

# **SRI LANKA CEMENT CORPORATION**

## **FINANCIAL STATEMENTS**

**2020**

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

.08.2022

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

Dear Sir,

**SRI LANKA CEMENT CORPORATION**  
**FINANCIAL STATEMENTS FOR THE YEAR, 2020**

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, 2020 together with the following documents.

- a). Financial Statement for the year, 2020
- b). The Auditor General's Report and
- c). Observations of the Board on (b) above.

Yours faithfully,

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

*Signed,*  
**GAMINI EKANAYAKE (Attorney-at-law),**  
**CHAIRMAN,**  
**SRI LANKA CEMENT CORPORATION**

# SRI LANKA CEMENT CORPORATION

## CONTENTS

## PAGE NO.

|    |  |         |
|----|--|---------|
| 01 | Report of the Board of Directors   | 01 – 04 |
| 02 | Information about the Corporation  | 05      |
| 03 | Corporate Information - Board of directors in 2021                           | 06      |
| 04 | Human Resources  | 07      |
| 05 | Chairman's Message   | 08      |
| 06 | Corporate Information - Board of directors in 2020                           | 09      |
| 07 | Corporate Information - Senior Management Committee                          | 10      |
| 08 | Audit Committee Report – 2020  | 11      |
| 09 | Report of the Auditor General's – 2020                                       | 12 – 16 |
| 10 | Statement of Financial Position as at 31 <sup>st</sup> December, 2020        | 17      |
| 11 | Statement of Comprehensive Income for the year 2020                          | 18      |
| 12 | Statement of Changes in Equity as at 31 <sup>st</sup> December, 2020         | 19      |
| 13 | Statement of Cash Flow for the year 2020                                     | 20      |
| 14 | Accounting policies and explanatory notes to the financial statements - 2020 | 21 – 29 |
| 15 | Detailed statement to the Financial Statements -2020                         | 30 – 32 |
| 16 | Income Tax Computation -2020   | 33 – 34 |
| 17 | Report of the Directors' comments to the Auditor General's report, 2020      | 35 – 37 |
| 18 | Statement of Financial Position for last four years                          | 38      |
| 19 | Statement of Comprehensive Income for last four years                        | 39      |

# **SRI LANKA CEMENT CORPORATION**

## **REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2020**

### **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 1<sup>st</sup> January 1959 the Corporation was reconstituted as Ceylon Cement Corporation under the Industrial Corporations Act No. 49 of 1957.

In the year 1980 the name was changed to “Sri Lanka Cement Corporation” by a Gazette notification. This Corporation which functioned under the Ministry of Industries and Scientific affairs was brought under the purview of the Ministry of Local Government, Housing & Construction from 1st February 1985. After that, since 19th June 1997 the Corporation was again under the Ministry of Industrial Development and still continuing as same until 2010 and vested under the Ministry of State Resources & Enterprises Development up to February, 2015, the Ministry of Industry and Commerce, resettlement of protracted displaced persons and Corporative development up to 2019. Thereafter, Sri Lanka Cement Corporation functioned under the Ministry of Industries.

### **2.0 VISION AND MISSION STATEMENT**

#### **VISION**

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

#### **MISSION**

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

#### **MAIN OBJECTIVES**

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

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

#### **MAIN FUNCTIONS**

The functions and objectives of the Corporation as indicated in the Incorporation order published in Gazette Extraordinary No.11634 of 2<sup>nd</sup> 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 11<sup>th</sup> 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 2<sup>nd</sup> January, 1959 in the first schedule thereto, in paragraph 1, thereof, by substituting for the words “*The manufacture and sale of cement*” of the word “*The manufacture, importation and sale of cement*”.

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

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

### **3.0 PRESENT POSITION**

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

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

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

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

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

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

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

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

### **Sales of Cement**

| <b>Year</b> | <b>2018 , 19 &amp; 20</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|-------------|---------------------------|-------------|-------------|-------------|
| Qty (MT)    | -                         | 980         | 4,002       | 2,780       |
| Value (Rs.) | -                         | 12.66Mn     | 60.15Mn     | 37.87Mn     |

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

The Corporation also started a Concrete production Yard at Urumpirai in October 1997. The Unit has been mainly engaged in production of RC Poles for Ceylon Electricity Board and Telegraph poles for Sri Lanka Telecom.

In the year 2009 we produce Concrete blocks, beams, pavement slabs and fence posts were supplied to Building Department, Road Development Authority, University of Jaffna and the General Public in addition to the concrete poles production.

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

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

### **Sales of Concrete Products**

| <b>Year</b>              | <b>2020</b> | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   |
|--------------------------|-------------|---------------|---------------|---------------|---------------|---------------|
| Concrete poles (Qty)     | -           | -             | -             | -             | 304           | -             |
| Fence poles (Qty)        | -           | -             | -             | 4             | 253           | 391           |
| RC colums (Qty)          | -           | 114           | 99            | 145           | 169           | 419           |
| Concrete blocks          | -           | -             | -             | -             | 46,907        | 54,805        |
| <b>Total Value (Rs.)</b> | <b>-</b>    | <b>0.57Mn</b> | <b>0.56Mn</b> | <b>1.13Mn</b> | <b>4.07Mn</b> | <b>2.69Mn</b> |

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

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

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

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

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

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

#### **4.0 PROFITABILITY**

The Corporation had a surplus of Rs.2.6Mn in 2011. In 2012, 2013 & 2014 the corporation has continuously losses as 75Mn, 424Mn & 13Mn respectively. Subsequently, the Corporation had a surplus of Rs.4.34Mn, Rs.31.70Mn, Rs.15.61Mn ,Rs.15.96Mn and Rs.43Mn in 2015, 2016, 2017, 2018 and 2019 as profit after tax.

As per the financial statements for 2020, we earned the accounting profit before income tax of Rs.40.7Mn. It shows 3% increase with compared for the previous year figure. With the other accounting adjustments the Corporation reported Rs.39.3Mn as a net profit for the year 2020.

#### **5.0 FUTURE ROLE OF SRI LANKA CEMENT CORPORATION**

The Sri Lanka Cement Corporation is not presently engaged in production of cement due to the temporary close down the factory at Kankasanturai from June 1990, which is the only factory owned by SLCC. With the present context, the situation has been created to open up manufacturing of cement at Kankasanthurei with the guidance of “Vistas of Prosperity and Splendour”.

Before begging of the new project, there should be demolished the old factory buildings and obsolete equipment. Approximately Rs.3Mn will be spent for demolishing works.

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

The activities have been identified including above activities with related to corporation assets and that all activities are working progress.

#### **6.0 APPRECIATIONS**

The Board of Directors sincerely thank to the Honorable Minister, Ministry of Industries for the directives given to the Sri Lanka Cement Corporation, Officials of the Line Ministry, General Treasury, State Banks and Other Government Institutions for their co-operation given to the SLCC in 2020.

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

## **INFORMATION ABOUT CORPORATION**

### **Registered Head Office**

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

Telephone Nos.: 011-2440201,2440203

Fax No. : 011-2448866

### **Subsidiary Registered Head Office**

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

Telephone Nos. : 011-2447746, 254158

### **CONCRETE PROJECT, JAFFNA**

Kankesan Cement Works,

Kankesanturai.

Telephone No. : 021 321 5340/41

### **BANKERS**

People's Bank

Bank of Ceylon.

### **AUDITORS**

National Audit Office,

Baththaramulla.

# **SRI LANKA CEMENT CORPORATION**

The Board of Directors;

|                              |               |   |                         |
|------------------------------|---------------|---|-------------------------|
| 01. Mr.GaminiEkanayake       | Chairman      | - | Appointed on 01.01.2020 |
| 02. Mr. E.A.S.Suranga Silva  | Director      | - | Appointed on 01.01.2020 |
| 03. Mr.G.L.Chaminda Jayalal  | Director      | - | Appointed on 01.01.2020 |
| 04. Mr.U.L.R.Senarath Perera | Director      | - | Appointed on 06.02.2020 |
| 05. Mr.S.P.Lokuhannadige     | Director      | - | Appointed on 26.02.2020 |
| 06. Mr.W.R.Paranagama        | Treasury rep. | - | Appointed on 16.12.2020 |

# SRI LANKA CEMENT CORPORATION

## HUMAN RESOURCES AS AT 31.12.2020

| <b>CATEGORY</b>       | <b>Senior<br/>Mgt.</b> | <b>Middle<br/>Mgt.</b> | <b>Junior<br/>Mgt.</b> | <b>Primary<br/>Level</b> | <b>Total</b> |
|-----------------------|------------------------|------------------------|------------------------|--------------------------|--------------|
| Head Office           | 01                     | 01                     | 03                     | 07                       | 12           |
| Kankesan Cement Works | --                     | --                     | --                     | 01                       | 01           |
| <b>TOTAL</b>          | <b>01</b>              | <b>01</b>              | <b>03</b>              | <b>08</b>                | <b>13</b>    |

## CHAIRMAN'S MESSAGE

I was appointed as Chairman of the Sri Lanka Cement Corporation in 1<sup>st</sup> January, 2020 and spent the fiscal year (ended 31 December, 2020) and irrespective of COVID 19 which began in march of the same year and I am proud to mention that what we have achieved to date is measurable and invaluable.

Highlights some of these significant achievements appended below:

Establishing a joint venture with Lanka Mineral Sand to process "Ilmenite" at Aruwakkalu quarry by ousting the existing foreign investor who bid to extend another term of operations. The SLCC now owns 40% shares while Lanka Mineral Sands owns 60% of the venture. Immediate action and preventative measures were taken any future destruction when part of the land vested to SLCC at Aruwakkalu being destroyed and encroached. Restructured the existing system to more productive and revenue earning to the land belongs to the SLCC at Colpetty.

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

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

Also, should create and design a strategy in empowering underprivileged society, especially village levels by creating more opportunities to be engaged on cement-based products such as bricks, cladding materials, tiles to name a few. Similarly, this could extend to clay and other additives.

At present only one integrated plant exists in Sri Lanka (Puttalam Plant) and opening of another fully integrated plant in Kankasanthurei or close to the limestone belt would ease a lot of clinker imports thus saving huge amounts of foreign exchange to the country.

According to the geological survey, the limestone (being the main ingredient to produce the clinker) the bed lies from Kankasanthurei and Puttalam.

I strongly believe that the Sri Lanka Cement Corporation should recover the fame she lost and come back as the leader and to become the sole authority for the quality, clinker & cement imports, supply & demand and all aspects of the product.

It's not wrong to say that difficulties open the new doors of growth. And when you have innovative brains, you don't to worry about missing any chance.

Whatever the future may bring, I will strive to build a robust foundation and continue to evolve beyond the boundaries of the Sri Lanka Cement Corporation mold as we aim to become a value-creative corporation.

I would like to seize this opportunity to thank the Honorable Minister of Industry, Secretary to the Ministry, the staff of the ministry for their cooperation generous and support rendered towards us to achieve and fulfillments of the above said objectives.

I would like to extend my gratitude to the board of directors and staff at the office of the Sri Lanka Cement Corporation for the previous financial year.

*Signed,*  
**GAMINI EKANAYAKE (Attorney-at-law),**  
**CHAIRMAN,**  
**SRI LANKA CEMENT CORPORATION**

# **SRI LANKA CEMENT CORPORATION**

## **SENIOR MANAGEMENT COMMITTEE**

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

# **Sri Lanka Cement Corporation**

## **Audit Committee Report**

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

In 2020, Ms. W.G.D.C.D.S.Rajakaruna was the Chairman of the Committee under review of Mr.G.L.C.Jayalal and Mr.E.A.S.S.Silva were the other two Non-executive Directors.

Presently, Mr.W.R.Paranagama appointed as a Chairman of the Committee under review of Mr. U.L.R.Senarath Perera and Mr.E.A.S.S.Silva were the other two Non-executive Directors.

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

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

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

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

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

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

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

*Signed,*  
**W.R.Paranagama,**  
**Chairman,**  
**Audit Committee**

**Auditor General's Report on Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Cement Corporation for the year ended 31st December 2020 in terms of Section 12 of the National Audit Act No. 19 of 2018**

---

**1. Financial Statements**

**1.1 Qualified opinion**

The statement of financial position of the Sri Cement Corporation as at 31st December 2020, the statement of comprehensive income for the year ending, the statement of changes in equity and the statement of cash flow for the year ending thereon, the notes and summary of important accounting policies & explanatory notes for the financial statements for the year ending 31st December 2020 audited under my order with the directives in amendment to the constitution of the Democratic Socialist Republic of Sri Lanka Amendment to the Constitution Audit Act No. 19 of 2018, Ordinance No. 38 of the Amendment Act No. 19 of the Amendment to the Constitution of the Republic of Sri Lanka dated 31 December 2020 Audited under. My report will be tabled in Parliament in due course in accordance with Article 154 (6) of the Constitution.

Except for the impact of the facts described in the section on the basis for the factual opinion in my report, I am of the view that the financial position of the Corporation as at 31st December 2020 and its financial performance and cash flow for the year ending thereafter reflects a true and equitable position in accordance with Sri Lanka Accounting Standards.

**1.2 The basis for the qualified opinion**

a. According to the paragraph no. 32 of Sri Lanka Accounting Standards no. 08, there is no allocation for provision of doubtful debts for totally 20 nos of loan balance of Rs.31,324,469/- time constraints a period of 3 to 10 years with uncertainty based on receipt of money, while there are 03 nos of unidentified loan receivable balance with the value of Rs.25,925,739/-.

b. In accordance with section no.34 of Sri Lanka Accounting Standards no. 16, the revaluation is required on changes in fair value of Property, Plant and equipment. Although completely depreciated, the total value of Rs 4,463,964/- two vehicles of currently in running condition were recorded in the accounts at historical cost and no action had been taken to revalue and record it for the fair value.

c. The balances due from related parties should be classified separately and stated in the financial statements as per provisions given in Sri Lanka Accounting Standards 24,; the balance of Rs.1,940,555/- to be recovered from M/s. Lanka Cement Company which the Corporation has invested 62.45% of the total capital of that company was included in the trade & other receivable balances. Further, the nature and other details of the transactions related to the balance were not disclosed.

d. As per paragraph no.5 of Sri Lanka Accounting Standards no.40 , the land at Colpitiya with the value of Rs.735,000,000/- should be listed separately in the financial statements as an investment property, but that property was listed under the Property, Plant and Equipment.

e. The Corporation had invested Rs.10 / - in 108,361,891 shares of Lanka Cement Company for a total of Rs. 1,083,618,910 / -. Accordingly, that the Corporation owns 62.45% of the share capital of Lanka Cement Company, then it became a subsidiary of the Corporation, although the corporation had not prepared consolidated financial statements for the year under review.

f. The total value of the assets accounted for in the three types of assets included in the Corporation's property, plant and equipment is Rs. 9,645,006/- but according to the fixed asset register the total value of those assets was Rs. 6,046,932/-. There were a Rs.3,598,074/- different.

g. For the year under review the depreciation accounted Rs 169,865/- while actual depreciation was Rs. 139,865/- impact was depreciation expenditure for the year is Rs. 30,000/- more and the year's profit less than that.

h. The rent payable to the Sri Lanka Engineering Corporation for the office premises where the Corporation is located as at 31st December 2020 was Rs. 3,822,724/- but According to the balance confirmation letter, the unpaid amount on that day was Rs. 1,052,462/-. There was a difference of Rs. 2,520,262/-.

i. Case No. 96842 M regarding non-payment of damages due to non-delivery of a stock of cement belonging to the Corporation to the Kankesanthurai Cement Factory, the amount due to the Corporation amounting to Rs. 436,140/- had not been disclosed in the financial statements as at 31st December 2020. The amount of Rs. 663,800/- related to the case No. 90302 which was paid to the Corporation in the year 2015 was further stated in the year under review under accounting notes no. 1: 5 under contingent assets.

j. It has been informed that the balance of Rs. 381,966/- should be paid to the Corporation as per the balance confirmations issued by three debtors, It was not included in the financial statement and in respect of two debtors balance of Rs. 2,831,142/- was stated in the financial statement but there were no such balances as per the balance confirmation.

k. The rent to be receivable for two oil tanks and pipelines belonging to the Corporation at Kankesanthurai leased to the Ceylon Petroleum Storage Terminal State Company by 31st December 2020 is Rs. 168,000,000, Under Notes No. 1: 5: 1 in the Financial Statements, it is noted as Rs. 151,320,000/- that the balance receivable as at 31<sup>st</sup> December, 2019 and Rs. 16,680,000/- had been recorded as less.

l. The audit fee for the year 2004 was Rs. 188,258 / -, the invoices could not be issued due to non-consensus, no provision had been made in the preparation of financial statements for the audit fees of Rs. 770,735 / - payable for the years 1990 and 2019 up to 31st December 2020 or to settle that amount during the year under review.

I conducted the audit in accordance with the Sri Lanka Audit Standards (SLTB). My responsibility under these auditing standards is further explained in the Auditor's Responsibility section on financial statements auditing in this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **1.3 Other information included in the Annual Report, 2020 of the Corporation**

The information included in the financial statements of the Corporation for the year, 2020 that you wish to provide me after the date of audit report but the information not included in the financial statements and my audit report that are the other information. The management is responsible for this other information.

I do not cover any other information in my opinion regarding financial statements and I do not express any kind of assurance or opinion about it.

In relation to my audit of financial statements, it is my responsibility to read the other information identified above when available and to consider whether other information is quantitatively inconsistent with my knowledge obtained with financial statements or during auditing or otherwise.

If, after reading the financial statements of the Corporation for the year 2020, I conclude that there are quantitative errors, those factors should be communicated to the governing parties for rectification. If there are any further unresolved errors, they will be included in the report that I will table in Parliament in due course in accordance with Article 154 (6) of the Constitution.

#### **1.4 Responsibilities of the management and controlling parties on financial statements**

It is the responsibility of the management to prepare these financial statements in accordance with the Sri Lanka Accounting Standards and to present them reasonably and to determine the internal controls required to enable the preparation of financial statements without quantitative misrepresentations due to fraud or error.

In preparing financial statements, it is the responsibility of management to determine the going concern of the corporation, and to disclose matters relating to the continued existence of the corporation, unless the management intends to liquidate the corporation or discontinue operations when there is no other option.

The governing parties are responsible for inspecting the financial reporting process of the corporation.

Sub-section 16 (1) of the National Audit Act No. 19 of 2018 shall maintain proper books and records on its own income, expenditure, assets and liabilities so as to prepare the annual and timely financial statements of the Corporation.

#### **1.5 Responsibility of the Auditor in relation to the auditing of financial statements**

My aim is to ensure that, as a whole, there is no quantitative misrepresentation of financial statements, frauds and errors, and to issue an audit report containing my views. While fair certification is a high level guarantee, it will not always be a confirmation that quantitative misrepresentations will be detected when conducting an audit in accordance with Sri Lanka Audit Standards. Fraud and error can result in quantitative misrepresentations due to individual or collective impact, the adequacy of which depends on the impact on economic decisions made by users based on these financial statements.

As part of the audit in accordance with the Sri Lanka Auditing Standards, I conducted the audit with professional judgment and professional skepticism. Further I have,

- Occasionally appropriate audit procedures were planned and implemented to identify and assess the risk of quantitative misrepresentations in financial statements due to fraud or error in providing a basis for the published audit opinion. Fraudulent influences are more effective than quantitative misrepresentations due to misrepresentation, forgery, intentional evasion, misrepresentation, or evasion of internal controls.
- Intended to express an opinion on the effectiveness of internal control, an understanding of internal control was gained in order to design appropriate audit procedures from time to time.
- Appropriate accounting policies used, fairness of accounting estimates and related disclosures made by management were evaluated.
- The relevance of using the corporation's continuity basis for accounting was determined based on the audit evidence obtained as to whether there was quantitative uncertainty about the continuity of the corporation due to events or circumstances. If I conclude that there is sufficient uncertainty, I should pay attention to the disclosures in the financial statements in my audit report, and if those revelations are not enough, I must change my opinion. However, continued existence may end on future events or circumstances.
- The overall presentation of the financial statements, including the disclosures and events that underlie the structure and content of the financial statements, was evaluated as appropriate and fair.

I will brief the governing parties on important audit findings identified during my audit, key internal governance weaknesses and other issues.

## 2. Report on other legal and regulatory requirements

2.1 The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

2.1.1 In accordance with the requirements of Section 12 (a) of the National Audit Act No. 19 of 2018, I obtained all the information and explanations required for the audit and, as my examination shows, the proper Financial Reporting Corporation was maintained

2.1.2 The financial statements of the Corporation correspond with the previous year as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.

2.1.3 In accordance with the requirements mentioned in Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018, 1.2 (a), (a), (e), (d), (o), 2.2.2 (b) and Recommendations made by me during the last year are included in the financial statements submitted, except for clauses 2.3 (a), (b), (c), (d), (e), (e).

2.2 In restricting the action taken and the evidence obtained and quantitative facts, none of the following statements came to my notice.

2.2.1 In accordance with the requirement of Section 12 (d) of the National Audit Act No. 19 of 2018, a member of the Board of Directors of the Corporation may be directly or indirectly involved in any agreement involving the Corporation, outside the normal business environment.

2.2.2 Failure to comply with any applicable written law or any other general or special directive issued by the Board of Directors of the Corporation other than the following observations as required by Section 12 (e) of the National Audit Act No. 19 of 2018.

|     | Reference to Rules / Command<br>-----  | Description<br>-----  |
|-----|--|---|
| (a) | Section 9.4.2 of Public Enterprises Circular No. 12 PED 12 dated June 02, 2003 | The approval of the Secretary to the Treasury had to be obtained for the procedure manual containing the rules and regulations pertaining to human resource management, the relevant approval had not been obtained by the Corporation. |
| (b) | Public Finance Circular No. 01/2014 dated 14th February 2014                   | The action plan, which is expected to be implemented in the next financial year, did not include an internal audit plan. An Internal Audit Division has not been functioning in the Corporation since 2016.                             |

2.2.3 That the powers, functions and functions of the Corporation have not been complied with as required by Section 12 (g) of the National Audit Act No. 19 of 2018.

2.2.4 Failure to procure and utilize the resources of the Corporation in a timely manner, frugally, efficiently and effectively in accordance with the relevant rules, as required by Section 12 (d) of the National Audit Act No. 19 of 2018.

## 2.3 Other audit observations

- a. According to the Cabinet approval no. 96/1900/111/135 dated 21st August 1996, the agreement was signed with Puttalam Cement Company (now Siam City Cement (Lanka)) to lease 5,140 acres of limestone deposit at Aruwakkalu in Sri Lanka Cement Corporation for a period of 50 years. The agreement was signed on December 29, 1993. The agreement did not provide any provision of an increase in the annual rent and the annual installment was fixed at a fixed amount of Rs. 11,500,000. As a result, the corporation lost a large amount of income from 1993 to 2018. Accordingly, the additional agreement No. 268 signed on November 7, 2019 stated that the percentage increase in rent would be 12 percent but no agreement was reached on the increase in rent for the period from 1993 to 2018. Although from 2019, the rent will be US \$ 319,118 were signed, the Attorney General's approval for the additional lease agreement had not yet been granted.
- b. In the Gazette Notification No. 14, 756/7 dated 12th July 1967, The 89.7 perch land in Kollupitiya owned by the Corporation it was valued at Rs. 735,000,000/- in 2017. Although the main objective of the Corporation was to utilize this land for a development project and earn a high income, this land was given to 7 different institutions to parking the vehicles without calling for tenders as a guidance in sections 1.2 of the Government Procurement Procedure 2006 in selecting buyers to allow parking. The corporation did not enter into written agreements with these institutions. In the year 2017, this land was mortgaged to a government bank for Rs. 97,700,000/- out of the loan amount, the outstanding loan amount as on 31st December 2020 is Rs. 67,700,000/- and the interest paid so far was Rs.47,870,613/-. Although the annual interest paid for the year 2020 is Rs.7,452,517/- the rental income earned from parking is only Rs. 4,424,070/-. The Corporation had not taken steps to utilize such property in an area of very high commercial value for a useful investment.
- c. The date on December 6, 1994, the Corporation held 108,361,891 shares in Lanka Cement Company Purchased at a nominal value of Rs 10/- per share, despite owning 62.45% of the company's share capital, the corporation did not receive any return on investment from 1994 to December 31, 2020.
- d. The Corporation has not received any dividends since 2014 for the investment of Rs. 6,400,000 in 480,000 ordinary shares of 10% of Mahaweli Marine Cement Company.
- e. Two oil tanks and pipelines belonging to the Corporation at Kankesanthurai were handed over to the Ceylon Petroleum Storage Terminals Company Company without entering into a written agreement. In this regard, based on the assessment report of the Valuation Department dated 22nd December 2015, from the year 2010 to 2020 Rs. 168,000,000 was estimated to be payable to the Corporation. Letters dated 24th January, HO / 1/5 - 2020 and 30th June, HO / 1/5 - June 30, 2020 were communicated to the Line Ministry by the Corporation but the amount had not been collected by the date of audit.
- f. Unawatuna Kesbepana Land, Galle, which had been valued at Rs. 1,200,000/- under fixed assets in the financial statements of the Corporation as at 31st December 2020, The Habaraduwa Divisional Secretary had taken over for the houses damaged by the tsunami for reconstruction. Although the Divisional Secretary had filed a case to take over the ownership of this land and issue deeds to the residents and pay compensation to the Corporation, the Corporation has not been able to obtain any compensation so far.

**WPC Wickramaratne,  
Auditor General**

**Sri Lanka Cement Corporation**

**Statement of financial position  
As at 31<sup>st</sup> December, 2020**

|  | Notes | 2020<br>Rs.          | 2019<br>Rs.          |
|--|-------|----------------------|----------------------|
| <b>ASSETS</b>  |       |                      |                      |
| <b>Non-current assets</b>                                  |       |                      |                      |
| Property, plants & equipment                               | 03    | 797,608,301          | 797,731,556          |
| Assets held for sales                                      | 04    | 750,000              | 750,000              |
| Long term receivables                                      | 05    | -                    | -                    |
| Investments  | 06    | 631,071,607          | 630,769,134          |
|  |       | <b>1,429,429,908</b> | <b>1,429,250,690</b> |
| <b>Current assets</b>                                      |       |                      |                      |
| Inventories  | 07    | 238,256              | 238,256              |
| Trade & other receivables                                  | 08    | 74,017,285           | 76,862,633           |
| Cash & cash equivalents                                    | 09    | 63,521,348           | 26,944,605           |
|  |       | <b>137,776,889</b>   | <b>104,045,494</b>   |
| <b>Total assets</b>  |       | <b>1,567,206,797</b> | <b>1,533,296,184</b> |
| <b>EQUITY AND LIABILITIES</b>                              |       |                      |                      |
| <b>Equity</b>  |       |                      |                      |
| Stated capital   |       | 966,971,845          | 966,971,845          |
| General reserves   |       | 9,996,952            | 9,996,952            |
| Revaluation reserves                                       |       | 738,702,984          | 561,202,984          |
| Retained earnings  |       | (276,879,869)        | (138,864,838)        |
| Available for sales reserves                               |       | (465,956,132)        | (465,956,132)        |
| <b>Total equity attributable to equity holders of SLCC</b> |       | <b>972,835,780</b>   | <b>933,350,811</b>   |
| Non-controlling interest                                   |       | -                    | -                    |
| <b>Total equity</b>  |       | <b>972,835,780</b>   | <b>933,350,811</b>   |
| <b>Non-current liabilities</b>                             |       |                      |                      |
| Interest bearing liabilities                               | 11    | 58,700,000           | 67,700,000           |
| Long term liabilities                                      | 13    | 492,426,190          | 492,426,190          |
| Retirement benefit obligation                              | 14    | 5,519,302            | 4,674,578            |
|  |       | <b>556,645,492</b>   | <b>564,800,768</b>   |
| <b>Current Liabilities</b>                                 |       |                      |                      |
| Trade & other payables                                     | 15    | 28,274,104           | 28,433,713           |
| Current portion of the interest bearing liabilities        | 11    | 9,000,000            | 6,000,000            |
| Bank loan interest payable                                 | 12    | 451,421              | 710,892              |
|  |       | <b>37,725,525</b>    | <b>35,144,605</b>    |
| <b>Total Liabilities</b>                                   |       | <b>594,371,017</b>   | <b>599,945,373</b>   |
| <b>Total Equity and liabilities</b>                        |       | <b>1,567,206,797</b> | <b>1,533,296,184</b> |

Figures in brackets indicate deductions.

The accounting policies on pages 21 to 25 and notes on 26 to 29 form an integral part of these Financial Statements.

*Signed,*

**Accountant – M.G.A.T.R.Jayathilaka**

The board of directors are responsible for the fair preparation and presentation of the financial statements. These financial statements were approved by the board of directors and signed on behalf of the board,

*Signed,*

**Chairman – Gamini Ekanayake**

*Signed,*

**Director - E.A.S.Suranga de Silva**

*Signed,*

**Director – G.L.C.Jayalal**

29<sup>th</sup> March, 2021

17

**Sri Lanka Cement Corporation****Statement of comprehensive income and retained earnings  
For the year ended 31<sup>st</sup> December, 2020**

|  | Notes    | 2020<br>Rs.          | 2019<br>Rs.          |
|--|----------|----------------------|----------------------|
| Revenue  | 16       | 62,305,693           | 63,306,817           |
| Costs of sales   | Sta. I   | -                    | (565,129)            |
| <b>Gross profit/(loss)</b>   |          | <b>62,305,693</b>    | <b>62,741,688</b>    |
| Other income   | 17       | 4,730,156            | 7,045,189            |
| Distribution expenses  | Sta. II  | -                    | -                    |
| Administrative expenses  | Sta. III | (18,861,766)         | (18,897,716)         |
| Financial costs  | 18       | (7,455,517)          | (11,539,256)         |
| <b>Profit / (loss) before taxation</b>                                     | 19       | <b>40,718,566</b>    | <b>39,349,905</b>    |
| Income tax expense   |          | (1,302,335)          | -                    |
| <b>Profit / (loss) after taxation</b>                                      |          | <b>39,416,231</b>    | <b>39,349,905</b>    |
| Other comprehensive income / (expenses)                                    |          | -                    | -                    |
| <b>Total comprehensive income / (expenses)</b>                             |          | <b>39,416,231</b>    | <b>39,349,905</b>    |
| Retained earnings & available held for sales reserves at start of the year |          | (604,820,972)        | (647,854,934)        |
| Prior years adjustments  | 20       | (177,431,260)        | 3,684,059            |
| <b>Retained earnings at end of the year</b>                                |          | <b>(742,836,001)</b> | <b>(604,820,970)</b> |

Figures in brackets indicate deductions.

The accounting policies on pages 21 to 25 and notes on 26 to 29 form an integral part of these Financial Statements.

**Sri Lanka Cement Corporation**

**Statement of changes in equity  
For the year ended 31<sup>st</sup> December, 2020**

|  | <b>Balance as at<br/>01.01.2019</b> | <b>This year<br/>(2019)</b> | <b>Prior year<br/>adjust.</b> | <b>Balance as at<br/>31.12.2019</b> |
|--|-------------------------------------|-----------------------------|-------------------------------|-------------------------------------|
| Stated capital   | 966,971,845                         | -                           | -                             | 966,971,845                         |
| Revaluation reserves   | 561,202,984                         | -                           | -                             | 561,202,984                         |
| General reserves   | 9,996,952                           | -                           | -                             | 9,996,952                           |
| Retained earnings  | (181,898,802)                       | 39,349,905                  | 3,684,905                     | 9138,864,838)                       |
| Available for sales reserves (LCL<br>shares investment loss) | (465,956,132)                       | -                           | -                             | (465,956,132)                       |
| <b>Total equity</b>  | <b>890,316,847</b>                  | <b>39,349,905</b>           | <b>3,684,059</b>              | <b>933,350,811</b>                  |

|  | <b>Balance as at<br/>31.12.2019</b> | <b>This year<br/>(2020)</b> | <b>Prior year<br/>adjust.</b> | <b>Balance as at<br/>31.12.2020</b> |
|--|-------------------------------------|-----------------------------|-------------------------------|-------------------------------------|
| Stated capital   | 966,971,845                         | -                           | -                             | 966,971,845                         |
| Revaluation reserves   | 561,202,984                         | -                           | 177,500,000                   | 738,702,984                         |
| General reserves   | 9,996,952                           | -                           | -                             | 9,996,952                           |
| Retained earnings  | 9138,864,838)                       | 39,416,231                  | (177,431,260)                 | (276,879,869)                       |
| Available for sales reserves (LCL<br>shares investment loss) | (465,956,132)                       | -                           | -                             | (465,956,132)                       |
| <b>Total equity</b>  | <b>933,350,811</b>                  | <b>39,416,231</b>           | <b>68,740</b>                 | <b>972,835,780</b>                  |

Figures in brackets indicate deductions.

The accounting policies on pages 21 to 25 and notes on 26 to 29 form an integral part of these Financial Statements.

**Sri Lanka Cement Corporation**

**Statement of cash flow**

**For the year ended 31<sup>st</sup> December, 2020**

| Notes   | 2020<br>Rs.         | 2019<br>Rs.         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                     |                     |                     |
| Profit / (loss) before taxation                                 | 40,718,566          | 39,349,905          |
| <b>Adjustments for non-cash income &amp; expenses</b>           |                     |                     |
| Depreciation  | 169,865             | 97,040              |
| Gratuity provision  | 844,724             | 661,740             |
| Bank loan interest  | 7,452,517           | 11,539,256          |
| Prior years adjustments - non cash                              | 584,030             | 3,763,396           |
| Interest on deposits  | (4,192,841)         | (2,680,534)         |
| Interest on treasury bills                                      | (423,924)           | (543,079)           |
| <b>Cash flows included in operating activities</b>              | <b>45,152,937</b>   | <b>52,187,724</b>   |
| <b>Changes in operating assets and liabilities</b>              |                     |                     |
| Decrease / (increase) in inventories                            | -                   | 687,230             |
| Decrease / (increase) in trade & other receivables              | 1,543,013           | (3,863,413)         |
| Increase / (decrease) in bank loan interest payable             | (259,471)           | -                   |
| Increase / (decrease) in trade & other payables                 | (159,609)           | (8,390,279)         |
|   | <b>46,276,870</b>   | <b>40,621,262</b>   |
| <b>Less :</b>   |                     |                     |
| Gratuity paid   | -                   | -                   |
| Interest paid   | (7,761,054)         | (12,053,870)        |
| Taxes paid  | -                   | (2,595,701)         |
| <b>Net cash from operating activities</b>                       | <b>38,515,816</b>   | <b>25,971,691</b>   |
| <b>Cash flows from investing activities</b>                     |                     |                     |
| Investments in short term deposits                              | (51,500,000)        | (46,700,000)        |
| Withdrawals of short term deposits with interest                | 18,503,582          | 48,510,055          |
| Purchase of property, plant & equipment                         | (46,610)            | (171,300)           |
| Withdrawals of treasury bill interest                           | 423,924             | 1,921,174           |
| <b>Net cash from investing activities</b>                       | <b>(33,043,028)</b> | <b>1,638,755</b>    |
| <b>Cash flows from investing activities</b>                     |                     |                     |
| Repayment of bank loan capital                                  | (6,000,000)         | (24,000,000)        |
| <b>Net cash from investing activities</b>                       | <b>(6,000,000)</b>  | <b>(24,000,000)</b> |
| <b>Net increase / (decrease) in cash &amp; cash equivalents</b> | <b>(527,212)</b>    | <b>3,610,446</b>    |
| Cash at bank at begging of the year                             | 6,680,801           | 3,070,355           |
| <b>Cash at bank at end of the year</b>                          | <b>6,153,589</b>    | <b>6,680,801</b>    |
| Add : Short term deposits                                       | 57,367,759          | 20,263,804          |
| <b>Cash &amp; cash equivalents at end of the year</b>           | <b>63,521,348</b>   | <b>26,944,605</b>   |

Figures in brackets indicate deductions.

The accounting policies on pages 21 to 25 and notes on 26 to 29 form an integral part of these Financial Statements.

## **SRI LANKA CEMENT CORPORATION**

### **Accounting policies and explanatory notes to the financial statements**

**For the year ended 31 December 2020**

#### **1. General information**

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

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

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

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

#### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **2.1. Basis of measurement**

The statement of financial position, statement of comprehensive income & retained earnings, statement of changes in equity and statement of cash flows together with accounting policies and notes (financial statements) of the corporation as at 31<sup>st</sup> December, 2020 and for the year ended have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka.

These financial statements have been prepared under the historical costs convention, except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with SLFRSs requires the use of certain critical accounting estimates.

##### **2.2. Basis of preparation**

These financial statements have prepared in accordance with the Sri Lanka Accounting Standards 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.

###### **2.2.1.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.

##### **2.3. Investments in associates**

###### **2.3.1.Subsidiaries**

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

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

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

### **2.3.2. Associates**

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

The company name was changed as Mahaweli Mariane Cement (Private) Limited from the date of 15<sup>th</sup> September, 2016.

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

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

### **2.3.3. Related party transactions**

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

## **2.4. Revenue recognition**

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

### **2.4.1. Sales of goods**

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

### **2.4.2. Interest income**

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

### **2.4.3. Others**

Other income is recognized on an accrual basis.

## **2.5. Borrowing costs**

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

**2.6 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.

**2.7 Property, plants and equipment**

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

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

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

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

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

**2.8 Exploration and evaluation of assets**

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

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

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

**2.9 Assets held for sales**

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

## SRI LANKA CEMENT CORPORATION

### Accounting policies and explanatory notes to the financial statements

For the year ended 31 December 2020

#### 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.

##### 2.10.1 Crushed lime stones at Kankasanthurei

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

#### 2.11 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.

#### 2.12 Bank loans and overdrafts

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

#### 2.13 Provisions, Contingent Assets and Contingent Liabilities

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

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

Contingent assets are disclosed in the notes where inflow of economic benefit is probable.

Sri Lanka Cement Corporation filed thirteen nos. of court cases against to the trade receivables.

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

**2.13.1 Rent receivables for oil tanks complex**

The oil tanks complex with 5 nos. of tanks constructed and used by the Sri Lanka Cement Corporation for the operations prior to the year 1990.

In the war time, Ms. Ceylon Petroleum Storages Terminals Limited used these tanks for their operations. As per the discussions hold with related parties, the decision taken to get rental for these tanks from 2010 and they have not been paid any amount as rental. The receivable was Rs.151,320,000/- as at 31<sup>st</sup> December, 2019 from that company but those parties have not been entered in to any agreement yet.

**2.14 Employee benefits**

**2.14.1 Defined benefit plans**

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

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

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

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

**2.14.2 Employees' provident fund and trust fund**

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

**2.14.3 Medical scheme**

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

## Sri Lanka Cement Corporation

### Accounting policies and explanatory notes to the financial statements For the year ended 31<sup>st</sup> December, 2020

|  | Balance<br>As at<br><b>01.01.2020</b> | Additions<br>during the<br>year | Disposals<br>during the<br>year | Balance<br>As at<br><b>31.12.2020</b> |
|--|---------------------------------------|---------------------------------|---------------------------------|---------------------------------------|
| <b>03. Property, plant &amp; equipment</b> |                                       |                                 |                                 |                                       |
| <b>Costs</b>                               | <b>797,795,981</b>                    | <b>-</b>                        | <b>-</b>                        | <b>797,795,981</b>                    |
| Land & buildings                           | 797,795,981                           | -                               | -                               | 797,795,981                           |
| Motor vehicles                             | 4,562,891                             | -                               | -                               | 4,562,891                             |
| Furniture, fixtures & fittings             | 4,746,875                             | 32,400                          | -                               | 4,779,275                             |
| Tools & mobile equipment                   | 288,630                               | 14,210                          | -                               | 302,840                               |
|  | 807,394,377                           | 46,610                          | -                               | 807,440,987                           |
| <b>Accumulated depreciation</b>            |                                       |                                 |                                 |                                       |
| Land & buildings                           | 395,981                               | -                               | -                               | 395,981                               |
| Motor vehicles                             | 4,562,891                             | -                               | -                               | 4,562,891                             |
| Furniture, fixtures & fittings             | 4,415,319                             | 169,865                         | -                               | 4,585,184                             |
| Tools & mobile equipment                   | 288,630                               | -                               | -                               | 288,630                               |
|  | 9,662,821                             | 169,865                         | -                               | 9,832,686                             |
| <b>Net book value</b>                      | <b>797,731,556</b>                    |                                 |                                 | <b>797,608,301</b>                    |

Sri Lanka Cement Corporation has totally 751 acres land available at Kankasanthurei but it not recorded in financial statements.

Out of this, 231 acres of land are under the plan no.A 2099 as state land. It vested by the government gazzetteno.12,156 issued on 8<sup>th</sup> July,1960.The factory, administrative buildings and oil complex included in that land. The balance land content with the plan no.A1557, A1487, A1562 & A2438. The Ceylon government gazette no.14,012, in 1964 issued for the land acquisition act (Chapter 460).

There had been process to allocate lands for under mentioned government organizations previously and the special committee has been appointed with the Secretary, Ministry of Industries as a chairperson to review the final decision.

| Name of the organization                                     | Extent (acres) |
|--|----------------|
| Sri Lanka Army   | 50             |
| Sri Lanka Port Authority                                     | 50             |
| Ceylon Petroleum Storage Terminal Ltd (Lease agreement)      | 06             |
| Internally displaced persons as per the gazette notification | 45             |
| Acquired by the encroachments                                | 50             |
| Eco-friendly industrial estate                               | 330            |

We have the ownership of land situated at Thaple pattu of Galle district, southern province, containing in extent of six acres under the deed no 2,354. But, the divisional secretariat has constructed the T-sunami houses in this land. We made request to getting compensation for this land & it will be take in future.

The land with extent of 87.5P at Colpitiya own to the corporation by the Ceylon government gazette no.14,756/7 in 12<sup>th</sup> July, 1967. We have taken action to revalue this land in 2013 & 2017 and recorded the values of Rs.712,500,000/- & Rs.735,000,000/- respectively in the financial statements. Under the mortgage bond no.2,426, the land at 287, Galle road, Colombo 03 has been mortgage to get series of loan facility of Rs.172,000,000/- on 25<sup>th</sup> February, 2008. This land value include in investment property up to 2018 and that value transfer to the category of the lands in property, plants and equipment from 2019.

By the gazette of the republic of Sri Lanka extra ordinary no.283/2 issued on 20<sup>th</sup> September, 1977, transfer the land with mineral quarry to the Ceylon cement corporation. Its extent is 5,413A: 6R:30P. The whole land leased out to Ms.Puttalam Cement (Private) Limited for the period of 50 years from 1993 by the agreement no.495 for excavation of limestone to manufacture cement and the name was changed as Ms.Holcim Cement Lanka (Private ) Limited & presently, they used Ms. Siam City Cement Lanka (Private) Limited. In 2019, the supplementary agreement no.268 signed on November, 2019 with them and included the incremental rate and period of lease rentals.

**Sri Lanka Cement Corporation**

**Accounting policies and explanatory notes to the financial statements**

**For the year ended 31<sup>st</sup> December, 2020**

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

The Sri Lanka Cement Corporation lease out the land at Palavi to Ms.Siam City Cement Lanka (Private) Limited with extent of 12A: 03R: 30P according to the agreement signed on 6<sup>th</sup> June, 2003.

In 2013, the forest land of 221 acres situated Palavi, Puttalam is identified as a land belonging to the corporation and the value only for 170A :03R: 28.3P included in the financial statements from 2013. Fifty one acres land extent out of that has not valued.

|  | <b>2020</b>          | <b>2019</b>          |
|--|----------------------|----------------------|
|  | <b>Rs.</b>           | <b>Rs.</b>           |
| <b>04. Assets held for sales</b>   |                      |                      |
| Railway engines  | 750,000              | 750,000              |
|  | <b>750,000</b>       | <b>750,000</b>       |
| <b>05. Long term receivables</b>   |                      |                      |
| Short term & long term loan for formation of L.C.L.  | 360,311,323          | 360,311,323          |
| Internal transaction between L.C.L.and SLCC until closure of the both factories  | 396,912,560          | 396,912,560          |
| Provision for doubtful receivables   | <u>(757,223,883)</u> | <u>(757,223,883)</u> |
|  | <u>-</u>             | <u>-</u>             |
| <b>06. Investments</b>   |                      |                      |
| Treasury bills   | 7,008,828            | 6,706,355            |
| <b><u>Investments in subsidiary &amp; others</u></b>   |                      |                      |
| Subsidiary – Lanka Cement PLC  | 617,662,779          | 617,662,779          |
| Mahaweli Marine Cement (Pvt) Ltd   | 6,400,000            | 6,400,000            |
|  | <b>631,071,607</b>   | <b>630,769,134</b>   |
| Ms. Lanka Cement PLC is control and monitoring by separate management and the subsidiary company's board content with three board directors of the parent company.<br>The Chairman of the Sri Lanka Cement Corporation has directorship in Mahaweli Marine Cement (Pvt) Ltd. |                      |                      |
| <b>07. Inventories</b>   |                      |                      |
| Stock of raw material and WIP for concrete production  | 238,256              | 238,256              |
|  | <b>238,256</b>       | <b>238,256</b>       |
| <b>08. Trade and other receivables</b>   |                      |                      |
| Trade debtors  | 48,395,643           | 49,072,035           |
| Provision for doubtful debtors   | (977,166)            | (977,166)            |
| Rent receivables   | 3,092,621            | 2,376,670            |
| Advance payment – local orders   | 1,131,622            | 1,131,622            |
| Deposit receivables  | 1,624,626            | 1,624,626            |
| Deposit on purchase of cement  | 976,971              | 976,971              |
| Distress loan/motor cycle loan & special loan  | 3,029,920            | 3,692,332            |
| Pre-paid expenses  | 244,008              | 403,203              |
| Receivables from Lanka cement PLC  | 1,253,580            | 1,253,580            |
| Sundry advance   | 240,947              | 240,948              |
| Receivables from treasury  | 48,000               | 48,000               |
| VAT receivable   | 9,935,654            | 9,935,654            |
| ESC receivables  | 126,758              | 126,758              |
| WHT receivables  | 4,014,641            | 5,523,571            |
| Income tax receivables   | -                    | 761,123              |
| Interest receivables   | 206,754              | -                    |
| NHDA receivables   | 672,706              | 672,706              |
|  | <b>74,017,285</b>    | <b>76,862,633</b>    |

**Sri Lanka Cement Corporation****Accounting policies and explanatory notes to the financial statements  
For the year ended 31<sup>st</sup> December, 2020**

|   | <b>2020</b>               | <b>2019</b>               |
|---|---------------------------|---------------------------|
|   | <b>Rs.</b>                | <b>Rs.</b>                |
| <b>09. Cash &amp; cash equivalents</b>  |                           |                           |
| Cash at bank  |                           |                           |
| Bank of Ceylon, Lake view branch  | 397,868                   | 1,698,236                 |
| Bank of Ceylon, Corporate branch  | 4,412,985                 | 2,375,937                 |
| People's Bank, Liberty Plaza branch   | 1,342,736                 | 2,606,628                 |
| Short term deposits   | 57,367,759                | 20,263,804                |
|   | <b><u>63,521,348</u></b>  | <b><u>26,944,605</u></b>  |
| <b>10. Interest bearing liabilities</b>   |                           |                           |
| Bank loan   |                           |                           |
| Loan - BOC 83124176   |                           |                           |
| - Current liability   | 9,000,000                 | 6,000,000                 |
| - Non-current liability   | 58,700,000                | 67,700,000                |
|   | <b><u>67,700,000</u></b>  | <b><u>73,700,000</u></b>  |
| <p>As per the request made by the Corporation with the letter dated 10.10.2017, all outstanding banking facilities in the bank of Ceylon reschedule under the loan no.83124176 for the value of Rs.97,700,000/- with 120 months repayment period.</p> |                           |                           |
| <b>11. Bank loan interest payable</b>   |                           |                           |
| Bank loan interest payable  | 451,421                   | 710,892                   |
|   | <b><u>451,421</u></b>     | <b><u>710,892</u></b>     |
| <b>12. Long term payables</b>   |                           |                           |
| Treasury advance  | 492,426,190               | 492,426,190               |
|   | <b><u>492,426,190</u></b> | <b><u>492,426,190</u></b> |
| <b>13. Retirement benefit obligation</b>  |                           |                           |
| Opening balance of provision  | 4,674,578                 | 4,012,83                  |
| Payment made in the year  | -                         | -                         |
| Balance provision available   | 4,674,578                 | 4,012,83                  |
| Provision for the year  | 844,724                   | 661,740                   |
| <b>Provision entitlement as at end of the year</b>  | <b><u>5,519,302</u></b>   | <b><u>4,674,578</u></b>   |
| <b>14. Trade &amp; other payables</b>   |                           |                           |
| Trade creditors   | 3,090,311                 | 3,090,311                 |
| Advance for cement  | 1,079,410                 | 1,079,410                 |
| Accrued expenses  | 3,760,237                 | 3,008,221                 |
| Rent payable to B.C.C.  | 766,150                   | 766,150                   |
| Rent payable to S.E.C.  | 3,572,724                 | 3,822,724                 |
| Deposit refundable  | 1,281,626                 | 1,253,126                 |
| ESC payable   | 126,756                   | 126,756                   |
| NBT payable   | 1,881,255                 | 1,984,046                 |
| Payroll control account   | 140,753                   | 185,755                   |
| Unpaid salaries   | 51,645                    | 51,645                    |
| Retained coins  | 468                       | 468                       |
| EPF payable   | 135,254                   | 129,103                   |
| ETF payable   | 18,550                    | 17,711                    |
| Director remuneration payable   | 2,287                     | 2,287                     |
| Income tax payable  | -                         | -                         |
| VAT payable   | 12,366,678                | 12,907,750                |
| WHT payable   | -                         | 8,250                     |
|   | <b><u>28,274,104</u></b>  | <b><u>28,433,713</u></b>  |

**Sri Lanka Cement Corporation****Accounting policies and explanatory notes to the financial statements  
For the year ended 31<sup>st</sup> December, 2020**

|  | <b>2020</b>              | <b>2019</b>                 |
|--|--------------------------|-----------------------------|
|  | <b>Rs.</b>               | <b>Rs.</b>                  |
| <b>15. Income</b>  |                          |                             |
| Sales of concrete poles  | -                        | 576,431                     |
| Lease rental for limestone quarry land   | 57,881,623               | 59,182,276                  |
| Income from premises   | 4,424,070                | 4,803,740                   |
| (-) NBT  | -                        | (1,255,630)                 |
|  | <b><u>62,305,693</u></b> | <b><u>63,306,817</u></b>    |
| <b>16. Other income</b>  |                          |                             |
| Interest on employees loan   | 113,366                  | 169,035                     |
| Interest on deposits   | 4,192,841                | 2,680,534                   |
| Interest on treasury bills   | 423,924                  | 543,079                     |
| Sundry income  | 25                       | 25                          |
| Land access fees   | -                        | 3,652,516                   |
|  | <b><u>4,730,156</u></b>  | <b><u>7,045,189</u></b>     |
| <b>17. Finance costs</b>   |                          |                             |
| Bank overdraft interest  | 3,000                    | -                           |
| Bank loan interest   | 7,452,517                | 11,539,256                  |
|  | <b><u>7,455,517</u></b>  | <b><u>11,539,256</u></b>    |
| <b>18. Profit before tax</b>   |                          |                             |
| The following items have been recognized as expenses/(income) in determining profit before tax : |                          |                             |
| Staff costs  | 10,472,057               | 9,203,294                   |
| Director remunerations   | 1,845,770                | 3,531,187                   |
| Depreciation   | 169,865                  | 97,040                      |
| Audit fees   | 425,000                  | 520,000                     |
| Loss in stock  | -                        | 122,101                     |
| Gratuity provision   | 844,724                  | 661,740                     |
| <b>19. Prior years adjustments to retained earning</b>   |                          | <b>Rs.</b>                  |
| <b>Retained earnings balance as at 31/12/2019</b>  |                          | <b>(604,820,972)</b>        |
| Revaluation reserves   | (177,500,000)            |                             |
| Electricity expense  | 8,249                    |                             |
| Postage expense  | (5,000)                  |                             |
| Welfare expense  | (29,592)                 |                             |
| Bank loan interest   | (49,066)                 |                             |
| Audit fees   | 156,368                  |                             |
| Telephone expense  | (12,219)                 |                             |
|  |                          | <b><u>(177,431,260)</u></b> |
| <b>Retained earnings balance as at 31/12/2020</b>  |                          | <b><u>782,252,232</u></b>   |

These financial statements were approved by the board of directors and authorized for issue on 29<sup>th</sup> March, 2021.

**Sri Lanka Cement Corporation****Statement of detailed comprehensive income  
For the year ended 31<sup>st</sup> December, 2020**

|                                      | <b>Ref.</b> | <b>2020<br/>Rs.</b> | <b>2019<br/>Rs.</b> |
|--------------------------------------|-------------|---------------------|---------------------|
| Income                               |             | 62,305,693          | 63,306,817          |
| Costs of sales                       | <b>A</b>    | -                   | (565,129)           |
| <b>Gross profit</b>                  |             | <b>62,305,693</b>   | <b>62,741,688</b>   |
| Other income                         | <b>B</b>    | 4,730,156           | 7,045,189           |
| Distribution expenses                | <b>C</b>    | -                   | -                   |
| Administrative expenses              | <b>D</b>    | (18,861,766)        | (18,897,716)        |
| <b>Profit before financial costs</b> |             | <b>48,174,083</b>   | <b>50,889,161</b>   |

**Sri Lanka Cement Corporation****Statements to the detailed comprehensive income  
For the year ended 31<sup>st</sup> December, 2020**

|   | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
|   | <b>Rs.</b>        | <b>Rs.</b>        |
| <b>A. Costs of sales</b>                      |                   |                   |
| <u>Sales of cement bags</u>                   |                   |                   |
| Opening stock                                 | -                 | -                 |
| Purchase & other direct costs                 | -                 | -                 |
| <b>Less : Closing stock</b>                   | -                 | -                 |
|   | <hr/>             | <hr/>             |
|   | -                 | -                 |
| <br><u>Sales of concrete products</u>         |                   |                   |
| Opening stock                                 | -                 | 687,230           |
| Purchase                                      | -                 | -                 |
| Direct costs                                  | -                 | -                 |
| <b>Less : Closing stock</b>                   | -                 | (122,101)         |
|   | <hr/>             | <hr/>             |
|   | -                 | <b>565,129</b>    |
|   | <hr/>             | <hr/>             |
|   | -                 | <b>565,129</b>    |
| <br><b>B. Other income</b>                    |                   |                   |
| Interest on employees loan                    | 113,366           | 169,035           |
| Interest on deposits                          | 4,192,841         | 2,680,534         |
| Interest on treasury bills                    | 423,924           | 543,079           |
| Sundry income                                 | 25                | 25                |
| Gate access fees                              | -                 | 3,652,516         |
|   | <hr/>             | <hr/>             |
|   | <b>4,730,156</b>  | <b>7,045,189</b>  |
|   | <hr/>             | <hr/>             |
| <br><b>C. Distribution expenses</b>           |                   |                   |
| Depreciation for motor vehicles               | -                 | -                 |
| Advertising & exhibition                      | -                 | -                 |
|   | <hr/>             | <hr/>             |
|   | -                 | -                 |
|   | <hr/>             | <hr/>             |
| <br><b>D. Administrative expenses</b>         |                   |                   |
| Salary & wages                                | 7,816,936         | 6,766,499         |
| Overtime                                      | 388,257           | 331,916           |
| E.P.F.  | 901,746           | 822,378           |
| E.T.F.  | 225,436           | 205,595           |
| Encashment of medical leaves                  | 532,285           | 401,751           |
| Director remuneration                         | 1,845,770         | 3,531,187         |
| Audit committee meeting fees                  | 37,500            | 119,000           |
| Annual bonus                                  | 174,600           | 147,150           |
| Free tea subsidies                            | 258,550           | 234,950           |
| Food subsidies                                | 556,200           | 457,100           |
| Medical scheme                                | 70,512            | 42,556            |
| Welfare expenses                              | 478,367           | 570,854           |
| Housing loan interest                         | 58,518            | 61,745            |
| Depreciation for office furniture & equipment | 169,865           | 97,040            |
| Rent  | 990,020           | 1,008,150         |
| Electricity expenses                          | 141,898           | 250,778           |
| Postage & telephone                           | 206,465           | 168,303           |
| Printing & stationary                         | 355,338           | 212,551           |
| Rate & taxes                                  | 7,546             | 6,930             |
| General expenses                              | 286,166           | 758,907           |
|   | <hr/>             | <hr/>             |
|   | <b>15,501,975</b> | <b>16,195,340</b> |
|   | <hr/>             | <hr/>             |

**Sri Lanka Cement Corporation****Statements to the detailed comprehensive income  
For the year ended 31<sup>st</sup> December, 2020**

|                                      | <b>2020</b>              | <b>2019</b>              |
|--------------------------------------|--------------------------|--------------------------|
|                                      | <b>Rs.</b>               | <b>Rs.</b>               |
| <b>Conti.....</b>                    | <b>15,501,975</b>        | <b>16,195,340</b>        |
| Travelling expenses                  | 70,031                   | 38,853                   |
| Land visit & other expenses          | 552,506                  | 176,206                  |
| Expenses related with colpitiya land | 545,330                  | -                        |
| Motor vehicle expense                | 69,785                   | 268,921                  |
| Secretarial fees                     | 54,667                   | 63,680                   |
| Repair of office furniture           | 14,750                   | 50,426                   |
| Periodical & publication             | 9,920                    | 9,330                    |
| Audit fees                           | 425,000                  | 520,000                  |
| Gratuity provision                   | 844,724                  | 661,740                  |
| Water                                | 33895                    | 58,252                   |
| Disposal loss in stock               | -                        | 122,101                  |
| Bank charges                         | 107290                   | 88,674                   |
| Office renovation                    | -                        | 1,650                    |
| Temporary staff allowances           | 530,743                  | 640,048                  |
| Loose tool expenses                  | 1,150                    | 2,495                    |
| Consultation fees                    | 100,000                  | -                        |
|                                      | <b><u>18,861,766</u></b> | <b><u>18,897,716</u></b> |

## Computation of Income Tax

## Year of Assessment 2020

|                                     | <u>Reference</u>        | <u>+Rs.</u>         | <u>-Rs.</u>         |
|-------------------------------------|-------------------------|---------------------|---------------------|
| Profit for the year 2020            | P & L                   | 40,718,566          |                     |
| Interest on deposits                | P & L                   |                     | 4,192,841           |
| Interest on treasury bills          | P & L                   |                     | 423,924             |
| Capital Allowance                   | Sch. I                  |                     |                     |
| Depreciation                        | P & L                   | 169,865             |                     |
| Gratuity provision                  | P & L                   | 844,724             |                     |
| Gratuity payment                    | P & L                   | -                   |                     |
|                                     |                         | <u>41733155</u>     | <u>4,616,765</u>    |
| <b>Adjusted loss for the year</b>   |                         |                     | <b>37,116,390</b>   |
| Interest income                     |                         |                     | <u>4,616,765</u>    |
| <b>Total statutory income</b>       |                         |                     | <b>41,733,155</b>   |
| <b>Assessable income</b>            |                         |                     | <b>41,733,155</b>   |
| Less :                              |                         |                     |                     |
| Loss b/f from 2019                  |                         | 37,081,958          |                     |
| Loss for this year (2020)           |                         | -                   |                     |
| 100% of Total Statutory income      |                         | <u>(37,081,958)</u> | <b>(37,081,958)</b> |
| Loss c/f to 2021                    |                         | <u>-</u>            |                     |
| <b>Taxable income</b>               |                         |                     | <b>4,651,197</b>    |
| <b>Total Tax Payable</b>            |                         | 4,615,197           | 28%                 |
| WHT B/F from 2019                   | 5,316,976               |                     | 1,302,335           |
| Income tax claimed in 2020          | <u>(1,302,335)</u>      |                     |                     |
|                                     | <b><u>4,014,641</u></b> |                     |                     |
| <b>Total tax credit C/F to 2021</b> | <u><u>-</u></u>         |                     |                     |
| <b>Balance income tax payable</b>   |                         |                     | <u><u>-</u></u>     |

**Computation of Income Tax****Year of Assessment - 2020****Schedule I - Capital allowance**

|                                   | <b>Rate %</b> | <b>Cost</b> | <b>Allowance<br/>Claimed 2020</b> |
|-----------------------------------|---------------|-------------|-----------------------------------|
| <b>Prior Years up to 2012</b>     |               |             |                                   |
| Buildings                         | 6.67%         | 395,981     | 26,412                            |
| Furniture, fixture & fitting      | 20%           | 546,564     | -                                 |
| Tools & Mobile equipment          | 12.5%         | 47,330      | 5,916                             |
|                                   |               |             | <u><b>32,328</b></u>              |
| <b>Current year - 2019</b>        |               |             |                                   |
| Furniture, fixture & fittings     | 20%           | 171,300     | 34,260                            |
|                                   |               |             | <u><b>34,260</b></u>              |
| <b>Year - 2018</b>                |               |             |                                   |
|                                   |               |             | Nil                               |
| <b>Year - 2017</b>                |               |             |                                   |
| Furniture, fixture & fitting      | 20%           | 140,561     | 9,375                             |
| Tools & Mobile equipment          | 12.5%         | 7,750       | 517                               |
|                                   |               |             | <u><b>9,892</b></u>               |
| <b>Year - 2016</b>                |               |             |                                   |
| Tools & Mobile equipment          | 12.5%         | 30,255      | 3,782                             |
|                                   |               |             | <u><b>22,081</b></u>              |
| <b>Year - 2015</b>                |               |             |                                   |
| Tools & Mobile equipment          | 12.5%         | 18,180      | 2,273                             |
|                                   |               |             | <u><b>2,273</b></u>               |
| <b>Year - 2014</b>                |               |             |                                   |
| Furniture, fixture & fitting      | 20%           | 135,727     | -                                 |
| Tools & Mobile equipment          | 12.5%         | 26,245      | 3,281                             |
|                                   |               |             | <u><b>3,281</b></u>               |
| <b>Capital allowance for 2020</b> |               |             |                                   |
|                                   |               |             | <u><u><b>85,816</b></u></u>       |

**The comments of the board of directors regarding the Financial statements for the year ended 31<sup>st</sup> December, 2019 and requirements of other legal & regulatory in paragraph no.12 of the National Audit Act No.19 of 2018 of the Sri Lanka Cement Corporation.**

**1. Financial statements**

**1.1 The basis for the qualified opinion**

- a. The provision for doubtful debt has not been made. It was instructed to take necessary steps to set aside the provision for doubtful debts in future in accordance with the Sri Lanka Accounting Standard.
- b. Out of the 03 vehicles owned by the Sri Lanka Cement Corporation, one motorcycle is not in a running condition and steps are being taken to remove it while the remaining motorcycle and cab will be revalue and accounted for in the future.
- c. Details of M/s. Lanka Cement Company, a subsidiary of the Corporation, are set out in Accounting Policy and Accounting Notes No. 2.2 of the Financial Statements for the year ended 31 December 2020. The further action will be taken to disclose the nature of the transactions and other details related to this balance to be charged in respect of the supply of cement to a related party in the future in accordance with the Sri Lanka Accounting Standard.
- d. As no investment project is currently being implemented on the land in Kollupitiya with high commercial value, this land is presented under the Property, Plant and Equipment until an investment project is implemented.
- e. Due to the non-submission of the required reports by M/s. Lanka Cement Company, the consolidated financial statements could not be prepared.
- f. This asset register, which is to be maintained in respect of the assets of the Corporation, was prepared in the year 2016 by including the information that can be collected from the old accounts and documents. Although the upward value of the asset accounts is Rs.9,645,006/-. The reason for the difference between the sum of the information and the assets that can be found is the value of the assets that cannot be found.
- g. The depreciation calculation for the assets for the year 2020 has been done accurately and the relevant schedule has been submitted for audit. When accounting for depreciation for asset classes separately, we acknowledge that the depreciation expenditure is over Rs.30,000/-. The corrections will be made with effect from the year 2020 and action will be taken to prepare the accounts for the year 2021.
- h. The Sri Lanka Engineering Corporation has stated that the amount due is only the rent due up to the year 2012. However, as our head office was maintained in the building owned by the Sri Lanka Engineering Corporation until June 2015 and there was no agreement on a cut, our ledger accounts recorded the rent due up to June 2015. That is the reason for the difference between the payable balance in confirmation letter and the financial statement.

- i. If there is a need to look into the files and accounts related to the two cases mentioned here and make any corrections in this regard, action will be taken in preparing future financial statements.
- j. The balance due for the sale of cement is recorded as trade debtors and the balance due for the parking lot maintained on the Kollupitiya land is recorded in the rent account. Letters have been sent to obtain balance confirmation letters for all debtors and creditors, and several documents confirming the balances have been submitted for audit.
- k. The lease due on these oil tanks is due to the corporation but the payment is delayed due to non-settlement of land ownership. The ownership confirm work is in progress. Only the amount due on 31.12.2019 is mentioned under these disclosures. The action will be taken to note the value due in respect of the last day of the relevant year in future financial statements.
- l. The audit fee for the year 1990 was a liability distribution in the sale of the Puttalam and Ruhuna factories which were in the possession of the Corporation at that time and we do not have the necessary documents to ascertain from which factory it should be paid. No balance due on the audit fee for the year 2004 has been brought forward in the accounts.

## **2. Report on other legal and regulatory requirements**

### **2.2.2 Reference to Rules / Command**

- a. The handbook of Procedures and Rules for Human Resource Management of the Sri Lanka Cement Corporation was prepared in the year 1976. It cannot be stated that approval has not been obtained for this manual as per the circulars issued in the year 2003.
- b. We accepted it. After the voluntary retirement scheme implemented on 31.07.2016, an internal audit division of the Corporation was not operational. When the Corporation applied for re-recruitment for these posts, the Department of Public Works informed that no re-recruitment could be made for those posts after the implementation of a voluntary compensation scheme.

### **2.3 Other audit observations**

- a. Admittedly, after informing the line ministry about this, a complaint was lodged with the CID on 25.06.2020 regarding the financial irregularity that has taken place and that complaint is still being investigated. I met the IGP in July 2021 to comment on the delay in the investigation.
- b. The land at Kollupitiya is of high commercial value and the implementation of a mixed investment productive project should be done with the approval of the Urban Development Authority Act and the current situation in the country has failed to find a suitable investor. The Municipal council orders to keep this land clean until a suitable investor is found. Some institutions are allowed to park their vehicles temporarily for a short period of 03 months as they have to do so in accordance with the Act, but it is not an investment project.

- c. This project was started in the year 1981 as the 3<sup>rd</sup> Phase with the objective of increasing the production capacity of the Sri Lanka Cement Corporation and was established in the year 1981 as a Company. All factories in Kankesanthurai have been suspended due to the war. It can be said that this is the main reason why there are no returns on investment.
- d. The company has stated that it has not earned any dividend distribution revenue in the last few years.
- e. We accepted that and further discussions are being held under the auspices of the Line Ministry to obtain this money.
- f. The land at Thalpe, Galle, which belonged to the Sri Lanka Cement Corporation, was taken over by the Government to implement a special housing project for the people displaced by the tsunami. The Divisional Secretary has filed Case No. LA 643 to seek compensation for the land and the new Board of Directors has signed and handed over the case in March 2021.

## Performance Appraisals – Four years

### SRI LANKA CEMENT CORPORATION STATEMENT OF FINANCIAL POSITION As at year ended 31 December, 2016-2019

|  | 2019             | 2018             | 2017             | 2016             |
|--|------------------|------------------|------------------|------------------|
|  | Rs.'000          | Rs.'000          | Rs.'000          | Rs.'000          |
| <b>ASSETS</b>                                    |                  |                  |                  |                  |
| <b>Non-current assets</b>                        |                  |                  |                  |                  |
| Property, plant & equipment                      | 797,732          | 1457             | 1,590            | 3,887            |
| Investment properties                            | 750              | 796,950          | 796,950          | 773,700          |
| Long term receivables                            | -                | -                | -                | -                |
| Investments                                      | 624,063          | 624,063          | 624,063          | 624,063          |
| Financial assets                                 | 6,706            | 5,689            | 5,689            | 5,162            |
|  | <b>1,429,251</b> | <b>1,428,633</b> | <b>1,428,292</b> | <b>1,406,812</b> |
| <b>Current assets</b>                            |                  |                  |                  |                  |
| Inventories                                      | 238              | 925              | 1,241            | 3,099            |
| Trade & other receivables                        | 76,862           | 72,999           | 74,469           | 89,212           |
| Pre-payments                                     | -                | -                | -                | -                |
| Cash & cash equivalents                          | 26,945           | 19,867           | 9,158            | 13,687           |
|  | <b>104,045</b>   | <b>93,793</b>    | <b>84,868</b>    | <b>105,998</b>   |
| <b>TOTAL ASSETS</b>                              | <b>1,533,296</b> | <b>1,522,426</b> | <b>1,513,160</b> | <b>1,512,810</b> |
| <b>EQUITY &amp; LIABILITIES</b>                  |                  |                  |                  |                  |
| <b>Equity</b>                                    |                  |                  |                  |                  |
| Stated capital                                   | 966,971          | 966,971          | 966,971          | 966,971          |
| General reserves                                 | 9,997            | 9,997            | 9,997            | 9,997            |
| Revaluation reserves                             | 561,203          | 561,203          | 561,203          | 536,119          |
| Retained earing                                  | (138,869)        | (181,899)        | (197,585)        | (210,289)        |
| Available for sales reserves                     | (465,956)        | (465,956)        | (465,956)        | (465,956)        |
|  | <b>933,351</b>   | <b>890,317</b>   | <b>874,630</b>   | <b>836,842</b>   |
| <b>Non-current liabilities</b>                   |                  |                  |                  |                  |
| Long term liabilities                            | 560,126          | 586,126          | 492,426          | 492,426          |
| Retirement benefit obligation                    | 4,675            | 4,013            | 3,796            | 3,298            |
|  | <b>564,801</b>   | <b>590,139</b>   | <b>496,222</b>   | <b>495,724</b>   |
| <b>Current liabilities</b>                       |                  |                  |                  |                  |
| Trade & other payables                           | 28,434           | 36,824           | 42,317           | 46,502           |
| Current position of interest bearing liabilities | 6,000            | 4,000            | 97,794           | 97,793           |
| Bank loan interest payable                       | 711              | 1,146            | 2,198            | 21,768           |
| Cash & cash equivalents                          | -                | -                | -                | 14,181           |
|  | <b>35,145</b>    | <b>41,970</b>    | <b>142,308</b>   | <b>180,244</b>   |
| <b>TOTAL EQUITY &amp; LIABILITIES</b>            | <b>1,533,296</b> | <b>1,522,426</b> | <b>1,513,160</b> | <b>1,512,810</b> |

Figures in brackets indicate deductions.

## Performance Appraisals – Four years

### **SRI LANKA CEMENT CORPORATION**

#### **STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December, 2016-2019**

|                                      | <b>2019</b>    | <b>2018</b>    | <b>2017</b>    | <b>2016</b>      |
|--------------------------------------|----------------|----------------|----------------|------------------|
|                                      | <b>Rs.'000</b> | <b>Rs.'000</b> | <b>Rs.'000</b> | <b>Rs.'000</b>   |
| Income                               | 63,307         | 36,065         | 15,130         | 64,221           |
| Costs of sales                       | (565)          | (316)          | (16,215)       | (66,525)         |
| <b>Gross profit/(loss)</b>           | <b>62,742</b>  | <b>35,748</b>  | <b>(1,084)</b> | <b>(2,304)</b>   |
| Other income                         | 7,045          | 15,375         | 56,555         | 91,542           |
| Distribution costs                   | -              | -              | (272)          | (292)            |
| Administrative costs                 | (18,898)       | (16,883)       | (20,524)       | (41,172)         |
| Financial costs                      | (11,539)       | (14,652)       | (16,501)       | (15,704)         |
| <b>Profit/(loss) before taxation</b> | <b>39,350</b>  | <b>19,589</b>  | <b>18,174</b>  | <b>32,070</b>    |
| Taxation                             | -              | (3,630)        | (2,877)        | (369)            |
| Other comprehensive income/(expense) | -              | -              | 586            | (995,620)        |
| Prior years adjustments              | -              | (271)          | (3,180)        | -                |
| <b>Profit/(loss) after tax</b>       | <b>39,350</b>  | <b>15,687</b>  | <b>12,703</b>  | <b>(963,181)</b> |

Figures in brackets indicate deductions.