres in extent located in Kesbepana, Unawatuna in Galle purchased for a sum of Rs.1,200,000 by the Corporation had been used for the resettlement of persons affected by the Tsunami by the Divisional Secretary, Galle without the permission of the Institution. A lawsuit remained being tried in the District Court, Galle for obtaining compensation for that land.

(d) Even though it had been stated that the Oil Tanks Complex located in Kankasanthurai belonging to the Corporation had been leased to the Ceylon Petroleum Storage Terminals Limited, the Corporation had not been entered into any written agreement whatsoever either with that Company or with the Ceylon Petroleum Corporation for the year 2016 and for future years.

4.3 Idle and Underutilized Assets

The following observations are made.

(a) The land in which the Cement Factory and the Buildings Complex are located, located in Kankasanthurai had been 741 acres in extent and, 297 acres in extent out of that land had been conveyed to the Corporation by a Gazette Notification. The remaining land, 444 acres in extent and the buildings had not been estimated and, written evidence on the ownership had not been furnished to audit and, this factory, buildings and the lands remained as an idle asset under the custody of the Army in the High Security Zone from a long period of time.

(b) Steps had not been taken by the Management to utilize the land, 209 acres in extent out of the land, 221 acres in extent remaining being vested under the Corporation in Palawi, in the Puttalam District, in an effective function.

4.4 Uneconomic Transactions

Even though a sum of Rs.1,083,618,910 had been invested in the shares of the Lanka Cement Company Limited from the year 1981 by the Corporation, any benefit whatsoever had not been given by the Company by the Corporation up to the year 2016.

4.5 Identified Losses

A bond is being made for economic service fees only in the instance that the turnover is a sum of Rs.50 million or more per quarter in terms of the Economic Service Fees (Amendment) Act, No.16 of 2009. Economic service fees amounting to Rs.163,388 had been paid based on that income despite only a sum of Rs.54,191,154 had been received in the year 2015 for the two years of the year 2013 and the year 2014. Action had not been taken to recover that amount from the relevant officers. Moreover, a sum of Rs.129,211 had been allocated as economic service fees based on the rent amounting to Rs.27,399,370 relating to the year 2016.

4.6 Personnel Administration

The actual cadre of the Corporation as at 01 January 2016 had been 76. Thirty- six employees had been retired by a Voluntary Retirement Compensation Scheme on 31 July 2016 and, the actual cadre had been restricted to 14 as at 31 December 2016. The approval had not been obtained for the staff of the Department of Management Services for the Corporation after the implementation of the Voluntary Compensation Scheme.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements and the Draft Annual Report should be furnished to the Auditor General within 60 days after the end of the Financial Year in terms of Section 6.5.1 of the Public Enterprises Circular No.PED.12 of 02 June 2003, the consolidated financial statements and the Draft Annual Report for the year 2016 of the Corporation had been furnished to audit on 20 June 2017.

5.2 Corporate Plan

The following observations are made.

(a) Key factors such as the Organizational Plan of the Institution that should be included into the Corporate Plan, Human Resources and Management Competencies and the Review of the Operating Results of 03 preceding years had not been included in terms of Section 5.1.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

(b) Even though the updated copies of the Corporate Plan approved by the Board of Directors should be furnished to the Line Ministry, Department of Public Enterprises, Treasury and to the Auditor General with the Budget at least 15 days before the commencement of each Financial Year in terms of Section 5.1.3 of the above Circular, action had not been taken in compliance with that Circular.

5.3 Action Plan

The following observations are made.

(a) The responsibility of the Managers on the objectives and targets that should be achieved within the planned period had not been clearly stated in the Action Plan in terms of Section 5.1.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

(b) Even though it had been stated that the main objective of the Institution by the end of the year under review as importing and the distribution of 50kg Portland Cement Bags, there was a difference of Rs.2,858,978 between the targeted values mentioned in the Corporate Plan and the Action Plan.

5.4 Internal Audit

Even though an Internal Audit Unit had been established in the first half- year of the year 2016, only one female Officer had been attached to it. Audit queries had not been issued within the first half- year and, even that female Officer had retired by the Voluntary Retirement Compensation Scheme from July 2016. The Internal Audit Unit remained completely inoperative by 31 December 2016 due to this reason.

5.5 Audit Committees

Even though 04 audit committees should be held within a year as an audit committee for at least 03 months with the Chief Internal Auditor as the convenor in terms of Section 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, only 02 audit committees had been held in the year 2016 by the Corporation.

5.6 Procurement Plan

A Procurement Plan had not been prepared for the year 2016 in terms of Section 4.2 of the Government Procurement Guidelines.

5.7 Budgetary Control

As variances ranging from 43 per cent to 971 per cent remained between the budgeted expenditure and the actual expenditure in 08 Objects in the year under review and, expenditure totalling Rs.18,925,523 for 11 Recurrent Objects without obtaining the approval for the Budget Estimates. As such, it was observed that the budget had not been made use of as an effective instrument of management control.

5.8 Tabling of Annual Reports

Even though the Final Audited Accounts with the Audit Reports should be tabled in Parliament in all three languages within 150 days after the close of the Financial Year in terms of Section 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003, action had not been taken to send the Annual Report of the year 2015 for tabling in Parliament up to July 2017.

5.9 Unresolved Audit Paragraphs

The following observations are made.

(a) Loan balances totalling Rs.52,506,824 had not been recovered even by the end of the year under review on not obtaining a bond of security which complies with the value received on loan basis in awarding the post of the Sales Agent for selling cement on loan basis and not following a proper and efficient procedure by the management in providing and collecting loans.

(b) The limestone deposit, 5352 acres in extent located in Aruwakkalu in the Puttalam District had been leased for 50 years to a private company to mine limestone for manufacturing cement in the year 1995. The annual lease rent recoverable in the year under review in terms of the lease agreement had been valued at Rs.26,851,358, that is equal to a sum of US$ 202,804. However, even though it had been instructed to revise this lease agreement in the Meeting of the Committee on Public Enterprises held on 16 August 2011 due to a Section on revising the annual lease rent not being included in the lease agreement which had been entered into, action had not been taken accordingly by the Management even to estimate this land and bring it to the financial statements.

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 Systems and Controls	Observations
(a) Accounting	(i) Not maintaining and updating the Ledger Accounts, Books and Registers of the Institution.
	(ii) Not maintaining a Main Journal by the Institution.
(b) Control of Fixed Assets	(i) Not properly maintaining the Registers of Assets.
	(ii) The delay in the appointment of the Board of Survey and carrying out Boards of Survey.

(c) Stores Control	Not paying proper attention on maintaining stocks of cement, storing and maintaining Stocks Reports.
(d) Internal Control	(i) Not taking action to introduce methods of Internal Control and to maintain control by properly implementing them.
	(ii) Not having an Internal Audit Unit.
(e) Control of Debtors and Creditors	(i) Not recovering the outstanding loan balances.
	(ii) Not taking action to settle the payable balances.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M Gamini Wijesinghe

Auditor General

SRI LANKA CEMENT CORPORATION

Statement of consolidated financial position
As at 31 December 2016

ASSETS	Notes	2016 SLCC	2015 SLCC	2016 Conso.	2015 Conso.	2016 Subsidary Com
Non-current assets		**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Property, plant and equipment	**03**	3,886,969	4,172,782	234,116,375	259,720,041	230,229,406
Investment properties	**04**	773,700,000	773,700,000	773,700,000	773,700,000	-
Long term receivables	**05**	-	757,223,883	-	-	-
Investments	**06**	629,225,138	897,927,959	11,562,359	41,869,020	-
		1,406,812,107	**2,433,024,624**	**1,019,378,734**	**1,075,289,061**	**230,229,406**
Current assets						
Inventories	**07**	3,099,678	8,593,926	6,288,349	13,065,325	3,188,671
Trade and other receivables	**08**	89,212,053	80,500,613	109,794,476	94,355,791	20,582,423
Cash & cash equivalents	**09**	13,687,035	8,743,454	34,937,430	9,811,954	21,250,395
		105,998,766	**97,837,993**	**151,020,255**	**117,233,070**	**45,021,395**
Total assets		**1,512,810,873**	**2,530,862,617**	**1,170,398,989**	**1,192,522,131**	**275,250,895**
Equity and liabilities						
Equity						
Stated capital		966,971,845	966,971,845	966,971,845	966,971,845	1,735,107,480
General reserves		9,996,952	9,996,952	9,996,952	9,996,952	-
Revaluation reserves		536,119,419	536,119,419	536,119,419	536,119,419	-
Retained earnings		(210,289,522)	515,533,518	(1,822,330,515)	(1,848,352,455)	(2,369,264,876)
Available sales reserves		(465,956,132)	(227,559,971)	-	-	-
		836,842,562	**1,800,761,763**	**(309,242,299)**	**(335,264,239)**	**(634,157,396)**
Non-controlling interest		-	-	651,488,569	651,488,569	-
Total equity		**836,842,562**	**1,800,761,763**	**342,246,270**	**316,224,330**	**(634,157,396)**
Non-current liabilities						
Interest bearing liabilities	**10**	-	8,000,000	-	8,000,000	-
Long term payables	**11**	492,426,190	492,426,190	492,426,190	492,426,190	757,223,883
Retirement benefit obligation	**12**	3,297,663	18,696,935	5,092,094	23,837,538	1,794,431
Deferred income	**13**	-	-	74,197,970	74,197,970	74,197,970
		495,723,853	**519,123,125**	**571,716,254**	**598,461,698**	**833,216,284**
Current liabilities						
Trade payables	**14**	46,502,070	81,304,754	120,198,304	145,800,099	73,696,234
Current Portion of inte.be. lia.	**10**	119,561,262	101,020,284	119,561,262	101,020,284	-
Cash & cash equivalents	**09**	14,181,126	28,652,691	16,676,899	31,015,720	2,495,773
		180,244,458	**210,977,729**	**256,436,465**	**277,836,103**	**76,192,007**
Total liabilities		**675,968,311**	**730,100,854**	**828,152,719**	**876,297,801**	**909,408,291**
Total equity and liabilities		**1,512,810,873**	**2,530,862,617**	**1,170,398,989**	**1,192,522,131**	**275,250,895**

Figures in brackets indicate deductions.
The accounting policies on pages 33 to 36 and notes on pages 37 to 42 form an integral part of these Financial Statements.

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

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,
M.Abdul Rafeek
Director

Signed,
Hussein Ahamed Bhaila
Chairman

11th October, 2017

SRI LANKA CEMENT CORPORATION

Statement of consolidated comprehensive income and retained earnings

For the year ended 31 December 2016

	Notes	2016 SLCC Rs.	Restated 2015 SLCC Rs.	2016 Conso. Rs.	2015 Conso. Rs.	2016 Subsidary Com Rs.
Revenue	**15**	64,220,735	40,570,803	174,082,698	94,747,914	111,688,170
Cost of sales	**Sta.I**	(66,524,748)	(50,781,481)	(173,224,405)	(99,644,640)	(108,525,864)
Gross profit/(loss)		**(2,304,013)**	**(10,210,678)**	**858,293**	**(4,896,726)**	**3,162,306**
Other income	**16**	91,541,806	60,043,458	124,175,893	73,883,163	32,634,087
Distribution expenses	**Sta.II**	(292,125)	(1,198,403)	(5,000,825)	(1,205,443)	(4,708,700)
Administrative expenses	**Sta.III**	(41,171,722)	(30,460,889)	(77,812,976)	(57,469,817)	(36,641,254)
Finance costs	**17**	(15,703,919)	(15,334,407)	(15,829,261)	(15,443,645)	(125,342)
Profit/(loss) before tax		**32,070,027**	**2,839,081**	**26,391,124**	**(5,132,468)**	**(5,678,903)**
Income tax expense		(369,184)	(255,464)	(369,184)	(332,007)	-
Profit/(loss) for the year		**31,700,843**	**2,583,617**	**26,021,940**	**(5,464,475)**	**(5,678,903)**
Other comprehensive income/(expenses)						
Gain on financial assets	**19**	(995,620,044)	140,870,459	-	-	-
Total comprehensive income / (expenses)		**(963,919,201)**	**143,454,076**	**26,021,076**	**(5,464,475)**	**(5,678,903)**
Retained earnings as at start of year		287,673,547	144,219,471	(1,848,352,455)	(1,842,887,980)	(2,363,585,973)
Retained earnings at end of year		**(676,245,654)**	**287,673,547**	**(1,822,330,515)**	**(1,848,352,455)**	**(2,369,264,876)**

Total comprehensive income/(expenses attributable to

Owners of the parent	(3,546,475)
Non-controlling interest	(2,132,428)
	(5,678,903)

Figures in brackets indicate deductions.

The accounting policies on pages 33 to 36 and notes on pages 37 to 42 form an integral part of these Financial Statements.

SRI LANKA CEMENT CORPORATION

Statement of consolidated changers in equity

For the year ended 31 December 2016

Consolidated

	Balance as at 01.01.2015	**The year (2015)**	**Balance as at 31.12.2015**	This year (2016)	**Balance as at 31.12.2016**
Capital Contributed					
- Owners of the parent	966,971,845	-	966,971,845	-	966,971,845
- Non-controlling interest	651,488,569	-	651,488,569	-	651,488,569
General Reserves	9,996,952	-	9,996,952	-	9,996,952
Revaluation Reserves	536,119,419	-	536,119,419	-	536,119,419
Retained Profit	(1,842,887,980)	(5,464,475)	(1,848,352,455)	26,021,940	(1,822,330,515)
Total	**321,688,805**	**(5,464,475)**	**316,224,330**	**26,021,940**	**342,246,270**

Sri Lanka Cement Corporation	**Balance as at 01.01.2015**	**The year (2015)**	**Balance as at 31.12.2015**	**This year (2016)**	**Balance as at 31.12.2016**
Capital Contributed	966,971,845	-	966,971,845	-	966,971,845
General Reserves	9,996,952	-	9,996,952	-	9,996,952
Revaluation Reserves	536,119,419	-	536,119,419	-	536,119,419
Retained Profit	512,649,901	2,583,617	515,233,518	(725,523,040)	(210,289,522)
Available for sales reserves	(368,430,430)	140,870,459	(227,559,971)	(238,396,161)	(465,956,132)
Total	**1,657,307,687**	**143,454,076**	**1,800,761,763**	**(963,919,201)**	**836,842,562**

Figures in brackets indicate deductions.

The accounting policies on pages 33 to 36 and notes on pages 37 to 42 form an integral part of these Financial Statements.

SRI LANKA CEMENT CORPORATION
Statement of cash flow
For the year ended 31 December 2015

	Notes	2016 SLCC Rs.	2015 SLCC Rs.	2016 Conso. Rs.	2016 Subsidary Com Rs.
Cash flows from operating activities					
Profit /(loss) for the year		32,070,027	2,583,617	26,391,124	(5,678,903)
Adjustments for non-cash income and expenses :					
Depreciation of property, plant and equipment	08	318,519	1,457,422	5,761,551	5,443,032
Gratuity provision	12	3,408,375	923,388	7,103,845	3,695,470
Pre-year adjustments		-	(347,072)	(1,337,262)	(1,337,262)
Interest on deposits		(1,718,277)	(2,269,769)	(737,615)	980,662
ESC expense		1,065,027	-	1,246,185	181,158
Provisions		-	-	175,442	175,442
Loss in stock		129,812	-	129,812	-
Disposal profit of fixed assets		(9,220,284)	-	(9,220,284)	-
Cash flow included in operating activities		**26,053,199**	**2,347,586**	**29,512,798**	**3,459,599**
Changes in operating assets and liabilities					
Decrease/ (increase) in inventories	**11**	5,494,248	9,752,318	6,776,976	1,282,728
Decrease/(increase) in trade and other receivables	**12**	(8,711,440)	17,457,288	(15,438,685)	(6,727,245)
Increase/(decrease) in bank loan interest payable	**10**	10,540,978	-	10,540,978	-
Increase/(decrease) in trade payable	**17**	(34,802,684)	24,814,508	(25,601,794)	9,200,890
		(1,425,699)	**54,371,700**	**5,790,273**	**7,215,972**
Less :					
Gratuity paid	**16**	(17,583,390)	(1,620,278)	(24,625,032)	(7,041,642)
Income tax paid		(163,388)	-	(163,388)	-
Net cash flow from operating activities		**(19,172,477)**	**(57,751,422)**	**(18,998,147)**	**174,330**
Cash flows from investing activities					
Purchases of equipment	**08**	(121,752)	(18,180)	(246,931)	(125,179)
Sales of fixed assets		8,008,050	-	8,008,050	-
Sales of other assets		190,400	-	190,400	-
Release of investments	**06**	32,229,016	-	32,229,016	-
Invested in to investments	**06**	(1,718,277)	228,973	18,281,723	20,000,000
Net cash used in investing activities		**38,587,437**	**210,793**	**58,462,258**	**19,874,821**
Cash flows from financing activities					
Loan obtained & repayments	**10**	-	5,018,545	-	-
Long term payables paid	**10**	-	(27,066,287)	-	-
Net cash used in financing activities		**-**	**(22,047,742)**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**19,414,960**	**30,914,473**	**39,464,111**	**20,049,151**
Cash and cash equivalents at beginning of the year		(19,909,051)	(50,823,524)	(21,203,580)	(1,294,529)
Cash and cash equivalents at end of the year		**(494,091)**	**(19,909,051)**	**18,260,531**	**18,754,622**

Figures in brackets indicate deductions.

The accounting policies on pages 33 to 36 and notes on pages 37 to 42 form an integral part of these Financial Statements.

Accounting policies and explanatory notes to the consolidated financial statements
For the year ended 31 December 2016

1. General information

The Cement Factory at Kankesanthurai which was established in 1950 under the Department of Industries was converted to a Public Corporation in 1956 under the provisions of the Government Sponsored Corporations Act No.19 of 1955 and named Kankesan Cement Works. On 1st January 1959 the Corporation was reconstituted as Ceylon Cement Corporation under the Industrial Corporations Act No. 49 of 1957.
In the year 1980 the name was changed to "Sri Lanka Cement Corporation" by a Gazette notification. The address of its head office of business is No:130,W.A.D.Ramanayaka Mawatha,Colombo 02. In the year 2015 july, the address of head office was change to N0.27, Vauxhall Mansion, Vauxhall street, 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 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.

2.01 Basis of preparation

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

2.1.1 Going Concern

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

2.2 Investments in Subsidiaries and associates

2.2.1 Subsidiaries

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

The Investment accounted at the costs previously. From 2013 it recognized at market value. Impairment losses on the investment recognized under the comprehensive expense and reclassifying the losses accumulated in the available for sales reserves in equity.

2.2.2 associates

Sri Lanka Cement Corporation had invested Rs.6,400,000/= in the Lafarge Cement Co.(Pvt) Ltd of the Share Capital. The par value of the share is Rs.10/=.
The Investment accounted at the costs.

Dividend income from investments in subsidiaries or 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) Sale of Goods

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

b) 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.

2.05 Borrowing costs

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

2.06 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.

2.07 Property, plant and equipment

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

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

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

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

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

2.08 Investment Property

A. Land at Aruwakkalu

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

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

B. Lands at Colombo 02 and Chilaw

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

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

2.09 Leases

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.

2.10 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.

2.11 Trade and other receivables

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

2.12 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.

2.13 Bank 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 consolidated financial statements
As at 31 December 2016

03. Property, plant & equipment

03.1 Consolidated

Cost	Balance as at 01.01.2016	Additions during the year	Disposals during the year	Balance as at 31.12.2016
Land & Building	75,949,097	-	-	75,949,097
Plant & machinery	197,339,442	-	20,000,000	177,339,442
Motor Vehicles	15,778,008	-	10,829,589	4,948,419
Furniture, fixture & fitting	12,519,279	143,236	-	12,662,515
Tools & Mobile equipment	1,277,823	30,255	-	1,308,078
Accounting software	-	73,440	-	73,440
	302,863,649	**246,931**	**30,829,589**	**272,280,991**

Depreciation	Balance as at 01.01.2016	Charges during the year	Disposals during the year	Balance as at 31.12.2016
Land & Building	4,768,586	1,513,476	-	6,282,062
Plant & machinery	11,840,367	3,946,788	-	15,787,155
Motor Vehicles	13,133,063	224,637	10,784,892	2,572,808
Furniture, fixture & fitting	12,168,166	73,944	-	12,242,110
Tools & Mobile equipment	1,233,426	37,875	-	1,271,301
Accounting software	-	9,180	-	9,180
	43,143,608	**5,805,900**	**10,784,892**	**38,164,616**
Net book value	**259,720,041**			**234,116,375**

03.2 Sri Lanka Cement Corporation

Cost	Balance as at 01.01.2016	Additions during the year	Disposals during the year	Balance as at 31.12.2016
Land & Building	1,595,981	-	-	1,595,981
Motor Vehicles	15,392,480	-	10,829,589	4,562,891
Furniture, fixture & fitting	5,512,601	91,497	-	5,604,098
Tools & Mobile equipment	1,194,398	30,255	-	1,224,653
	23,695,460	**121,752**	**10,829,589**	**12,987,623**

Depreciation	Balance as at 01.01.2016	Charges during the year	Disposals during the year	Balance as at 31.12.2016
Land & Building	307,399	26,412	-	333,811
Motor Vehicles	12,747,535	224,637	10,784,892	2,187,280
Furniture, fixture & fitting	5,317,743	73,944	-	5,391,687
Tools & Mobile equipment	1,150,001	37,875	-	1,187,876
	19,522,678	**362,868**	**10,784,892**	**9,100,654**
Net book value	**4,172,782**			**3,886,969**

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 Land & building.

In 2013, We have taken action to revalue the Land at Kollupitiya and record the same at Financial Statement.

In 2013, the forest land of 221 acres situated Palavi, Puttalam is identified as a land belongs to us and included 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 for Plan No. A1557, A 1484, A1464, A 1562 & Preliminary Plan No. A 2438 under the Land Acquisition Act (Chapter 460) Ceylon Government Gazette No 14,012, 1964.

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

Cont………………..

3.3 Property, plant & equipment - Subsidiary Com.

Cost	Balance as at 01.01.2016	Additions during the year	Disposals during the year	Balance as at 31.12.2016
Land & Building	74,353,116	-	-	74,353,116
Plant & machinery	197,339,442	-	20,000,000	177,339,442
Motor Vehicles	385,528	-	-	385,528
Furniture, fixture & fitting	7,006,678	51,739	-	7,058,417
Tools & Mobile equipment	83,425	-	-	83,425
Accounting software	-	73,440	-	73,440
	279,168,189	**125,179**	**20,000,000**	**259,293,368**

Depreciation	Balance as at 01.01.2016	Charges during the year	Disposals during the year	Balance as at 31.12.2016
Land & Building	4,461,187	1,487,064	-	5,948,251
Plant & machinery	11,840,367	3,946,788	-	15,787,155
Motor Vehicles	385,528	-	-	385,528
Furniture, fixture & fitting	6,850,423	-	-	6,850,423
Tools & Mobile equipment	83,425	-	-	83,425
Accounting software	-	9,180	-	9,180
	23,620,930	**5,443,032**	**-**	**29,063,962**
Net book value	**255,547,259**			**230,229,406**

	2016 SLCC Rs.	**2015 SLCC Rs.**	**2016 Conso. Rs.**	**2015 Conso. Rs.**	**2016 Subsi. Com. Rs.**
04. Investment properties					
Land at Colombo 02	712,500,000	712,500,000	712,500,000	712,500,000	-
Land at Chilaw	61,200,000	61,200,000	61,200,000	61,200,000	-
	773,700,000	**773,700,000**	**773,700,000**	**773,700,000**	**-**

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

05. 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	-	-
Provision for doubtful receivables	(757,223,883)	-	(757,223,883)	-	-
	-	**757,223,883**	**-**	**-**	**-**

Accounting policies and explanatory notes to the consolidated financial statements
As at 31 December 2016

		2016 SLCC	2015 SLCC	2016 Conso.	2015 Conso.	2016 Subsi.Com.
06.	**Investments**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Treasury bills	5,162,359	35,469,020	5,162,359	35,469,020	-
	Investment in subsidiary & others					
	Subsidiary-Lanka Cement PLC	617,662,779	856,058,939	-	-	-
	Lafarge Cement Co. (Pvt) Ltd.	6,400,000	6,400,000	6,400,000	6,400,000	-
		629,225,138	**897,927,959**	**11,562,359**	**41,869,020**	**-**
07.	**Inventories**					
	Stock of Raw material and WIP for **concr**. production	238,256	995,914	238,256	995,914	-
	Stock of finished goods of concrete poles etc.	2,861,422	4,522,162	2,861,422	4,522,162	-
	Stock of Cement	-	3,075,850	3,188,671	7,547,249	3,188,671
		3,099,678	**8,593,926**	**6,288,349**	**13,065,325**	**3,188,671**
08.	**Trade and other receivables**					
	Trade debtors	53,269,065	42,092,763	77,830,172	61,928,290	24,561,107
	Provision for Doubtful Debt.	(977,166)	(977,166)	(17,554,842)	(18,422,334)	(16,577,676)
	Rent receivable	2,410,636	1,985,636	2,410,636	1,985,636	-
	Return cheque receivables	11,445,377	11,445,377	11,445,377	11,445,377	-
	Advance payment - local orde	1,131,622	1,131,622	1,131,622	1,529,999	-
	Deposit receivables	1,824,626	2,319,846	2,280,777	2,319,846	456,151
	Deposit on Purchase of OPC	976,971	976,971	976,971	976,971	-
	Festival Advance	3,375	3,375	3,375	274,747	-
	Staff Loan	1,078,545	2,388,448	1,078,545	2,388,448	-
	Pre-paid expenses	249,008	299,607	249,008	299,607	-
	Lanka Cement receivables	253,579	268,430	253,579	268,430	-
	Salary advance	10,000	-	10,000	-	-
	Sundry advance	245,947	245,947	245,947	245,947	-
	Receivables from treasury	48,000	48,000	48,000	48,000	-
	VAT receivables	10,963,244	11,294,485	10,963,244	11,294,485	-
	ESC receivables	1,421,056	3,008,604	6,625,012	8,212,560	5,203,956
	Withholding tax receivables	2,748,462	2,748,462	3,585,373	3,582,948	836,911
	Other receivables	1,437,000	547,500	2,782,346	547,500	1,345,346
	Interest receivables	-	-	2,790,611	2,790,611	2,790,611
	NHDA receivable	672,706	672,706	672,706	672,706	-
	Tax receivables	-	-	1,966,017	1,966,017	1,966,017
		89,212,053	**80,500,613**	**109,794,476**	**94,355,791**	**20,582,423**
09.	**Cash & cash equivalents**					
	Cash at bank					
	- BOC, Lake view branch	2,654,122	1,696,150	3,210,542	1,696,150	556,420
	- People's bank Foregin dep.	253,954	253,954	253,954	253,954	-
	- People's bank Liberty Plaza	5,982,807	6,771,304	5,982,807	6,771,304	-
	- People's bank Vauniya	22,046	22,046	22,046	22,046	-
	- People's bank Kannathetti	4,774,106	-	4,774,106	-	-
	- Commercial Bank	-	-	628,981	382,580	628,981
	- Bank of ceylon	-	-	24,845	24,845	24,845
	- PB call & short term deposit	-	-	20,000,000	603,575	20,000,000
	Cash in hand	-	-	40,149	57,500	40,149
		13,687,035	**8,743,454**	**34,937,430**	**9,811,954**	**21,250,395**
10.	**Interest bearing liabilities**					
	Bank overdraft					
	People's bank Kannathetti	-	70,007	1,371,173	70,007	1,371,173
	BOC Corporate branch	14,181,126	28,582,684	14,181,126	28,870,607	-
	Commercial bank	-	-	1,124,600	2,075,106	1,124,600
		14,181,126	**28,652,691**	**16,676,899**	**31,015,720**	**2,495,773**

Accounting policies and explanatory notes to the consolidated financial statements

As at 31 December 2016

	2016 SLCC	2015 SLCC	2016 Conso.	2015 Conso.	2016 Subs.Com.
Bank loan	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Loan-BOC 74129310	24,000,000	24,000,000	24,000,000	24,000,000	-
Loan-BOC - import OPC	56,293,352	56,293,352	56,293,352	56,293,352	-
Loan-BOC bank	17,500,000	17,500,000	17,500,000	17,500,000	-
Bank loan interest payable due to N/P	21,767,910	11,226,932	21,767,910	11,226,932	-
	119,561,262	**109,020,284**	**119,561,262**	**109,020,284**	**-**

11. Long term payables

	2016 SLCC	2015 SLCC	2016 Conso.	2015 Conso.	2016 Subs.Com.
Treasury advance	492,426,190	492,426,190	492,426,190	492,426,190	-
Term loan from S.L.C.C.	-	-	-	-	757,223,883
	492,426,190	**492,426,190**	**492,426,190**	**492,426,190**	**757,223,883**

12. Retirement benefit obligation

	2016 SLCC	2015 SLCC	2016 Conso.	2015 Conso.	2016 Subs.Com.
Balance as at 1/1/2017	18,696,935	19,393,825	23,837,538	24,337,167	5,140,603
Payments in 2017	(18,807,647)	(1,620,278)	(25,849,289)	(1,907,556)	(7,041,642)
	(110,712)	17,773,547	(2,011,751)	22,429,611	(1,901,039)
Provision for the year	3,408,375	923,388	7,103,845	1,407,927	3,695,470
Balance as at 31/12/2017	**3,297,663**	**18,696,935**	**5,092,094**	**23,837,538**	**1,794,431**

13. Deferred income

	2016 SLCC	2015 SLCC	2016 Conso.	2015 Conso.	2016 Subs.Com.
World Bank Grant	-	-	32,189,353	32,189,353	32,189,353
Credit grant (NORAD)	-	-	38,808,617	38,808,617	38,808,617
Credit grant (MSRED)	-	-	3,200,000	3,200,000	3,200,000
	-	**-**	**74,197,970**	**74,197,970**	**74,197,970**

14. Trade & other payables

	2016 SLCC	2015 SLCC	2016 Conso.	2015 Conso.	2016 Subs.Com.
Trade creditors	3,090,310	3,177,394	7,462,907	7,549,992	4,372,597
Cancelled Cheques Pay.	757,882	762,845	757,882	762,845	-
Advance for cements	1,079,410	1,079,410	3,817,876	1,079,410	2,738,466
Advance collection - jaffna	-	-	2,441,300	2,441,300	2,441,300
Accrued expenses	4,236,049	3,570,887	40,893,585	39,071,389	36,657,536
Rent payables to B.C.C.	766,150	766,150	766,150	766,150	-
Rent payables to S.E.C.	8,322,724	8,610,224	8,322,724	8,610,224	-
B.T.T.payables	-	-	659,819	659,819	659,819
Deposit payables	1,952,073	1,500,626	2,092,073	1,600,626	140,000
ESC payable	1,447,609	1,764,335	1,964,042	2,099,610	516,433
HLL advance	-	26,851,358	-	26,851,358	-
NBT payable	11,340,955	11,548,264	12,441,770	11,548,265	1,100,815
Payroll control account	141,213	150,461	141,213	150,461	-
Unpaid Salaries	51,645	51,645	289,708	51,645	238,063
Retained Coins	64	64	64	64	-
EPF payable	87,353	315,357	93,692	315,357	6,339
ETF payable	11,981	43,004	12,845	43,004	864
Income tax payable	-	-	7,655,638	8,155,638	7,655,638
Other pay. - short term loan	-	-	14,061,022	8,500,000	14,061,022
VRS payables	-	-	122,775	122,775	122,775
Gratuity payable	-	-	401,682	1,275,643	401,682
Staff loan payables	-	-	115,072	-	115,072
PAYE tax payables	26,767	44,988	55,212	49,083	28,445
VAT payable	13,189,885	21,067,742	15,629,253	24,095,441	2,439,368
	46,502,070	**81,304,754**	**120,198,304**	**145,800,099**	**73,696,234**

Accounting policies and explanatory notes to the consolidated financial statements

For the year ended 31 December 2016

		2016	2015	2016	2015	2016
		SLCC	SLCC	Conso.	Conso.	Sub. Com.
15.	**Revenue**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Sales of cement	60,150,810	37,872,483	170,012,773	92,049,594	111,688,170
	Sales of concrete poles	4,069,925	2,698,320	4,069,925	2,698,320	-
		64,220,735	**40,570,803**	**174,082,698**	**94,747,914**	**111,688,170**
16.	**Other income**					
	Lease of quarry land	26,851,358	26,664,825	26,851,358	26,664,825	-
	Interest on staff loans	312,031	228,973	312,031	228,973	-
	Interest on deposits	1,718,277	2,040,796	2,698,939	2,923,979	980,662
	Profit from disposed F/A	9,356,004	-	9,356,004	-	-
	Sundry income	637,592	319,211	5,330,046	2,202,613	4,692,454
	Treasury grants for salaries,VRS & Gratuity	48,883,044	11,698,200	75,844,015	15,798,200	26,960,971
	Rent from Premises	3,783,500	2,727,000	3,783,500	2,727,000	-
	Gain on written-off balan.	-	16,364,453	-	23,337,573	-
		91,541,806	**60,043,458**	**124,175,893**	**73,883,163**	**32,634,087**
17.	**Finance costs**					
	Bank Overdraft interest	3,270,937	4,371,108	3,396,279	4,480,346	125,342
	Bank loan interest	12,432,982	10,900,220	12,432,982	10,900,220	-
	Lease interest	-	63,079	-	63,079	-
		15,703,919	**15,334,407**	**15,829,261**	**15,443,645**	**125,342**

18. Profit before tax

The following items have been recognized as expenses (income) in determining profit before tax:

Staff costs	15,644,518	19,579,473	23,290,437	30,795,699	7,645,919
Directors remunerations	2,973,004	2,498,291	5,474,205	2,498,291	2,501,201
Depreciation	318,519	1,457,422	5,752,371	7,361,636	5,433,852
Audit Fees	150,000	-	430,000	225,000	280,000
Loss in Stock	129,812	44,407	129,812	44,407	-
Gratuity provision	3,408,375	923,388	7,103,845	1,612,000	3,695,470

19. Other comprehensive income/(expenses)

Gain/(loss) on financial assets	(238,396,161)	140,870,459	(238,396,161)	140,870,459	-
Provision for the dough full receivabl. from LCL	(757,223,883)	-	(757,223,883)	-	-
	(995,620,044)	**140,870,459**	**(995,620,044)**	**140,870,459**	**-**

19.1 Available for sales Reserves

			2016	
Invested amount			1,083,618,910	
'Adjustments :	'2013 to 2015	(227,559,971)		
	2016	(238,396,161)	(465,956,132)	
Balance of Investment as at 31.12.2016				**617,662,778**

19.2 Retained earnings as at 01.01.2016

Profit/(loss) - 2016	31,700,843
Gain/(loss) on financial assets	
Provision for the short & long term dough full receivables from L.C.L.	(757,223,883)
	(725,523,040)

20. Restatements for the year ended 31/12/ 2015

Effect for the statement of comprehensive income & retained earnings

Sri Lanka Cement Corporation	**H/O**	**KCW**	**SLCC**
Retained earnings as previously reported	1,038,760,815	(703,208,424)	335,552,391
Effect of restatement	179,865,393	(184,266)	179,681,127
Retained earnings as restated	**1,218,626,208**	**(703,392,690)**	**515,233,518**

20. Con…………………

Available for sales Reserves	(227,559,971)
Retained earnings as restated in statement of comprehensive income	**287,673,547**

Effect for the statement of financial position

Revaluation Reserves	177,500,000	-	177,500,000
Cash at bank	-	93	93
Trade receivables	2,229,347	(475,662)	1,753,685
Trade payables	136,046	291,302	427,348
	179,865,393	**(184,267)**	**179,681,126**

21. Approval of Consolidated Financial Statements - 2016

These consolidated financial statements were approved by the board of directors and authorized for issue on 07th June, 2017.

SRI LANKA CEMENT CORPORATION

Statement of detailed consolidated comprehensive income

For the year ended 31 December 2016

	Ref.	2016 SLCC Rs.	2015 SLCC Rs.	2016 Conso. Rs.	2015 Conso. Rs.	2016 Sub. Com. Rs.
Revenue		64,220,735	40,570,803	174,082,698	94,747,914	111,688,170
Cost of sales	**A**	(66,524,748)	(50,781,481)	(173,224,405)	(99,644,640)	(108,525,864)
Gross profit		**(2,304,013)**	**(10,210,678)**	**858,293**	**(4,896,726)**	**3,162,306**
Other income	**B**	91,541,806	60,043,458	124,175,893	73,883,163	32,634,087
Distribution expenses	**C**	(292,125)	(1,198,403)	(5,000,825)	(1,205,443)	(4,708,700)
Administrative expenses	**D**	(41,171,722)	(30,460,889)	(77,812,976)	(57,469,817)	(36,641,254)
Profit before finance costs		**47,773,946**	**18,173,488**	**42,220,385**	**10,311,177**	**(5,553,561)**

SRI LANKA CEMENT CORPORATION

Statements to the detailed consolidated comprehensive income
For the year ended 31 December 2016

A. Cost of sales	2016 SLCC Rs.	2015 SLCC Rs.	2016 Conso. Rs.	2015 Conso. Rs.	2016 Sub. Com. Rs.
Sales of cement bags					
Opening stock	3,075,850	13,469,196	7,547,249	14,686,065	4,471,399
Purchase & other direct costs	52,279,832	25,627,877	157,696,761	77,745,566	107,243,136
Less : Closing stock	-	(3,075,850)	(3,188,671)	(7,547,249)	(3,188,671)
	55,355,682	36,021,223	162,055,339	84,884,382	108,525,864
Sales of concrete products					
Opening stock	6,104,684	5,463,656	6,104,684	5,463,656	-
Purchase	7,317,824	15,383,952	7,317,824	15,383,952	-
Direct expenses	369,724	17,334	369,724	17,334	-
Less : Closing stock	(2,623,166)	(6,104,684)	(2,623,166)	(6,104,684)	-
	11,169,066	14,760,258	11,169,066	14,760,258	-
	66,524,748	**50,781,481**	**173,224,405**	**99,644,640**	**108,525,864**

B. Other income	2016 SLCC Rs.	2015 SLCC Rs.	2016 Conso. Rs.	2015 Conso. Rs.	2016 Sub. Com. Rs.
Lease of quarry land	26,851,358	26,664,825	26,851,358	26,664,825	-
Interest on employees loans	312,031	228,973	312,031	228,973	-
Interest on deposits	1,718,277	2,040,796	2,698,939	2,923,979	980,662
Disposal Profit of fixed assets	9,356,004	-	9,356,004	-	-
Sundries	637,592	319,211	5,330,046	2,202,613	4,692,454
Treasury grants for salaries,VRS & Gratuity	48,883,044	11,698,200	75,844,015	15,798,200	26,960,971
Rent from Premises	3,783,500	2,727,000	3,783,500	2,727,000	-
Gain on written-off balances	-	16,364,453	-	23,337,573	-
	91,541,806	**60,043,458**	**124,175,893**	**73,883,163**	**32,634,087**

C. Distribution expenses	2016 SLCC Rs.	2015 SLCC Rs.	2016 Conso. Rs.	2015 Conso. Rs.	2016 Sub. Com. Rs.
Depreciation for Motor Vehicle	180,288	1,183,778	180,288	1,183,778	-
Advertising & Exhibitions	111,837	14,625	227,961	21,665	116,124
Sales discount	-	-	4,592,576	-	4,592,576
	292,125	**1,198,403**	**5,000,825**	**1,205,443**	**4,708,700**

Statements to the detailed consolidated comprehensive income **Rs.**

For the year ended 31 December 2016	**2016**	**2015**	**2016**	**2015**	**2016**
D. Administrative Expenses	**SLCC**	**SLCC**	**Conso.**	**Conso.**	**Sub.Com.**
Salary & wages	12,378,966	16,018,381	19,168,173	26,106,901	6,789,207
Overtimes	452,629	937,570	707,686	1,144,481	255,057
E.P.F.	988,469	1,144,579	1,430,051	1,873,721	441,582
E.T.F	248,436	285,007	366,509	476,660	118,073
Encashment of Medical Leave	361,024	-	361,024	-	-
Directors remunerations	2,973,004	2,498,291	5,474,205	2,498,291	2,501,201
Audit committee meeting fees	75,000	22,500	75,000	22,500	-
Unvalued Vacation Leave	8,677	-	8,677	-	-
Annual Bonus	209,250	-	251,250	-	42,000
Medical Scheme	124,353	177,111	124,353	177,111	-
Free Tea	231,981	327,545	231,981	327,545	-
Food Substitute	649,410	689,280	649,410	689,280	-
Welfare Expenses	183,089	884,133	794,002	884,133	610,913
Housing Loan Interest	15,180	17,687	15,180	17,687	-
Dep. -Buildings	26,412	26,412	1,513,476	1,513,474	1,487,064
Dep.- Plants & machinery	-	-	3,946,788	3,946,789	3,946,788
Dep. -Office Furniture &Equipment	72,331	216,702	72,331	225,207	-
Dep.-Tools &Mobile Equipment	39,488	30,530	39,488	492,388	-
Depreciation-Accounting software	-	-	9,180	-	9,180
Rent	1,006,875	1,203,964	1,668,525	1,880,403	661,650
Electricity Expenses	343,982	234,886	665,759	509,515	321,777
Postage & Telephone Charges	484,472	565,031	986,361	895,065	501,889
Printing &Stationery	347,211	375,321	526,369	423,152	179,158
General Expenses	295,893	195,424	322,393	271,568	26,500
NBT expenses	600,360	380,689	1,701,175	856,253	1,100,815
ESC expense	1,065,027	1,505,769	1,246,185	1,624,660	181,158
Travelling Expenses	204,880	148,179	977,038	1,746,216	772,158
Motor Vehicle Expenses	441,181	705,899	811,632	1,375,735	370,451
Secretarial fees	26,870	9,433	224,347	9,433	197,477
Repair of Office Furniture	246,408	206,215	263,220	206,215	16,812
Periodical &Publications	47,510	36,220	121,365	51,498	73,855
Audit Fees	150,000	-	430,000	225,000	280,000
Valuation charges	52,655	-	52,655	-	-
Gratuity provision	3,408,375	923,388	7,103,845	1,612,000	3,695,470
Water	41,520	92,383	41,520	92,383	-
Disposal Loss in Stock	129,812	44,407	129,812	44,407	-
Bank charges	95,877	139,331	330,217	139,331	234,340
Security expenses	244,166	-	244,166	24,400	-
Repair & maintenance	-	397,808	76,337	501,300	76,337
Entertainment	-	-	27,644	-	27,644
Surcharge & penalty expenses	-	242	-	32,697	-
Company expenses	-	-	281,902	877,790	281,902
CDS fees	-	-	84,648	-	84,648
Listing fees	-	-	04,082	-	204,082
Legal & Professional Expenses	-	750	9,500	750	9,500
VAT	-	-	-	185,392	-
Salary Clearance	-	-	-	49,000	-
Written-off balances	-	-	-	3,356,449	-
Utility expenses	-	-	-	63,215	-
Temporary Staff Salary	-	3,750	-	3,750	-
Kollupitiya land expenses	-	16,072	-	16,072	-
Compensation for employees (VRS)	12,900,949	-	24,043,515	-	11,142,566
	41,171,722	**30,460,889**	**77,812,976**	**57,469,817**	**36,641,254**

Computation of Income Tax

Year of Assessment 2016

		Reference		**+Rs.**	**-Rs.**
Profit for the year 2016		**P & L**		32,070,027	
Interest on deposits		**P & L**			1,718,277
Other income		**P & L**			4,733,123
Treasury Grants for salary		**P & L**			48,883,044
Capital Allowance		**Sch. I**			378,018
Depreciation		**P & L**		362,868	
Gratuity provision		**P & L**		3,408,375	
Gratuity payment		**P & L**			18,807,647
Advertising & Exhibitions		**P & L**		111,837	
General Expenses		**P & L**		295,893	
				36,249,000	**74,520,109**
Adjusted loss for the year					**(38,271,109)**
Other income					4,733,123
Total statutory income					**4,733,123**
Assessable income					**4,733,123**
Less :					
Loss b/f from 2015			66,872,376		
Loss for this year (2016)			38,271,109		
35% of Total Statutory income			(1,656,593)		**(1,656,593)**
Loss c/f to 2017			103,486,892		
Taxable income					**3,076,530**
Total Tax Payable			3,076,530	12%	369,184
ESC paid					
	2012	1,434,211			
	2013	422,405			
	2014	706,052			
	2015	163,388			
	2016	129,211			
		2,855,267			
ESC deduction		(369,184)			
'ESC expense - 2012		(1,065,027)			
		1,421,056			
Balance Tax Payable					-

Computation of Income Tax

Year of Assessment - 2016

Schedule I - Capital allowance

Current year - 2016		**Rate %**	**Cost**	**Allowance Claimed 2016**
Furniture, fixture & fitting		20%	91,497	18,299
Tools & Mobile equipment		12.5%	30,255	3,782
				22,081
Prior Year				
Buildings		6.67%	395,981	26,412
Motor Vehicles	Leased Veh.	20%	6,650,714	-
Furniture, fixture & fitting		20%	546,564	109,313
Tools & Mobile equipment		12.5%	47,330	5,916
				141,641
Year - 2015				
Tools & Mobile equipment		12.5%	18,180	2,273
				2,273
Year - 2014				
Furniture, fixture & fitting		20%	135,727	27,145
Tools & Mobile equipment		12.5%	26,245	3,281
				30,426
Year - 2013				
Motor Vehicles		20%	721,150	144,230
Furniture, fixture & fitting		20%	153,648	30,730
Tools & Mobile equipment		12.5%	53,100	6,638
				181,597
Capital allowance for 2016				**378,018**

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 2016.

2. Financial statement

2.2 Comments on the financial statements of the group

2.2.1 Going concern of the Group

Sri Lanka Cement Corporation and their subsidiary company of Lanka Cement PLC have been identified under the restructuring category by the Ministry of Industry and Commerce.

2.2.2 Comments on the Financial Statement of the Corporation

2.2.2.1 Lanka Accounting Standards

a. Lanka Accounting Standard – 37

The details of filled court cases against to the receivable balances to the Sri Lanka Cement Corporation, we will be declaring in the Financial Statements, 2017.

2.2.2.2 Accounting Deficiencies

a. The amount of Nation Building Tax based on the selling price, include in the income and after that it deduct under the administrative expenses.
We will take action to recognized the revenue after reduce the amount of Nation Building Tax in Financial Statement, 2017.

b. We recognized income of Rs.121,000/- correctly as annual rental for that land in the Financial Statement. The rent income was not recognized in deficit.

We will take the action to consider the rent period and recognize accrued portion in the Financial Statement.

c. We will take action to correct it.

d. The paid amount of Economic Service Charge can be settling with current year income tax liability firstly. If there is further receivable balance, it can be carrying forward another 4 years to settle income tax liability. After, 4th year the balance should be expense.

e. We accept the comment.
We will take action to declare the rental receivable amount and other details of oil tanks after confirming the availability of it in the Financial Statement.

f.We have Gazette notifications and plans to pure the ownership of the lands at Kankasanthurei. We will take action to recognize the value of that land and oil tanks after obtain the valuation.

We already present the details of lands owned by the Sri Lanka Cement Corporation in the Financial Statements.

g. We recognized the value of 152 acres land at palavi, puttalam in Financial Statements, 2013. We will take action to obtain the valuation for the balance land (69 acres) and account it.

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 2016.

2.2.2.3. Unexplained differences

The difference reflects in bank account from or before 2008. We will take action to correct it after collect the relevant records.

2.2.2.4. Lack of evidence for audit

a. We import cement after getting letter of credit since 2008. In the payable balance of bank loan as at 31.12.2016, include the 13 times purchased amounts of cement through letter of credit during 2014 & 2015.

We open files separately for every shipments and the files relating to the above remain in the supplies division. We can submit those files to the audit as pure documents.

b. We will take action to identify the transactions regarding to the balance of Rs.840,437.50 out of total balance. We identified the amount of Rs.19,000/- paid to Ceylon Electricity Board in 2006, 2007, 2009 and 2010.

2.3. Receivable balances and payable balances

a. A special committee appointed to resolve the matters relating to the receivable balances.

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

c., d. & e. We could not settle the bank loan on time due to the unfavorable financial situation faced by the organization.

In August, 2016 we paid Rs.15Mn as capital and loan interest. The balance loan payable will settle in future.

2.4. Non-compliance with laws, rules, regulations and management decision

a. We will take action to cancel the not realized cheques and time expired cheques according to the provisions in financial regulation no.396.

b. Public Finance circular no.PED/12 of 02nd June, 2013 section 4.2.6 –

We submitted the performance report to the relevant institutions on time from 2017.

c. We will take action regarding the balace of advance after the re-investigation.

d. The details regarding to the office items in concrete based production unit at Kankasanthurei included page no 26 to 30 in the report of board of survey, 2016.

The Kankesan cement factory premises and the land had been kept under the Sri Lanka Army supervision.

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 2016.

3. Financial Review

3.1. Financial Results

We accept the comment.

The employees' costs decreased due to the 29 nos of employees retired from their service under the Voluntary Retirement Scheme circular and 02 nos of employees retired as a normal retirement in 20016. The 22 nos of employees directly attached to the production unit and that costs directly affected to the decrease of gross loss of the organization.

Therefore, the received amounts under the Voluntary Retirement Scheme directly affected to the increase of other income in 2016.

We accept the comment.

The tax payments had been considered in the contribution analysis. The management takes action to settled tax liabilities related to the previous years.

4. Operating Review

4.1. Performance

We accept the comment.

The letter no.MIC/R/07/06/07 dated 27/10/2016 issued by the additional secretary, restructuring division, Ministry of Industry and Commerce with the minutes of the meeting regarding to the future activities to the organizations of completed the Voluntary Retirement Scheme held on 20/10/2016 at the Ministry for necessary action.

We have been make necessary arrangements to release our land at Kankasanthurei from the Sri Lanka Army. After that, we can implement development projects in those lands. The project report was received for that land and it has been submitted to the project committee to the observation by the Ministry of Industry and Commerce.

The negotiation process has been conducting with relevant parties to amend the lease rental of Aruvakkalu land.

Ministry officers and Corporation offiers have been evaluating the ability to implement development projects to other lands owned by the Sri Lanka Cement Corporation.

We gathering the elements to confirm the continuous of the organization with achieving success of above projects.

a. We accept the comment.

b. The progress reports have been prepared as per the format issued by the Ministry of Industry and Commerce.

c. We accept the comment.

d. The concrete based production had not been included in the corporate plan due to the restructuring process conducted after introducing Voluntary Retirement Scheme.

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 2016.

e. We accept the comment.

4.2. Management Activities

a. The loss can be illustrations as follows;

Description	Value (Rs.)
Gross profit, 2016 – Head office	4,795,128/-
Gross loss, 2016 – Kankasanthurei branch	(7,099,141/-)
Total gross loss, 2016	(2,304,013/-)

The organization had been bearding this gross loss due to the employee's costs of kankasanthurei branch.

The Voluntary Retirement Scheme completed as effect from 31.07.2016. Only one employee remains at kankasanthurei branch.

b. We accept the comment.

c. We take action to get land deed through the lawyer. The provincial secretariat office constructed those t-sunami houses without getting approvals from the Corporation. We will take action to get compensation to it.

d. We accept the comment.

4.3. Idle and underutilized assets

a. and b. We accept the comment.

4.4. Uneconomic transaction

We observed that the returns to the investment of subsidiary company of Lanka Cement PLC had not been received due to the reason of closedown situation of Cement factory since June, 1990.

4.5. Identified losses

The rent income identified to the tax calculations at the time of received. We will take action to correct the recognition of Economic Service Charge in 2016.

We will identify monthly the rentals in the tax calculation.

4.6. Personal administration

We had the approvals to the carder before processing the Voluntary Retirement Scheme and there only retirement of employees.

We made a request to the Ministry of Industry and Commerce to get the approvals to remain carder of the Organization. The copy of the request letter submitted 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 2016.

5. Accountability and good governance

5.1. Presentation of Financial Statements

The Sri Lanka Cement Corporation should be presented the consolidated financial statements to the Auditors. The corporation's subsidiary company of Lanka Cement PLC submitted their financial statements in June 2017. After received that statements, we made arrangements to prepare consolidated financial statements and to get the approvals from board of directors. After that, we submitted that statements to the auditors.

5.2. Corporate Plan

a. We will consider and include those points at the time of preparation of corporate plan, 2018.

b. The corporate plan submitted to the relevant institutions on 16.02.2016. The Corporate plan and budgeted statements will be submitted within the time to the relevant institutions.

5.3. Action plan

a. We will be including the responsibilities of the managers to achieve the objectives and targets within the planned period in the Action plan according to the guidance of circulars.

b. The prepared corporate plan and action plan include Rs.105,000,000/- as target income from distribute the imported cement in 2016.
In that reports represented Rs.107,858,978/- as collected amount from imported cement sales during the year 2016.

We submitted the clarification to you under the audit quarry no. TCM/A/SLCC/40/2016/AQ/-01-04.

5.4. Internal audit

The officer attached to the internal audit division had been retired under the Voluntary Retirement Scheme. We send the request to appoint internal auditor to the Ministry of Industry and Commerce.

5.5. Audit committees

We accept the comment.

5.6. Procurement plan

We will make arrangement to prepare the procurement plan from the year 2018 according to the circulars.

5.7. Budgetary control

We will take action to compare budgeted figures and actual figures. And, try to do the operation without exceeding budgeted figures. At the time of insufficient of budgeted figures, we will take action to amend the budget and get the necessary approvals to it.
We will consider and include those points indicate in the audit quarries at the time of preparation of budget in future.

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 2016.

5.8. Tabling of Annual Reports

We will make arrangement to present Annual reports, 2015 in three languages immediately to the Parliament.

5.9. Unresolved audit paragraphs

a. We will be attaining to import and distribute of cement only after introducing methodical system to the organization.

b. This land already valued. We were informed that Rs.22,985,800/- as the valuation fee. We have not financial ability to pay this amount and we will make arrangement to discuss this situation with the valuation department.

6. Systems and controls

a. Accounting – The ledger accounts, books and other reports already updated.

b. Control of Fixed Assets – The fixed assets register has been prepared and presented to the audit in 2016. We will correct the omissions in that register.

The board of survey report has been prepared and presented to the audit in 2016. We will be appointing the committee within the given period in future.

c. Stores control – We followed the first in first out method regarding to the import and distribute of cement and we keep the books properly.

d. Internal control and e. Control of debtors and creditors –
We will give the considerable attention to these points.