

BUILDING MATERIALS CORPORATION LIMITED

Contents	Page
Report of the Auditors	1
Balance sheet	5
Profit & loss Account	6
Notes to the Accounts	7 to 13

BUILDING MATERIALS CORPORATION LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 200

	NOTE	2002 SL.Rs. Rs.'000
Turnover	2.1	1,367,255
Cost of Sales	2.2	<u>(1,263,414)</u>
Gross profit		103,841
Net Operation Expenses	2.3	<u>(195,221)</u>
Operating Profit (loss)		(91,380)
Interest and Similar Charges	3	<u>(24,480)</u>
Profit(Loss) before Taxation		(115,860)
Taxation		-
Profit/(Loss)for the year		<u><u>(115,860)</u></u>

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2001
SL.Rs.
Rs.'000

1,392,837
(1,235,412)
157,425

(197,979)
(40,554)

(33,996)

(74,550)

-

(74,550)

BUILDING MATERIAL CORPORATION LTD

BALANCE SHEET AS AT 31ST DECEMBER 2002

		31.12.2002	31.12.2001
		SL.Rs.	SL.Rs.
	Note	Rs.'000	Rs.'000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	35,345	39,664
Investment	5	500	500
Fixed Deposit		250	250
		36,095	40,414
Current Assets			
Inventories	6	144,029	215,204
Trade & Other Receivables	7	99,301	84,742
Cash at Bank in Hand	8	10,583	11,505
		253,913	311,451
Total Assets		290,008	351,865
EQUITY & LIABILITIES			
Capital and Reserves			
Share Capital	9	10,000	10,000
Capital Reserve		2,206	2,206
Accumulated Losses	10	(270,461)	(154,521)
		(258,255)	(142,315)
Non-Current Liabilities			
Long Term Loans	11	110,713	67,728
Terminal Benefits	12	64,849	64,642
		175,562	132,370
Current Liabilities			
Trade and Other Payables	13	372,701	361,810
Total Equity and Liabilities		290,008	351,865

BUILDING MATERIALS CORPORATION LIMITED

Note 2 Turnover

2.1 Turnover, which consists of the sale of building materials, is made up as follows:

	2002 SL.Rs. Rs.'000	2001 SL.Rs. Rs.'000
Gross Turnover	1,380,515	1,407,222
Direct Taxes	(13,260)	(14,385)
	1,367,255	1,392,837

2.2 Cost of Sales

Opening Stock	219,826	241,131
Purchases	1,178,204	1,174,045
Duty & Dues	-	18,331
Freight Charges	4,483	8,467
Packing Charges	4,340	1,154
Transport & Handling	1,904	15,140
Landing Charges	-	913
Stamp Fees	-	7
Insurance	-	296
Bank charges	10	306
Wharf Clearance	-	11
Stevedoring Charges	-	2,108
	1,411,767	1,461,909
less : Goods drawn for own use	-	(2,542)
Adjustment in respect of damages	-	(4,129)
	1,411,767	1,455,238
less : Closing Stock	(148,353)	(219,826)
	1,263,414	1,235,412

2.3 Net Operating expenses

Net Operating Expenses are made up of as follows:

Administration Expenses	65,893	68,781
Selling and Distribution Cost	134,950	134,271
	200,843	203,052
less : Other Operating Income	(5,622)	(5,073)
	195,221	197,979

BUILDING MATERIALS CORPORATION LIMITED

	2002	2001
	SL.Rs.	SL.Rs.
	Rs.'000	Rs.'000
2.4 Operating Profit/(loss)		
Operating Profit is stated after charging		
Audit Fees	150	150
Directors Emoluments	58	22
Depteiciation of Tangible Fixed Assets	8,189	8,709

Note 3 Interest and Similar Charges

Interest on Loans and Overdrafts whlooy payable within one year	19,129	28,488
Loans Repayable in instaiment	240	240
Bank Charges	5,111	5,268
	24,480	33,996

BUILDING MATERIALS CORPORATION LIMITED

Note 4 - Property, Plant & Equipment

Cost	Balance as at 01.01.2002 Rs.'000	Additions Rs.'000	Disposals Rs.'000	Balance as at 31.12.2002 Rs.'000
Freehold Assets				
Land& Building	29,641	-	-	29,641
Motor Vehicles	15,913	-	-2,218	13,695
Tools & Equipment	14,523	3,337	-	17,860
Furniture & Fittings	11,125	527	-	11,652
Library Books	72	-	-	72
	71,274	3,864	-2,218	72,920
Lease Hold Assets				
Land	452	-	-	452
Motor vehicles	19,233	-	-	19,233
Computers	7,470	-	-	7,470
	27,155	-	-	27,155
	98,429	3,864	-2,218	100,075
Depreciation				
Land & Building	9,503	620	-	10,123
Motor Vehicles	25,955	5,397	-2,218	29,134
Tools & Equipment	14,409	1,852	-	16,261
Furniture & Fittings	8,831	313	-	9,144
Library Books	67	1	-	68
	58,765	8,183	-2,218	64,730
Net Book Value	39,664	-4,319	-	35,345

BUILDING MATERIALS CORPORATION LIMITED

	31.12.2002	31.12.2001
	SL Rs.	SL Rs.
	Rs.'000	Rs.'000

Note 5 - Investment

This represents investments made in 5,000 shares of Housing Development Finance Corporation of Sri Lanka. The nominal value of share is Rs. 100/-

	500	500
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Note 6 - Inventories

The amounts attributable to the different categories of stocks are as follows:

Trading Stocks
Consumables

	142,513	214,016
	1,516	1,188
	144,029	215,204

Note 7 - Trade & Other Receivables

Debtors are made up as follows:-

Trade Debtors
Other Debtors
Goods & Services Tax
Prepayments and Accrued Income

	31,699	33,132
	49,362	45,310
	-4,329	75
	22,569	6,225
	99,301	84,742

All these amounts fall due for payment within one year.

Note 8 - Cash at Bank and in Hand

Cash at Bank
Cash in Hand
Stamp Imprest
Depot Collection Utilised

	15,386	12,651
	-6,002	-2,495
	1	1
	1,198	1,348
	10,583	11,505

BUILDING MATERIALS CORPORATION LIMITED

	31.12.2002	31.12.2001
	SL Rs.	SL Rs.
	Rs.'000	Rs.'000
Note 9 - Share Capital		
Authorised, Issued and Fully Paid		
1,000,000 Ordinary shares of Rs. 10/- each	<u>10,000</u>	<u>10,000</u>
Note 10 - Accumulated Losses		
Accumulated Losses as at 1st January, 2002	-154,601	-79,971
Net Loss for the year	-115,860	-74,550
Accumulated Losses as at 31st December, 2002	<u>-270,461</u>	<u>-154,521</u>

Note 11 - Long Term Loan

	Note		
Contribution from Co-operative Wholesale Establishment	a	3,000	3,000
Government Loan	b	51,400	51,400
Assets Transferred from the Government Supplies Department	c	729	729
Consolidated Fund	d	50	50
Lessor - Hatton National Bank		1,496	5,942
Commercial Bank		4,038	6,607
Term Loan - Hatton National Bank		<u>50,000</u>	<u>-</u>
		<u>110,713</u>	<u>67,728</u>

a) This amount carrying an interest charge of 8 percent has been a contribution by Co-operative Wholesale Establishment as per Cabinet Decision dated 3rd January, 1973.

b) This represents loan obtained from the Ministry of Housing and Construction in 1989.

c) This represents the value of assets transferred to the company at its inception.

d) The difference between the contribution from the Consolidated Fund to the capital of the Building Materials Corporation and the Share capital of the company has been treated as a long term liability.

BUILDING MATERIALS CORPORATION LIMITED

	2002	2001
	SL.Rs.	SL.Rs.
	Rs.'000	Rs.'000

Note 12 Terminal Benefits

Terminal Benefits at 1st January 2002	64,642	56,508
Charge for the year	4,062	14,747
Payments made during the year	(3,855)	(6,613)
Balance as at 31 st DSecember 2002	<u>64,849</u>	<u>64,642</u>

Note 13. Trade and Other Payment

Trust Receipt loans	33,787	28,184
Bank overdrafts	40,976	91,134
Trade Creditors	129,622	70,833
Other Accounts Payable	122,304	126,519
Accruals and provisions	45,031	44,159
Gratuity	981	981
	<u>372,701</u>	<u>361,810</u>

- a) The Bank overdrafts are secured on stock
- b) Other accounts payable includes an amount of Rs. 90,000,000/- payable to the Sevena Trust (2000 - Rs. 90,000,000/-)
- c) Accruals and Provisions include income tax of Rs. 2,200,000/-
- d) Liability on gratuity represents gratuity payable in respect of employees of NHDA and UDA provided in the company's Accounts.

Note 14. Directors Interest in contracts with the Company

The Directors did not have direct or indirect interest in any contracts with the Company during the year ended 31st December, 2002 other than Mr. Hasitha Thilakaratne who is the Managing Director of Nippon Maritime Limited., the parent company of Nippon Trading Company with whom the corporation had dealings.

Note 15. Capital Commitments

There were no material capital commitments outstanding as at 31st December, 2002.

Note 16 - Financial Commitments

The company has an annual commitment to pay Rs. 40,000 as interest on the contribution received from Co-operative Wholesale Establishment.

Note 17 - Contingent Liability

The company terminated the services of a few employee's who have since filed action against the company in the Labour Tribunal. In the opinion of the Directors, these actions are not likely to result in material liability to the company.

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REPORT OF THE AUDITORS TO THE MEMBERS OF BUILDING MATERIALS CORPORATION LIMITED

01. We have audited the balance sheet of Building Materials Corporation Limited as at 31st December 2002 and the related statements of profit and loss and cash flows for the year then ended, together with accounting policies and notes as set out on pages 08 to 19.

02. Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

03. Basis of Opinion

We conducted our audit in accordance with the Sri Lanka auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained most of the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. The matters referred to in paragraph four of the report limited the scope of our work. We therefore believe that our audit provides a reasonable basis for our opinion.

04. Limitation of Scope

4.1 Evidence for Audit

We could not vouch for the accuracy of the following transactions in the absence of evidence as indicated;

4.1.1 Loan from Sevana Trust Fund

4.1.1.1 Loan

The Corporation had obtained loans aggregating Rs. 90.0 million from the Sevana Secretariat during the period 1993 to 1996 and no agreement was made available in respect of this loan. Of this, a sum of Rs. 4 million had been paid in 1996 in part settlement of the loan. The National Lotteries Board, which acquired the Sevana Trust, had however set off this amount against the accumulated interest due on the loan. The National Lotteries Board informed the Corporation in July 2002 that a sum of Rs. 94 million was payable on this loan as at 31st December 2001.

We are therefore unable to verify the accuracy of the amount payable on this loan.

4.1.1.2 Interest

The sum of Rs. 6,839,999/- shown in the accounts as accrued interest represents interest for the year 1998. No provision has been made in the accounts for accrued interest from the inception of loan up to 1997 and for the years 1999 to 2001. The National Lotteries Board had, however, informed the Corporation that a sum of Rs. 96,075,562/- was outstanding as interest from the inception of the loan. The actual amount payable to the Board could not be ascertained.

4.1.2 Loan from the Ministry of Housing and Construction

The sum of Rs. 51,400,000/- has been shown as a long term liability to the Ministry of Housing and Construction. In the absence of direct confirmation, we are unable to conclude whether the sum of Rs. 51,400,000/- is fairly stated.

4.1.3 Fixed Assets

4.1.3.1 A fixed assets register has not been maintained for all the fixed assets owned by the Corporation. A register has been maintained only for motor vehicles. However, a CR Book has been maintained for other assets, which do not contain all the details indicated in the fixed assets register.

4.1.3.2 Verification of Fixed Assets had not been carried out in respect of 17 Depots and Ware Houses of the Corporation. In the absence of physical verification sheets, it was not possible to confirm the accuracy of the value of fixed assets shown in the accounts.

4.1.4 Creditors and Bank Over Draft

According to the financial statements, a sum of Rs. 129,622,843.83 has been shown as the balance in trade creditors. However, an examination of the general ledger, disclosed different balance as Rs. 119,264,716.30, and also a sum of Rs. 29,045,415.70 has been shown as the balance in Bank of Ceylon – corporate branch under bank overdrafts in the financial statements, where in the bank book, disclosed different balance as Rs. 39,403,543.15. No action has been taken to reconcile these differences.

4.2 Understatements and Overstatement – Cash in Hand

4.2.1 According to the Cash Book, the cash balance as at the Balance Sheet date showed a credit balance of Rs. 6,002,218,42 as compared with a credit balance of Rs. 2,545,164.29 as at the end of the previous year. No action has been taken to investigate into this discrepancy.

4.2.2 The day sheets furnished by 3 units in Head Office and 18 outstation depots disclosed nil cash balances as at 31st December 2002. However, an examination of the journals and deposit slips revealed that cash & cheques totaling Rs.3,846,477.25 though indicated in the day sheets as having been deposited, had not been deposited in the Banks on 31st December 2002, but retained by the relevant cashiers as at the balance sheet date. Rs. 3,846,477.25 in hand as at the Balance Sheet date has therefore understated cash whilst cash at Bank had been overstated by the same amount.

4.4 Internal Audit

The functions of the Internal audit of the Corporation were confined to stock verification and investigations into discrepancies arising there from. Although an Internal audit programme and been prepared by a firm of Chartered Accountants, no action had been taken by the Internal audit Division to adhere to the Programme.

4.5 System and Controls

Deficiencies were observed in the following areas.

4.5.1 Stock Verification

A Stock verification for the year ended 31st December 2002 was carried out and discrepancies was observed between verified balances and Bin card balances.

4.5.2 Import Purchases

Material requisition notes were not made available in respect of import purchases. It was therefore not possible to verify whether purchases have been made according to the requests submitted.

05. Performance Review

The performance of the Corporation for the year under review as compared with the previous year is shown below.

- 5.1 The gross profit ratio for the year was 7.5 per cent when compared to 12 per cent in the previous year, showing a decrease of 4.5 per cent.
- 5.2 The current assets ratio for the year was 0.68 as compared with 0.86 for the previous year.
- 5.3 The quick assets ratio for the year was 0.29 as compared with 0.27 for the previous year.

Therefore the liquidity position of the corporation does not appear to be satisfactory.

06. Opinion

Except for the effects of any adjustments that might have been found to be necessary had we been able to satisfy ourselves as to the matters referred to in paragraph 4, in our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31st December 2002 and to the best of our information and according to the explanations given to us, the said balance sheet and related statements of profit and loss and cash flows and the accounting policies and notes thereto, which are in agreement with the said books and prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act, No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st December 2002 and its profit and loss and cash flows for the year then ended.

FERNANDO & CO.
Chartered Accountants

Colombo
27th October 2003