

## Sri Lanka Cement Corporation 2010

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### 1. Financial Statements

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#### 1:1 Opinion

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka Cement Corporation had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Sri Lanka Cement Corporation as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

#### 1:2 Comments on Financial Statements

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##### 1:2:1 Best Accounting Practices

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Non-compliances with the following best accounting practices were observed.

- (a) Spare parts, 03 tractors, 03 trailers and 04 motor vehicles of the Corporation valued at Rs.5.72 million are in the custody of the Puttalam Holcim Cement (Pvt.) Company. The value of those had not been disclosed in the financial statements.
- (b) (i) The value of the land 180 acres, 05 roods and 48 perches in extent belonging to the Corporation situated at Palawi, Puttalam had not been assessed and included in the financial statements.
- (ii) Even though 06 classes of assets costing Rs.8,475,665 which have been reduced to zero value are in use those had not been revalued and brought to account at the revalued amount.

- (c) Even though the Corporation owns 62.45 per cent of the shares of Sri Lanka Cement Company Ltd. consolidated accounts had not been prepared in that connection.

1:2:2 Accounting Deficiencies  
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Motor vehicles valued at Rs.4,413,656 and implements and mobile equipment valued at Rs.29,911 had not been depreciated for the year under review.

1:2:3 Unreconciled Control Accounts  
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An examination of the ledger and the trial balance revealed differences amounting to Rs.5,260,843 between the balances of 06 items of accounts.

1:2:4 Balances of Accounts Receivable and Payable  
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The following observations are made.

- (a) The balances of the debtors and deposits of the Corporation for the year under review amounted to Rs.119,073,840 and according to the age analysis presented, the balances of the Head Office old between 02 to 05 years and the balances older than 05 years amounted Rs.14,947,649 and Rs.6,705,834 respectively. The balances of the Jaffna Office older than 05 years amounted to Rs.676,706.
- (b) Out of the creditors and the accrued expenses totalling Rs.61,729,566, the creditor balances relating to the Jaffna Office old between 02 to 05 years and older than 05 years Rs.61,500 and Rs.31,929 respectively. The creditors balances of the Head Office between 02 to 05 years and older than 05 years amounted to Rs.4,987,536 and Rs.5,790,690 respectively.





War Situation in the North	Cement Factory Kankesanthurai	1993	Closed down.
	Puttalam Cement Company Ltd.	1995	Establishment of Holcim Cement (Pvt.) Ltd.
	Clinker Deposit of 5,352 Acres	1995	Leased out to Holcim Company for 50 years.

2:2:2 Performance

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Sale of 71,120 metric tons of cement had been targeted while 36,260 metric tons had been sold. That represented 51 per cent of the budgeted target.

2:2:3 Management Inefficiencies

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The following observations are made.

- (a) The land 180 acres in extent owned by the Corporation situated at Kalladi, Palawi, Puttalam remained unused and unprotected. At present people had encroached the land.
- (b) A sum of Rs.414,425 had to be paid as demurrage charges to the Port and Shipping Companies due to the delay in clearing stocks of cement from the Port.

2:2:4 Idle and Underutilised Assets

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The following observations are made.

- (a) The Corporation had invested a sum of Rs.1,083,618,910 in the Lanka Cement Company Ltd. and the Corporation had not received any return thereon from the year 1981.

