

# **LANKA CEMENT PLC**

**2016**

**ANNUAL REPORT**

# Our Vision

Transform Lanka Cement PLC as the **‘Market Leader’** in the cement industry by 2016.

# Our Mission

Revolutionize the construction industry with a ‘low cost’ and ‘high quality’ cement brand in Sri Lanka.

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## Corporate Information

Name of Company	- Lanka Cement PLC
Registered Office	- Vauxhall Building, No. 27, Vauxhall Street, Colombo 02
Contact Details	- 0112399243/ 0112447541
Company Registration Number	- PQ 194
Board of Directors	- 07
Company Secretaries	- SSP Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 3
Auditors to the Company	- Ernst & Young., Chartered Accountants, 201, De Sardm Place, P.O Box 101 Colombo 10, Sri Lanka.
Bankers	- Bank of Ceylon, Lake View Branch, Colombo 2. People's Bank, International Division, Colombo 10. Commercial Bank of Ceylon Ltd, Colombo 13. Commercial Bank of Ceylon, Chunnakam. Bank of Ceylon, Chunnakam

# Chairman's Review

## Chairman's Message

It is a pleasure me to write this message as the Chairman of the Lanka Cement PLC for the 23<sup>rd</sup> Annual General Meeting in 2016 on behalf of Board of Directors of the Company. Lanka Cement PLC has a great history and when reweaving, it could be understood that the successes and the failures of the cement sector. Though the factory was closed its productions in 1991 due to effect of the Northern War, the management of the company had taken actions to import and distribute cement keeping its brand name and the good name of the company.

But after off the Jaffna Peninsula from the war risk, nothing had done by the authorities to recommence the factory. An extent of 92.8 acres of the land that located the factory, released by the government for 30 year lease. The period of the lease of the land was from 31<sup>st</sup> May 1984 to 30<sup>th</sup> May 2014. However this land is not entitle to the company further more because neither the Board of Directors nor the Management have taken steps or any endeavor to extend the lease period of the land. The cement factory which owned to the company as well as the other factory was remaining under the security forces have destroyed and cut its iron bars and beams and sold them by the thieves.

It would be beneficial to evaluate its progresses as well as failures to identify the strengths and weakness for a better future and planned out the activities in the Corporate Plan for the next five years. It clearly shows our plans and targets as well as the way we are going to achieve the company goals with the unity of the members of the staff.

I assumed my duties as the Chairman in March 2016 in Lanka Cement PLC and when I assumed duties, the company was laid off because of no enough sales and high amount of liabilities.

My view is to setup and uplift the operational activities at KKS in Jaffna to meet the country's requirement using company owned mineral deposits endowed with high purity natural vein calcium carbonated limestone that consists over 96%, with the idea to be the one of the giants among the distributors of the cement world.

I take this opportunity to extend my sincere thanks for our shareholders and hope their continuous contribution in the coming years to put the organization in to a firm footing. My sincere gratitude is also hereby expressed to our valued customers, whose loyalty to us as their long-term supplier of cement.

Also I wish to extend my sincere thanks to the Honorable Minister of Industry and Commerce, Secretary and the staff of the Ministry and the Board of Directors of Lanka Cement PLC for their assistance and guidance.

Finally I would like to assure all the shareholders that the Lanka Cement PLC would be the top brander and the main player among the cement world in the future.

**LALINDA LIYANAGE**

**CHAIRMAN**

**21/07/2017**

## Board of Directors

Name of the Director	Appointed Date	Resignation Date
Mr.Lalinda Liyanage	25/02/2015	Not resign
Mr.M.Reyyaz Sanoon Salley	16/02/2015	Not resign
Mr.W.D.Janaka Karunaratne	25/02/2015	Not resign
Mr. M. Abdul Rafeek	30/04/2015	Not resign
Mr. Malith Perera	03/31/2015	Not resign
Mr. A. N. Hapugala	28/04/2016	Not resign
Mr. N.M. Munawwar	31/03/2015	Not resign

## Management Team

- Mr.Lalinda Liyanage - Chairman
- Mr.Reyyaz Salley - Managing Director
- Mr.P.Srikantharajaha - Assistant General Manager
- Mr.M.Priyanthasiri - Area Sales Manager
- Mr.P. Wimalanadan - Officer in Charge – Jaffna Depot



## **Financial Review and Investor Information**

### **Financial Review**

#### **Revenue**

The Company's revenue reported for the financial year 2016 was Rs.110, 587,354 which is a 104% increase compared to Rs. 54,106,296 for year 2015.

#### **Profitability**

The Company's net loss for the financial year 2016 was Rs.5, 678,904 which is a 29% decrease compared to the Rs. 8,048,091 for year 2015.

#### **Finance Cost**

The Company's finance cost for the financial year 2016 was Rs. 359,682 which is a 229% increase compared to the Rs. 109,238 for the year 2015.

#### **Capital Structure**

The Company's total equity as at 31 December 2016 was negative Rs. 634,157,397 which is a 1% decrease compared to the negative Rs.628, 478,493 as at 31 December 2015.

The long term debt to equity ratio as at 31 December 2016 was negative 1.31 which is a 2% decrease compared to the negative 1.33 as at 31 December 2015.

#### **Net Assets per Share**

The Company's net assets per share as at 31 December 2016 were negative Rs. 3.65 which is a 1% decrease compared to the Rs. 3.62 net assets per share as at 31 December 2015.

#### **Earnings per Share**

The Company's earnings per share for the financial year 2016 were negative Rs. 0.03 which is a 40% increase compared to negative Rs. 0.05 earnings per share for the year 2015.

#### **Dividend**

The Company had not paid dividend during the year.

#### **Interest Cover**

The Company's interest cover for the year 2016 was negative 14.78 times which is a 79% increase compared to negative 71.97 times interest cover for the year 2015.

<b>Value Added Statement</b>	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Generation of Value Added</b>		
Sale of production and services	110,587,354	54,106,296
Change in inventories	(1,282,728)	(3,254,530)
<b>Value of production</b>	<b>109,304,626</b>	<b>50,851,766</b>
Other Income	32,634,086	13,839,705
<b>Gross Output</b>	<b>141,938,712</b>	<b>64,691,471</b>
<b>Less Brought in goods and services Purchased</b>		
Materials used	107,201,864	47,578,879
Other expenditure	29,805,078	13,751,725
<b>Gross Value Added (GVA)</b>	<b>4,931,770</b>	<b>3,360,867</b>
Depreciation Charged	5,443,032	5,904,214
<b>Net Value Added (NVA)</b>	<b>(511,262)</b>	<b>(2,543,347)</b>
<b>Distribution of NVA</b>		
To Workers/Employees (Staff Cost)	5,830,484	10,405,657
To providers of capital (Loan Interest)	359,682	109,238
To Government (Tax)	-	76,543
To owners (Dividend + Retained Earnings)	(5,678,904)	(8,048,091)
<b>Net Value Added (NVA)</b>	<b>(511,262)</b>	<b>(2,543,347)</b>
	-	-

## Investor Information

### Analysis of shareholding (As of 31 December 2016)

Shareholders	2016				2015			
	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
1 - 1,000	3403	77.29	886,117	0.51	3463	75.63	920,024	0.53
1,001 - 10,000	758	17.22	2,984,212	1.72	865	18.89	3,333,429	1.92
10,001 - 100,000	216	4.91	6,600,144	3.81	221	4.83	6,505,413	3.76
100,000 - 1,000,000	20	0.45	6,386,819	3.68	24	0.52	5,529,055	3.18
over 1,000,000	6	0.14	156,653,656	90.28	6	0.13	157,223,027	90.61
	4403	100	173,510,948	100	4579	100	173,510,948	100

### Details of Shareholding

#### Public Holding (As of 31 December 2016)

Public Holding	2016	2015
Number of shares held by the public	42,903,057	42,903,057
Percentage held by the public- %	24.73	24.73

Stated Capital	31December 2016	31 December 2015
Ordinary share capital	1,735,107,480.00	1,735,107,480.00
Balance as at the end of the period	1,735,107,480.00	1,735,107,480.00

### Investor Ratios

Description	2016	2015
Earnings per Share	(0.03)	(0.05)
Dividend per Share	-	-
Net Assets per Share	(3.65)	(3.62)
Debt Equity Ratio	(1.31)	(1.33)
Interest Cover	( 14.78)	(71.97)

## Five Year Summary

Year ended 31 December		2016	2015	2014	2013	2012
		Rs.	Rs.	Rs.	Rs.	Rs.
<b>Operating Results</b>						
Turnover	Rs.	110,587,354	54,106,296	195,147,172	236,307,766	78,990,410
Gross Profit	Rs.	3,385,490	6,527,417	8,327,930	19,980,698	(5,224,649)
Earnings Before Interest & Taxation (EBIT)	Rs.	(5,319,222)	(7,862,310)	(15,254,833)	(192,869,253)	(385,005,533)
Profit/(Loss) before Taxation	Rs.	(5,678,904)	(7,971,549)	(15,528,963)	(192,921,833)	(385,208,322)
Profit/(Loss) After Taxation	Rs.	(5,678,904)	(8,048,091)	(15,528,963)	(192,921,833)	(385,208,322)
Retained Profit/(Loss)	Rs.	(2,369,264,877)	(2,363,585,973)	(2,355,537,882)	(2,340,008,919)	(2,147,087,086)
<b>Financial Position</b>						
<b>Capital Employed</b>						
Stated Capital	Rs.	1,735,107,480	1,735,107,480	1,735,107,480	1,735,107,480	1,735,107,480
Reserves	Rs.	(2,369,264,877)	(2,363,585,973)	(2,355,537,882)	(2,340,008,919)	(2,147,087,086)
Total Equity	Rs.	(634,157,397)	(628,478,493)	(620,430,402)	(604,901,439)	(411,979,606)
Total Debt	Rs.	833,216,284	836,562,456	836,365,196	838,272,026	835,513,276
Total Capital Employed	Rs.	199,058,887	274,942,336	297,381,830	300,928,133	480,154,273
<b>Assets Employed</b>						
Leasehold Property, Plant & Equipment	Rs.	-	-	-	4,560,995	4,560,995
Property, Plant & Equipment	Rs.	279,219,928	279,168,189	279,084,039	283,558,287	1,098,423,849
Other Non-Current Assets	Rs.	73,440	-	-	-	-
Total Assets	Rs.	275,250,895	274,942,336	297,381,830	300,928,133	480,154,273
<b>Key Financial Indicators</b>						
Equity /Asset Ratio	Times	(2.30)	(2.29)	(2.09)	(2.01)	(0.86)
Current Ratio	Times	0.59	0.29	0.44	0.49	0.35
Gearing Ratio	%	417	402	387	359	197
Turnover to Capital Employed	Times	0.56	0.2	0.66	0.79	0.16
Earnings per Share	%	(0.03)	(0.05)	(0.09)	(1.11)	(2.22)

## Risk Management

The company has adopted a well structured Risk Management System. The Board is aware of possible risks the company faces and the consequences of those.

Risk Exposure	Description	Mitigating Action
Business Risk	Moderate profits due to the fact that the company is only engaged in trading activities at present.	Company intends setting up a packing and grinding plant at Kankasanthurai to increase profitability in the near future.
Interest Risk	Adverse impact on profitability due to interest.	Reduction in rates will reduce finance charges.
Credit Risk	Strong competition has forced the competitors to sell on credit giving rise to delay in settlement.	Bank Guarantee being obtained for all credit sales to reduce risk.
Operational Risk	Intense competition has affected market share and profitability.	The manufacturing plant once commissioned will reduce the cost of production to under price all competition to achieve market dominance.
Human Risk	Inability to recruit and retain high caliber staff.	Revise salaries benefits to recruit qualified and technically competent staff.

## Corporate Governance

	<b>Subject</b>	<b>Applicable Requirement</b>	<b>Compliance Table At 31 December 2016</b>
1	Non-Executive Directors	The Board of Directors should Comprise at least Two or 1/3 of Non - Executive Directors. (whichever is higher)	Three of Seven directors are None-Executives
2	Independent Directors	Two or 1/3 of the Non - Executive Directors. (whichever is higher) Mentioned in rule 6.1 above, Should be independent.	The company will comply with the listing rules of the Colombo Stock Exchange.
3	Disclosures Relating Directors	The annual Report should provide a brief resume of each Director on its Board including the areas of expertise.	Refer page No 13 of this Report.
4	Remuneration Committee	A listed company shall have a Remuneration Committee.	The company will comply with the listing rules by appointing 2 Non- Executive Directors.
5	Audit Committee	A listed company shall have an Audit Committee.	The company will comply with The listing rules by appointing to Non-Executive Directors to the Audit committee.

## LANKA CEMENT PLC

### Annual Report of the Board of Directors on the Affairs of the Company-2016

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31 December 2016. The details set out herein provide pertinent information required by the Companies Act No.7 of 2007, and the Colombo Stock Exchange listing rules and are guided by recommended best accounting practices.

#### 1. Principal Activities

The principal activities of the **Company** are manufacture, produce, import, sell or otherwise deal in cement and any articles made of cement or cement concrete or other cement mixtures.

#### 2. Review of Performance for the year ended 31 December 2016 and Future Developments

A review of the Company's performance during the year, with comments on financial results for the year ended 31 December 2016 and future developments is contained in the Chairman's Review (Page No 2). This report, together with the Financial Statements reflects the state of affairs of the company.

#### 3. Financial Statements

The Financial Statements of the company are given on page 20 to 36

#### 4. Auditors' Report

The Auditor's Report on the Financial Statements is given on page 17 to 19 in which the auditors have not expressed (disclaim) an opinion.

#### 5. Accounting Policies and notes to the accounts

The accounting policies adopted in preparation of Financial Statements are given on Page 24 to 36. There was no material changes in the Accounting Policies adopted.

#### 6. Directors' Interest

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the company other than as disclosed in the Note 19 to the Financial Statement.

#### 7. Corporate Donations

No donations were made for the financial year.

## 8. Directorate

The Directors of the Company as at 31<sup>st</sup> December 2016.

Mr. Lalinda Liyanage	-	Chairman
Mr. Reyaz Salley	-	Managing Director
Mr. Janaka Karunaratne	-	Director
Mr. Malith Perera	-	Director
Mr. A. N. Hapugala	-	Director
Mr. N.M. Munawwar	-	Director
Mr. M. A. Rafeek	-	Director

Mr. H.A. Bhaila, Director resigned from the Board with effect from 31<sup>st</sup> March 2016.

Messrs. L.J.K.D. Liyanage and T.M. Perera were appointed Directors of the Company with effect from 31<sup>st</sup> March 2016.

Mr. A.N. Hapugala was appointed a Director of the Company with effect from 28<sup>th</sup> April 2016.

Mr. H.A. Bhaila was appointed a Director of the Company with effect from 28<sup>th</sup> March 2017.

Mr. M.A. Rafeek, Director resigned from the Board with effect from 19<sup>th</sup> April 2017

In terms of Article 91 of the Articles of Association of the Company Messrs L.J.K.D. Liyanage, M.R.S. Salley, W.D.J. Karunaratne, T.M. Perera, A.N. Hapugala, Mr. N.M. Munawwar and Mr. Hussein Bhaila retire and being eligible offer themselves for re-election.

## 9. Directors' Shareholdings

None of the directors held any shares of the Company during the year ended 31 December 2016.

## 10. Auditors

The Financial Statements for the year ended 31 December 2016 have been audited by Ernst & Young, Chartered Accountants.

The Auditors Ernst & Young was paid Rs.280, 000 (2015 – Rs.210, 000/- Udayasri Kariyawasm & Co.) as audit fees by the company.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the company other than those disclosed above. The auditors do not have any interest in the company.

## 11. The Turnover

The Turnover amounted to Rs. 110, 587,354/- (2015-Rs. 54, 106,296/-)



**12. Dividends**

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2016.

**13. Investments**

No investments have been made during the year.

**14. Property, Plant and Equipment**

An analysis of the Property, Plant and Equipment of the company, additions and disposals made during the year and depreciation charged during the year are set out in Note 2 to the Financial Statement

**15. Capital Commitments**

There were no capital commitments outstanding as at Balance Sheet date.

**16. Stated Capital**

The issued and fully paid up share capital of the company is Rs.1, 735,107,480/-divided into173, 510,748ordinary shares. There were no changes in the stated capital of the company during the year.

**17. Retained earnings (Accumulated Losses)**

Total Reserves as at 31 December 2016amounted to negative Rs.2, 369,264,877/- (2015 – negative Rs. 2, 363,585,973/-)

**18. Events occurring after the Balance Sheet date**

There were no material events occurring after the balance sheet date which require adjustments to or disclosure in the financial statements.

**19. Taxation**

The tax position of the company is given on Note 1.2.7 to the Financial Statements.

**20. Going Concern**

The Company's Going Concern is disclosed is Note 1.2.4 to the Financial Statements.

**21. Statutory Payments**

The Directors to the best of their knowledge, some of the statutory payments in relation to the Government and the employees have not been made on time.

**22. Corporate Governance/Internal Control**

The Corporate Governance and internal Control Policies of the company are given in page 11.

**23. Contingencies and Capital Commitments**

There were no significant contingent liabilities or capital commitment outstanding as at the Statement of Financial Position date.

**24. Annual General Meeting**

The 23<sup>rd</sup> Annual General meeting of the company will be held at

Date : 06<sup>th</sup> September 2017

Venue : Sri Lanka Foundation Institute

Time : 09.00

**25. Shareholders' Information**

The distribution of shareholders is indicated on the page 8 in the Annual Report.  
There were 4403 Registered Shareholders as at 31 December 2016.

By order of the Board of

**Lanka Cement PLC**

.....

Signature of Director

.....

Signature of Director

.....

S S P Corporate Services  
(Private) Limited, Colombo  
Secretaries

Colombo

01<sup>st</sup> June 2017

## Statement of Directors' Responsibility

In keeping with the provision under the Companies Act No 7 of 2007, the Directors of Lanka Cement PLC acknowledges their responsibility in relation to financial reporting of the company. The responsibilities differ from those of its Auditors Ernst & Young, which are set out in their report.

The Financial Statements of the company for the year ended 31 March 2016 included in this report, have been prepared and presented in accordance with the Sri Lanka Accounting Standards, and they provide the information as required by the Companies Act No 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The directors confirm that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the Financial Statements exhibited in the report. All material deviations from these standards if any have been disclosed and explained. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent. The directors confirm their responsibility for ensuring that the company maintains accounting records, which are sufficient to prepare Financial Statements that disclose with reasonable accuracy, the financial position of the company. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the company as at 31 December 2016 and that of the loss for the year then ended.

The overall responsibility for the company's internal control systems lies with the directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatement and fraud, the directors confirm that the prevalent internal control systems instituted by them and which comprise internal checks, internal audit and financial & other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period time.

The Directors are of the view that the company has adequate resources to continue operations in the foreseeable future, and have continued to use the going concern basis in the preparation of these Financial & Statements.

The Directors have provided the Auditors Ernst & Young, Chartered Accountants with every opportunity to carry out reviews and tests that they consider appropriate necessary for the performance of their responsibilities. The auditors have examined the Financial Statements together with all financial records and related documents and express their opinion which appears as reported by them.

By order of the Board,

Secretaries  
Lanka Cement PLC

# **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF LANKA CEMENT PLC TO THE AUDITOR GENERAL OF SRI LANKA**

## **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of Lanka Cement PLC, which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Board's Responsibility for the Financial Statements***

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

1. Property, Plant and Equipment reflected in the statement of financial position includes an amount of Rs. 229,957,152 which is described to be located at the Company's factory. However, the Company factory has been completely destroyed due to the war in the North and East several years back. The recoverable values of the said assets have yet not been determined by the Company and impairment has not been recognized by the Company for the mentioned assets as at 31 December 2016.
2. Inventories reflected in the statement of financial position as at 31 December 2016 amounts to Rs. 3,188,671. However, a physical observation has not been carried out by the Company in verifying the said inventories and accordingly, sufficient appropriate evidences were not available to satisfy ourselves on the existence of inventories as at 31 December 2016.
3. Deferred Income reflected in the statement of financial position as at 31 December 2016 amounts to Rs. 74,197,970/-, and relates to grants received by the Company. However, sufficient appropriate audit evidence was not available to satisfy ourselves on the purpose of the mentioned grants and the appropriateness of accounting for the grants thereon.
4. The Company has not calculated the potential income tax liability in the preparation of the financial statements for the year ended 31 December 2016.

5. Satisfactory evidence was not made available to verify existence, completeness and accuracy of the following balances as at 31 December 2016 due to the lack of documentary evidence and the non-availability of subsequent settlements.

Balances included within Note 4 – Trade and Other Receivables

ESC Receivable	Rs. 5,203,956
Tax Receivable	Rs. 1,966,017
Miscellaneous Debtors	Rs. 415,100
Interest receivable	Rs. 2,790,611
WHT Recoverable	Rs. 834,486

Balances included within Note 11 – Trade and Other Payables

Accrued Expenses	Rs. 32,990,091
Trade Payable	Rs. 4,372,597
Advance collection – Jaffna	Rs. 2,411,300
BTT	Rs. 659,819

6. Non-Current Liabilities of the Company include a Long Term Payable of Rs. 757,223,883 from the Sri Lanka Cement Corporation. Note 9 in the financial statements reflect that the balance represents a current account with transactions between Sri Lanka Cement Corporation and Lanka Cement PLC prior to the closure of the Company Factory and has been transferred to long term liabilities with the closure of the factory. The determination of the liability being long term is not supported by an agreement confirming the repayment dates and accordingly, we are unable to satisfy ourselves as to the appropriateness of the same.
7. The Company has experienced significant operation losses in the previous years. As at 31 December 2016, the Company's accumulated losses amounted to Rs. 2,369,264,877, and the Company has a negative net worth of Rs. 634,157,397/-. Such gives rise to a "Serious Loss of Capital" situation for the Company for which no action has been taken as prescribed in Sec. 220 of the Companies Act No 07 of 2007. The Company has also offered a VRS to its employees, and no operational staffs are employed with the Company at present. These factors together with the current condition of the Company's factory raises substantial doubt of the Company's ability to continue as a going concern, and the appropriateness of the preparation of these financial statements on a going concern basis.

### ***Disclaimer of Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

### ***Other Matter***

The financial statements of the Company for the year ended 31 December 2015 were subjected to an audit by another firm of chartered accountants who did not express an opinion on those statements dated 30 September 2016.

### ***Report on Other Legal and Regulatory Requirements***

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following

- a) The basis of opinion and Scope and Limitations of the audit are as stated above.
- b) In our opinion :
  - We have not obtained all the information and explanations that were required for the audit as stated above and hence, we do not express an opinion on the financial statements,

1 June 2017

Colombo

**LANKA CEMENT PLC**  
**Statement of Financial Position**

*As at 31 December 2016,*

<b>ASSETS</b>	<b>Note</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>Non-current assets</b>			
Property, plant and equipment – Office	2	207,994	156,255
Factory	2	229,957,152	255,391,004
Intangible assets	2	64,260	-
<b>Total non-current assets</b>		<b>230,229,406</b>	<b>255,547,259</b>
<b>Current assets</b>			
Inventories	3	3,188,671	4,471,399
Trade and other receivables	4	20,582,423	13,855,178
Cash and cash equivalents	5	21,250,395	1,068,500
<b>Total current assets</b>		<b>45,021,489</b>	<b>19,395,077</b>
<b>Total assets</b>		<b>275,250,895</b>	<b>274,942,336</b>
<b>EQUITY AND LIABILITY</b>			
<b>Capital and reserves</b>			
Stated capital	6	1,735,107,480	1,735,107,480
Retained earnings / (loss)		(2,369,264,877)	(2,363,585,973)
<b>Equity attributable to equity holders of the company</b>		<b>(634,157,397)</b>	<b>(628,478,493)</b>
<b>Non current liability</b>			
Deferred income	7	74,197,970	74,197,970
Deferred tax liability	8	-	-
Long term payables	9	757,223,883	757,223,883
Retirement benefit obligations	10	1,794,431	5,140,603
<b>Total non-current liabilities</b>		<b>833,216,284</b>	<b>836,562,456</b>
<b>Current liabilities</b>			
Trade and other payables	11	65,917,822	56,216,930
Interest bearing loans and borrowings	12	-	-
Income tax payable		7,655,638	8,155,638
VRS payable	13	122,775	122,775
Cash and cash equivalent	5	2,495,773	2,363,029
<b>Total current liabilities</b>		<b>76,192,007</b>	<b>66,858,373</b>
<b>Total equity and liabilities</b>		<b>275,250,895</b>	<b>274,942,336</b>

*Figures in brackets indicate deductions*

The significant accounting policies and the notes form an integral part of these financial statements.

I confirm that to the best of my knowledge and belief these financial statements comply with the requirements of the Companies Act No 07 of 2007.

.....  
**Acting Accountant**

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the board by,

.....  
**Director**

.....  
**Director**

**LANKA CEMENT PLC**  
**Statement of Comprehensive Income**

*For the year ended 31 December 2016,*

	Note	2016 Rs.	2015 Rs.
Revenue	14	110,587,354	54,106,296
Cost of sales		(107,201,864)	(47,578,879)
<b>Gross profit</b>		<b>3,385,490</b>	<b>6,527,417</b>
Other income	15	32,634,086	13,839,705
		<b>36,019,576</b>	<b>20,367,123</b>
Administration expenses		(35,306,099)	(26,533,363)
Distribution expenses		(6,032,700)	(1,696,070)
		(41,338,799)	(28,229,433)
<b>Profit/(loss) from operations</b>	16	<b>(5,319,222)</b>	<b>(7,862,310)</b>
Finance expenses	17	(359,682)	(109,238)
<b>Profit/(loss) before tax</b>		<b>(5,678,904)</b>	<b>(7,971,549)</b>
Tax expense		-	(76,543)
<b>Profit/(loss) for the year</b>		<b>(5,678,904)</b>	<b>(8,048,091)</b>
Earnings per share (Rupees per share)	18	<b>(0.03)</b>	<b>(0.05)</b>

*Figures in brackets indicate deductions*

The significant accounting policies and the notes form an integral part of these financial statements.



**LANKA CEMENT PLC**  
**Statement of Changes in Equity**

*For the year ended 31 December 2016*

	<b>Stated capital</b>	<b>Accumulated loss</b>	<b>Total</b>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
<b>Balance as at 31 December 2014</b>	1,735,107,480	<b>(2,355,537,882)</b>	<b>(620,430,402)</b>
Loss for the year	-	(8,048,091)	(8,048,091)
<b>Balance as at 31 December 2015</b>	<u>1,735,107,480</u>	<u><b>(2,363,585,973)</b></u>	<u><b>(628,478,493)</b></u>
Loss for the year	-	(5,678,904)	(5,678,904)
<b>Balance as at 31 December 2016</b>	<u><u><b>1,735,107,480</b></u></u>	<u><u><b>(2,369,264,877)</b></u></u>	<u><u><b>(634,157,397)</b></u></u>

*Figures in brackets indicate deductions*

The significant accounting policies and the notes form an integral part of these financial statements.

**LANKA CEMENT PLC****Cash Flow Statement***For the year ended 31 December 2016,*

	<u>2016</u>	<u>2015</u>
	<b>Rs.</b>	<b>Rs.</b>
<b>Cash flows from operating activities</b>		
Net profit/(loss) before taxation	(5,678,904)	(7,971,549)
<b>Adjustments for:</b>		
Depreciation	5,443,032	5,904,214
Gain on disposal of fixed assets	-	-
Provision for gratuity	3,695,470	688,612
Interest expenses	-	-
Interest income	(980,662)	(883,183)
<b>Operating profit/(loss) before working capital changes</b>	<b>(2,478,936)</b>	<b>(2,261,905)</b>
(Increase)/decrease in inventories	1,282,728	(3,254,530)
(Increase)/decrease in trade and other receivables	(6,727,245)	5,631,836
Increase/(decrease) in trade and other payables	9,700,892	(16,951,693)
<b>Cash generated from operations</b>	<b>6,735,310</b>	<b>(16,836,293)</b>
Gratuity paid	(7,041,642)	(491,352)
Income tax paid	(500,000)	(76,543)
Interest paid	-	-
Interest received	980,662	883,183
<b>Net cash from operating activities</b>	<b>174,330</b>	<b>(16,521,004)</b>
<b>Cash flows from investment activities</b>		
Acquisition of property, plant and equipment	(125,179)	(84,150)
Proceeds from disposal of fixed assets	-	-
<b>Net cash used in investing activities</b>	<b>(125,179)</b>	<b>(84,150)</b>
<b>Cash flows from/(used)in financing activities</b>		
Grant received	-	-
Loan received	-	-
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents	49,151	(16,605,155)
Cash and cash equivalents at the beginning of the year (Note 5 )	(1,294,529)	15,310,625
<b>Cash and cash equivalents at the end of the year (Note 5 )</b>	<b>(1,245,378)</b>	<b>(1,294,529)</b>

*Figures in brackets indicate deductions*

The significant accounting policies and the notes form an integral part of these financial statements.

## **Notes to the Financial Statements**

### **1. CORPORATE INFORMATION**

#### **1.1 GENERAL**

##### **1.1.1 Domicile and Legal Form**

Lanka Cement PLC, (“the Company”) is a Quoted Public Limited Liability Company incorporated and domiciled under the Companies Act No.17 of 1982, which has been re-registered under New Companies Act No. 07 of 2007 at 3 September 2008. The registered office of the Company is located at 7<sup>th</sup> Floor, SEC Building, No 130, W.A.D. Ramanayake Mawatha, Colombo 02.

##### **1.1.2 Principal Activities**

The principal activities of the company were manufacturing, importing and selling of cement.

##### **1.1.3 Parent Enterprise and Ultimate Parent Enterprise**

The company's parent undertaking and controlling party is Sri Lanka Cement Corporation (62% Shareholding).

##### **1.1.4 Date of Authorization for Issue**

The financial statements of Lanka Cement Plc., for the year ended 31 December 2016 was authorized for issue by the Directors on 30 September 2016.

### **1.2 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.

#### **1.2.1 Basis of Preparation of Financial Statements**

The financial statements of the company have been prepared on the historical cost. No adjustments have been made for inflationary factors in the financial statements.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards.

#### **1.2.2 Statement of Compliance**

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and accounting policies and notes to the financial statements of Lanka Cement PLC have been prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka, and the requirements of the Companies Act No. 7 of 2007.

### **1.2.3 Use of Estimates and Judgements**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

### **1.2.4 Going Concern**

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

### **1.2.5 Functional and Presentation Currency**

These financial statements are presented in Sri Lanka Rupee, which is the company's functional currency.

### **1.2.6 Foreign Currency Transactions**

All foreign currency transaction are converted at the rate of exchange prevailing at the date of the transactions were affected. All monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing as at the Balance Sheet date. The resulting gains and losses are accounted for in the income statement.

### **1.2.7 Income Tax Expenses**

Income tax expenses comprise current deferred taxation and current taxation.

#### **a) Current Taxation**

The company's liability to taxation has been computed according to the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto.

#### **b) Deferred Taxation**

Deferred taxation has been provided for under the liability method on temporary differences as at the balance sheet date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that future taxable profit will be available to recover the deferred tax assets. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **1.3 ASSETS AND BASES OF THEIR VALUATION**

Assets classified as current assets in the Balance Sheet are cash and those which are expected to realize in cash, during the normal operating cycle of the company's business, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those, which the company intends to hold beyond a period of one year from the Balance Sheet date.

#### **1.3.1 Property, Plant and Equipment**

##### **a) Basis of Recognition**

Property, plant and equipment is recognized if it is probable that future economic benefits associated with the asset will flow to the company and cost of the asset can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation, less accumulated impairment loss, provided on the basis stated below.

##### **b) Measurement**

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

##### **c) Subsequent Costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of day to day servicing of property, plant and equipment are charged to the income statement as incurred.

##### **d) Derecognizing**

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its disposal. The gain or loss arising from the derecognizing of an item of property, plant and equipment is included in income statement when the item is derecognized.

When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

## e) Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of property, plant and equipment and the estimated useful life of assets is as follows.

<b>Asset category</b>	<b>Years</b>
Factory buildings	50
Plant and machineries	50
Furniture and fittings	10
Office equipment	10
Catering equipment	10
Motor vehicle	5

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is clarified as held for sale or is derecognized.

### 1.3.2 Investments

Investments in marketable securities are stated at lower of cost or marketable value. Other investments are stated at cost less any amount written off to reflect any permanent diminution in value.

### 1.3.3 Trade and Other Receivables

Trade and other receivables are stated at the amounts they are estimated to be realised. Provision has been made in the accounts where necessary for bad and doubtful debts and bad debts are written off when identified.

### 1.3.4 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash-in-hand, deposits held at call with the banks net of bank overdraft, short term highly liquid investments, and readily convertible loan amounts subject to insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents comprises of cash-in-hand deposits held at call with banks, net of overdrafts. Overdrafts are classified under current liabilities in the balance sheet.

#### **Cash flow statement**

Cash flow statement has been prepared using the indirect method.

### 1.3.5 Impairment of assets

As per Sri Lanka Accounting Standard 41–“*Impairment of Asset*”, impairment is required to be determined for identifiable assets. Identifiable assets of the company are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated and shown in the balance sheet. The impairment loss is charged to the income statement.

## **1.4 LIABILITIES AND PROVISIONS**

Liabilities classified as current liabilities in the balance sheet are those obligations payable on demand or within one year from the balance sheet date. Items classified as non-current liabilities are those obligations which will be repaid after a period of one year from the balance sheet date. Provisions and liabilities are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations.

### **1.4.1 Employee benefits**

#### **a) Defined Benefit Plan - (Gratuity)**

Company has been providing in full on account of retiring gratuities from the first year of service of the employee in conformity with previous Sri Lanka Accounting Standard – 16, Retirement Benefit Cost that is being shown under, non-current liabilities in the balance sheet as comparative amount.

As required by the revised Sri Lanka Accounting Standard 16 - Employee Benefits, which became effective from 1 July 2007 and applicable to the company from 1 January 2008. The company has provided for gratuity liability based on the gratuity formula method.

However, according to the payment of Gratuity Act, No. 12 of 1983, the liability to an employer arises only on completion of five years of continued service.

The liability is not externally funded nor actuarially valued.

#### **b) Defined Contribution Plans – Employees’ Provident Fund and Employees’ Trust fund**

All employees of the company are members of the Employees’ Provident Fund and Employees’ Trust Fund, to which the company contributes 12% and 3% respectively. The company contributions are recognized as expenses in the income statement when incurred.

### **1.4.2 Trade and Other Payables**

Trade and other payables are stated at their costs.

## **1.5 INCOME STATEMENT**

### **1.5.1 Revenue Recognition**

Revenue is generally accounted for on an accrual basis and is recognized when all significant risk and rewards of ownership have been transferred to the buyer, which normally occurs on delivery of the goods.

### **1.5.2 Interest Income**

Interest income is recognized in the income statement as it accrual basis.

### **1.5.3 Expenditure Recognition**

All expenses incurred in day to day operations of the business and in maintaining property, plant and equipment in state of efficiency has been charge to revenue in arriving at the profit or loss for the year. Provision has also been made for bad and doubtful debt, all known liabilities and depreciation of property, plant and equipment.

### **1.5.4 Finance Expenses**

Interest expenses are recognized on an accrual basis.

### **1.5.5 Borrowing Costs**

All borrowing costs are recognized as an expense in the period in which they are incurred.

## **1.6 COMPARATIVE INFORMATION**

Where necessary, comparative information has been reclassified to conform to the current year's presentation and classification

## **1.7 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT BALANCE SHEET DATE**

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2012. Accordingly, these standards have not been applied in preparing these financial statements as they were not effective for the year ended 31 December 2016.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The company is not currently in the process of evaluating the potential effects of these standards on its financial statements and the impact on the adoption of these standards have not been quantified as at Balance Sheet date.



*For the year ended 31 December 2016*

**2. PROPERTY, PLANT AND EQUIPMENT**

<b>2.1 Gross Carrying Amount</b>	<b>Balance as at 1 January 2016</b>	<b>Additions/ (Disposals)</b>	<b>Balance as at 31 December 2016</b>
<b>At Cost</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Property, plant and equipment - Office</b>			
Furniture and fittings	1,408,929	51,739	1,460,668
Office equipment	5,597,749	-	5,597,749
Catering equipment	83,425	-	83,425
Motor vehicles	385,528	-	385,528
	<b>7,475,631</b>	<b>51,739</b>	<b>7,527,370</b>
<b>Property, plant and equipment - Factory</b>			
Factory buildings	74,353,116	-	74,353,116
Plant and machinery	197,339,442	(20,000,000)	177,339,442
	271,692,558	(20,000,000)	271,692,558
	<b>279,168,189</b>	<b>(19,948,261)</b>	<b>279,219,928</b>
<b>2.2 Accumulated depreciation</b>			
<b>At Cost</b>	<b>Balance as at 1 January 2016</b>	<b>Depreciation for the year</b>	<b>Balance as at 31 December 2016</b>
<b>Property, plant and equipment - Office</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Furniture and fittings	1,408,929	-	1,408,929
Office equipment	5,441,494.27	-	5,441,494
Catering equipment	83,425	-	83,425
Motor vehicles	385,528	-	385,528
	<b>7,319,376.27</b>	<b>-</b>	<b>7,319,376.27</b>
<b>Property, plant and equipment - Factory</b>			
Factory buildings	4,461,187	1,487,064	5,948,251
Plant and machinery	1,840,367	3,946,788	15,787,155
	<b>10,867,703</b>	<b>5,433,852</b>	<b>21,735,406</b>
	<b>18,187,079</b>	<b>5,433,852</b>	<b>29,054,782</b>
<b>2.3 Net Carrying Amount</b>			
Office	156,255		207,994
Factory	255,391,004		229,957,152
	<b>255,547,259</b>		<b>230,165,146</b>

<b>2.4 Intangible assets</b>	<b>Balance as at 1 January 2016</b>	<b>Additions/ (Disposals)</b>	<b>Balance as at 31 December 2016</b>
<b>At Cost</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Accounting software	-	73,440	73,440
	-	<b>73,440</b>	<b>73,440</b>
<b>Amortization</b>			
Accounting software	-	9,180	9,180
	-	<b>9,180</b>	<b>9,180</b>
	-		<b>64,260</b>

<b>3. Inventories</b>	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Finished goods	3,188,671	4,471,399
	<b>3,188,671</b>	<b>4,471,399</b>

#### **4. Trade and other receivable**

Trade receivables	24,561,107	19,420,427
Provision for bad and doubtful debts	(16,577,676)	(17,445,168)
	<u>7,983,431</u>	<u>1,975,259</u>
Staff loan	-	271,372
Vehicle allowance receivable	285,000	-
Miscellaneous debtors	415,100	415,100
Bid bond receivable – Sri Lanka Air Force	456,151	-
WHT receivable	836,911	834,486
Advance import/purchase	-	398,367
Interest receivable	2,790,611	2,790,611
Tax receivable	1,966,017	1,966,017
DMW Ventures	600,000	-
ESC	5,203,956	5,203,956
Ivanex (Pvt) Ltd	45,246	-
	<b><u>20,582,423</u></b>	<b><u>13,855,168</u></b>

#### 4. Cash and cash equivalents

##### 5.1 Favorable balances

Cash in hand	40,149	57,500
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##### Call and short term deposit

Peoples' bank	20,000,000	-
Cash margin	-	-

##### Cash at bank

Commercial bank -2087997501	463,341	372,504
BOC Lake view - 30649	556,420	-
Peoples' bank -30210630	-	603,575
BOC -Chunnakam -7950368	24,845	24,845
Commercial bank -Chunnakam -1060012637	165,640	10,076
	<u>21,250,395</u>	<u>1,068,500</u>

##### 5.2 Un-favorable balances

BOC Lake view -30649		
Peoples' bank - 30210630	-	287,923
Commercial bank - Chunnakam-1060012637	1,371,173	-
Commercial bank -1087976201	-	-
	<u>1,124,600</u>	<u>2,075,106</u>
	<u>2,495,773</u>	<u>2,363,029</u>

##### 5.3 Total Cash and cash equivalents for the purpose of Cash Flow Statement

<u>(1,294,529)</u>	<u>15,310,625</u>
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	<u>2016</u>	<u>2015</u>
<b>6. Stated capital</b>		
<b>Number of shares</b>		
Ordinary shares	<u>173,510,748</u>	<u>173,510,748</u>
<b>Value</b>	<b>Rs.</b>	<b>Rs.</b>
Ordinary shares	<u>1,735,107,480</u>	<u>1,735,107,480</u>
	<u><b>1,735,107,480</b></u>	<u><b>1,735,107,480</b></u>

	<u>2016</u>	<u>2015</u>
	<b>Rs.</b>	<b>Rs.</b>
<b>7. Deferred income</b>		
World bank grant	32,189,353	32,189,353
Credit grant (NORAD)	38,808,617	38,808,617
Credit grant (Ministry of State Resources and Enterprise Development)	3,200,000	3,200,000
	<u><b>74,197,970</b></u>	<u><b>74,197,970</b></u>

## 8. DEFERRED TAXATION

Deferred tax liabilities	-	-
	<u>-</u>	<u>-</u>

The deferred tax asset arising on the temporary difference of the company has not been recognized as a matter of prudence and the resultant tax effect is disclosed below:

Retirement benefit obligations – Gratuity	-	(4,943,343)
Tax losses	-	(300,929,489)
Net tax effect	<u>-</u>	<u>(305,872,831)</u>

## 9. LONG TERM PAYABLE

Sri Lanka Cement Corporation	757,223,883	757,223,883
	<u>757,223,883</u>	<u>757,223,883</u>

The current account balance of SLCC represents the transaction between SLCC and LCL prior the closure of the factor. It has been transferred to long transfer to long term liabilities with the closure of KKS factory.

## 10. RETIREMENT BENEFIT OBLIGATIONS

### 10.1 Defined contribution plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

	<u>2016</u>	<u>2015</u>
	<b>Rs.</b>	<b>Rs.</b>
Employees' Provident Fund	441,582	736,636
Employees' Trust Fund	118,073	184,159

### 10.2 Defined benefit obligation – Gratuity

Defined benefit obligation as at the beginning of the year	5,140,603	4,943,343
Charge of the year	979,893	688,612
Transfer/reversal during the year	2,715,577	(204,073)
Payments of the year	<u>(7,041,642)</u>	<u>(287,278)</u>
Defined benefit obligation as at the end of the year	<u>1,794,431</u>	<u>5,140,603</u>

## 11. TRADE AND OTHER PAYABLE

Trade payable	4,372,597	4,372,597
Accrued expenses	32,990,091	35,065,502
EPF	6,339	-
ETF	864	-
Refundable deposit	140,000	100,000
Accounts payable	3,372,445	-
Short term loan	4,061,022	8,500,000
Short term loan Shindai (Pvt) Ltd	10,000,000	-
Cement advance	2,738,466	-
Salary payable	238,063	-
Gratuity	401,682	1,275,643
BTT	659,819	659,819
ESC	516,433	335,275
VAT	1,914,803	3,027,699
VAT control	524,565	-
NBT	1,100,815	-
PAYE	28,445	4,095
Staff loan	115,072	-
Advance collection – Jaffna	2,441,300	2,441,300
Audit fee	280,000	420,000
Audit fee provision for Auditor General's Department	15,000	15,000
	<b>65,917,822</b>	<b>56,216,930</b>

## 12. INTEREST BEARING LOANS AND BORROWINGS

	2016			2015		
	Amount Repayable within 1 Year	Amount Repayable after 1 Year	Total	Amount Repayable within 1 Year	Amount Repayable after 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Finance Leases (Note 12.1)	-	-	-	-	-	-
Short term loan - impor	-	-	-	-	-	-
	-	-	-	-	-	-

<b>13. VOLUNTARY RETIREMENT SCHEME (VRS) PAYABLE</b>	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Balance at the beginning of the year	122,775	122,775
Payment during the year	-	-
<b>Balance at the end of the year</b>	<b>122,775</b>	<b>122,775</b>

#### **14. TURNOVER**

Turnover	111,688,170	54,581,861
Nation Building Tax	(1,100,815)	(475,565)
	<b>110,587,354</b>	<b>54,106,296</b>

#### **15. OTHER INCOME**

Interest income on short term deposit	980,662	883,183
Miscellaneous income	1,646,417	761,071
Salary and VRS grants	26,960,971	4,100,000
Transport	2,826,037	-
Non refundable deposit	220,000	-
<b>Waive – off</b>		
Refundable deposit	-	1,154,527
Other payable	-	3,381,031
WHT payable – Fuji cement	-	1,230,800
Insurance payable	-	635,487
BMC payable	-	571,275
Reimbursed transport charges	-	1,122,331
	<b>32,634,086</b>	<b>13,839,705</b>

#### **16. PROFIT/ (LOSS) FROM OPERATIONS**

Profit/(Loss) from operations is stated after charging all expenses including the followings:

Depreciation	5,443,032	5,904,214
Auditors remuneration	-	210,000
Staff cost	<i>Note 16.1</i> 5,830,484	10,405,657
<b>16.1 Staff cost</b>		
Remuneration	5,270,829	9,484,863
EPF	441,582	736,636
ETF	118,073	184,159
	<b>5,830,484</b>	<b>10,405,657</b>

#### **17. FINANCE EXPENSE**

Interest on bank overdraft	125,342	109,238
Bank charges	234,340	-
	<b>359,682</b>	<b>109,238</b>

## 18. BASIC (LOSS)/EARNING PER SHARE

Basic (Loss)/Earning per share has been calculated by dividing the (loss) / profit attributable to the ordinary shareholders by the weighted average number of ordinary shares being outstanding during the period.

(Loss)/profit for the year	(5,678,904)	(8,048,091)
Weighted average number of ordinary shares	173,510,748	173,510,748
(Loss)/earnings per share	<u>(0.08)</u>	<u>(0.05)</u>

## 19. RELATED PARTY TRANSACTIONS

### 19.1 Transaction with key management personnel

The board of directors of the company has the authority and responsibility of planning, directing and controlling the activities of the company. Accordingly, the board of directors of the company has been identified as the key management element of the company.

	<u>2016</u>	<u>2015</u>
	<u>Rs.</u>	<u>Rs.</u>
Short term employee benefit	487,500	Nil
Post-employment benefit	1,603,261	Nil

### 19.2. Transaction with related parties

The company carried on transaction in the ordinary course of its business with parties who are define as related parties in Sri Lanka Accounting Standard ( SLAS) 30-“Related Party Disclosures”. There were no related party transactions during the year.

## 20. EVENT OCCURRING AFTER THE REPORTING DATE

There were no material events occurring after the reporting date which require adjustment to or disclosures in the financial statements.

## 21. COMPARATIVE INFORMATION

Where necessary information has been re-arranged to conform to current year’s presentation and classification.