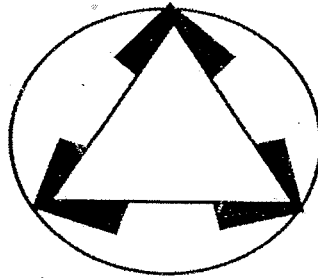


STATE ENGINEERING CORPORATION  
OF SRI LANKA



AMALGAMATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER 2020

STATE ENGINEERING CORPORATION OF SRI LANKA  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2020

		2020	2019
		(Rs.)	(Rs.)
	Note		
Revenue	4	1,853,867,848	3,960,504,914
Cost of Sales		(2,781,115,896)	(4,620,708,690)
<b>Gross Profit</b>		<u>(927,248,048)</u>	<u>(660,203,776)</u>
Other Income	5	400,706,639	466,566,685
Administrative Expenses		(339,105,516)	(594,280,129)
Net Finance Income/ (Expense)	6	(510,952,469)	(391,425,969)
<b>Profit before Tax</b>	7	<u>(1,376,599,394)</u>	<u>(1,179,343,189)</u>
Income Tax Expense	8	(184,812,410)	(218,465,942)
<b>Profit for the period</b>		<u><u>(1,561,411,804)</u></u>	<u><u>(960,877,247)</u></u>
<b>Other comprehensive income</b>			
Actuarial Gain/ (Losses) on Defined Benefit Plans		(62,647,129)	(99,372,230)
Fair Value Change of Available for sale Financial Instruments		384,000	708,000
<b>Other comprehensive income for the period, net of tax</b>		<u>(62,263,129)</u>	<u>(98,664,230)</u>
<b>Total comprehensive income for the period</b>		<u><u>(1,623,674,933)</u></u>	<u><u>(1,059,541,476)</u></u>

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.

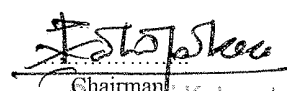
STATE ENGINEERING CORPORATION OF SRI LANKA  
STATEMENT OF FINANCIAL POSITION  
AS AT 31ST DECEMBER 2020

		31.12.2020 (Rs.)	31.12.2019 (Rs.)
<b>ASSETS</b>	Note		
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	7,860,667,530	7,896,864,666
Intangible Assets	10	-	-
Investments in shares	11	4,212,000	3,828,000
Deferred Taxation	12	795,899,799	980,712,209
Other Financial Assets Including Derivatives	15	4,622,132	5,029,968
		<u>8,665,401,461</u>	<u>8,886,434,843</u>
<b>Current Assets</b>			
Inventories	13	511,572,444	587,267,998
Trade and other Receivables	14	6,222,087,266	6,076,857,865
Other Financial Assets Including Derivatives	15	1,344,300,820	1,168,412,673
Cash and Cash Equivalents	16	576,009,165	444,316,641
		<u>8,653,969,695</u>	<u>8,276,855,177</u>
<b>Total Assets</b>		<u>17,319,371,156</u>	<u>17,163,290,020</u>
<b>EQUITY AND LIABILITIES</b>			
Stated Capital	17	70,000,000	70,000,000
Capital Accretion Reserve		27,738,806	27,738,806
Revaluation Reserve		7,582,576,115	7,484,472,989
E&M Capital		(265,394,990)	(167,291,864)
Grant from Treasury - NEMO for VRS		124,792,879	-
General Reserve		3,602,690	3,602,690
Retained Earnings		(5,712,208,103)	(4,088,533,170)
<b>Total Equity</b>		<u>1,831,107,397</u>	<u>3,329,989,451</u>
<b>Non-Current Liabilities</b>			
Interest Bearing Borrowings	18	2,401,317,725	2,370,045,245
Employee Benefit	19	525,717,564	421,114,429
Other Financial Liabilities including derivatives	20	-	-
		<u>2,927,035,289</u>	<u>2,791,159,674</u>
<b>Current Liabilities</b>			
Interest Bearing Borrowings	18	198,284,562	80,433,889
Trade and Other Payables	21	8,399,709,767	7,579,866,740
Other Financial Liabilities including derivatives	20	3,397,928,779	2,920,110,818
Income Tax Payable	22	10,564,395	10,564,395
Bank Overdraft	16	554,740,966	451,165,053
		<u>12,561,228,469</u>	<u>11,042,140,895</u>
<b>Total Equity, Liabilities</b>		<u>17,319,371,156</u>	<u>17,163,290,020</u>

These Financial Statement are prepared in compliance with the Sri Lanka Accounting Standards.

  
Deputy General Manager (Finance)

Directors certificate in terms of Public Enterprises Circular No PED 45. The Accounting Statements, the Accounting Policies and Explanatory Notes Form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and Signed on their behalf.

  
Chairman  
Rathnasiri Kalupahana  
Attorney-at-Law  
LL.B (Colombo)  
Chairman/CEO

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Director

Director

State Engineering Corporation of Sri Lanka

**STATE ENGINEERING CORPORATION OF SRI LANKA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

	Stated Capital (Rs.)	Capital Accretion Reserve (Rs.)	Revaluation Reserve (Rs.)	General Reserve (Rs.)	E&M Capital (Rs.)	Treasury Grant NEMO (Rs.)	Retained Earnings (Rs.)	Total (Rs.)
Balance as at 01st January 2019	70,000,000	27,738,806	7,484,472,989	3,602,690	(167,291,864)	-	(3,378,252,546)	4,040,270,075
Adjustment on Accrued Expenses							362,929,511	362,929,511
Adjustment on Trade Payables							(2,151,540)	(2,151,540)
Adjustment on Deposit, Prepayment and Advances							356,127	356,127
Adjustment on Depreciation							(1,915,421)	(1,915,421)
Adjustment on Mobilization Advances							(9,957,821)	(9,957,821)
<b>Balance as at 31.12.2019 as restated</b>	<b>70,000,000</b>	<b>27,738,806</b>	<b>7,484,472,989</b>	<b>3,602,690</b>	<b>(167,291,864)</b>	<b>-</b>	<b>(3,028,991,690)</b>	<b>4,389,530,931</b>
Profit for the Year			98,103,126		(98,103,126)		(960,877,250)	(960,877,250)
Other Comprehensive Income - Actuarial Loss							(99,372,230)	(99,372,230)
Other Comprehensive Income - Fair Value Changes							708,000	708,000
Total other comprehensive income for the period							(98,664,230)	(98,664,230)
<b>Balance as at 31.12.2019</b>	<b>70,000,000</b>	<b>27,738,806</b>	<b>7,582,576,115</b>	<b>3,602,690</b>	<b>(265,394,990)</b>	<b>-</b>	<b>(4,088,533,170)</b>	<b>3,329,989,451</b>
Profit for the Period							(1,561,411,804)	(1,561,411,804)
Treasury grant - VRS (NEMO)						124,792,879		124,792,879
Other Comprehensive Income - Actuarial Loss							(62,647,129)	(62,647,129)
Other Comprehensive Income - Fair Value Changes							384,000	384,000
Total Other Comprehensive Income for the Period							(62,263,129)	(62,263,129)
<b>Balance as at 31st December 2020</b>	<b>70,000,000</b>	<b>27,738,806</b>	<b>7,582,576,115</b>	<b>3,602,690</b>	<b>(265,394,990)</b>	<b>124,792,879</b>	<b>(5,712,208,103)</b>	<b>1,831,107,397</b>

STATE ENGINEERING CORPORATION OF SRI LANKA  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2020

	31.12.2020 (Rs.)	31.12.2019 (Rs.)
<b>Cash Flow from Operating Activities</b>		
Profit Before Tax	(1,376,599,394)	(1,179,343,189)
<b>Adjustments for,</b>		
Depreciation of Property, Plant and Equipment	36,804,596	36,212,915
Amortization of Intangible Assets	-	23,345
Provision for Retirement Benefit Obligations	65,279,588	55,285,953
Provision/(Reversal) for Bad and Doubtful Debts	26,256,905	122,509,182
Provision for/(Reversal) of Obsolete Stocks	6,646,381	41,594
Provision /(Reversal) of Income Tax	-	-
Interest Expenses Payable	-	(49,065,944)
Amortization of Grant	(380,000,000)	(450,000,000)
Interest Income	(19,427,898)	(23,748,333)
Interest Expenses	514,383,932	399,538,158
<b>Operating Profit Before Working Capital Changes</b>	<b>(1,126,655,890)</b>	<b>(1,088,546,319)</b>
(Increase)/Decrease in Inventory	69,049,176	(107,109,152)
(Increase)/Decrease in Trade and Other Receivables	(191,932,739)	(979,822,601)
(Increase)/Decrease in Other Current Financial Assets	(175,480,312)	(120,463,452)
(Increase)/Decrease in Other Current Financial Liabilities	218,650,324	296,069,076
Increase/(Decrease) Trade and Other Payables	840,289,458	1,319,564,955
<b>Cash Generated from/(used in) Operating Activities</b>	<b>(366,079,983)</b>	<b>(680,307,494)</b>
Interest Paid	(256,093,141)	(153,300,491)
Gratuity Paid	(23,323,582)	(43,576,129)
Income Tax Paid	-	-
<b>Net Cash Generated from/(used in) Operating Activities</b>	<b>(645,496,706)</b>	<b>(877,184,114)</b>
<b>Cash Flow from Investing Activities</b>		
Purchases of Property, Plant and Equipment	(607,461)	(15,494,848)
Down Payment of Lease	-	-
Interest Received	19,427,898	23,748,333
<b>Net Cash Generated from/(used in) Investing Activities</b>	<b>18,820,437</b>	<b>8,253,485</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from Long Term Borrowings	100,000,000	302,369,250
Grant from Treasury - NEMO for VRS	124,792,879	-
Repayment of Lease	-	(4,332,096)
Repayment of Loan	50,000,000	(102,790,402)
Grant Received	380,000,000	450,000,000
<b>Net Cash Generated from/(used in) Financing Activities</b>	<b>654,792,879</b>	<b>645,246,751</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents during the period</b>	<b>28,116,610</b>	<b>(223,683,878)</b>
Cash and Cash Equivalents at the beginning of the period	(6,848,412)	216,835,466
<b>Cash and Cash Equivalents at the end of the period</b>	<b>21,268,198</b>	<b>(6,848,412)</b>

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.  
(Figures in brackets indicate deductions.)

## **1. GENERAL**

### **1.1. Reporting Entity**

State Engineering Corporation of Sri Lanka was established under the State Industrial Corporation Act No.49 of 1957 on the 01<sup>st</sup> January 1962 and function under the State Ministry of Rural Housing and Construction and Building Materials Industries Promotion. The registered office of the State Engineering Corporation of Sri Lanka is located at No. 130, W.A.D. Ramanayake Mawatha, Colombo 02.

### **1.2. Principal Activities and Nature of Operations**

State Engineering Corporations is primarily involved in the business of Construction Activities and provides services in civil engineering construction, mechanical and electrical engineering, architectural and engineering consultancy services, manufacture of pre-cast components and building materials for civil engineering projects.

## **2. Summary of Significant Accounting Policies**

### **2.1. Statement of Compliance**

The financial statements of the Corporation comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the cash flow statement, together with the accounting policies and notes to the financial statements. These financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

The Financial Statements were authorized for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 29.04.2024.

### **2.2. Basis of Measurement**

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

- Financial assets and financial liabilities that have been measured at fair value
- Employee benefit liability recognized based on Project Unit Credit Method (LKAS 19)
- Property, Plant and Equipments and Motor Vehicles are stated at revalued amounts

The Directors have made an assessment of the Corporation's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

### **2.3. Functional and Presentation Currency**

The Financial Statements are presented in Sri Lankan Rupees which is the Corporation's functional currency and all values are rounded to the nearest rupees.

**STATE ENGINEERING CORPORATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

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**2.4. Use of Estimates and Judgments**

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKAS) 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.

Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all period presented in these financial statements unless otherwise stated.

**3.1. Foreign Currency**

**3.1.1. Foreign Currency Transactions**

In preparing the Financial Statements of the Corporation, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

**3.2. Assets and the bases of their Valuation**

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realized in cash, during the normal operating cycle of the Corporation's business, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Corporation intends to hold beyond a period of one year from the reporting date.

**3.2.1. Property, Plant & Equipment**

**3.2.1.1. Recognition and Measurement**

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (Major components) of property, plant and equipment.

**3.2.1.2. Owned Assets**

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integrated to the functionality of the related equipment is capitalized as part of equipment.

**3.2.1.3. Leased Assets**

Leases in terms of which the Corporation assumes substantially all the risk and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured and capitalized at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement. Other leases are operating leases which are not recognized in the Corporation's Statement of Financial Position.

**3.2.1.4. 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 carrying amount of the replaced part is derecognized.

The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**3.2.1.5. Derecognition**

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 use or disposal. Gains or losses on derecognition are recognized within other income in profit or loss.

**3.2.1.6. Revaluation**

Revaluation is performed on freehold Land and Building by professionally qualified valuers using the open market value at least once in every three years. The valuation surplus is recognized on the net carrying value of the asset and is transferred to a revaluation reserve after restating the asset at the revalued amount. The revaluation reserve is transferred to retained earnings at the point of derecognition.



**STATE ENGINEERING CORPORATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

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**3.2.1.7. Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

<b>Asset Category</b>	<b>Useful Life (Years)</b>	<b>Depreciation Rate (%)</b>
Buildings	40	2.5%
Plant & Machinery	05	20%
Furniture and fixtures	10	10%
Motor vehicles	05	20%
Office Equipments	05	20%
Computers	05	20%

Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**3.2.2. Capital Work in Progress**

Capital expenses incurred during the year which are not completed as at the reporting date, are shown as Capital Work-in-Progress, whilst the capital assets which have been completed during the year and available to use have been transferred to Property, Plant and Equipment.

**3.2.3. Intangible Assets**

An Intangible Assets is recognized if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortization and accumulated impairment losses.

**3.2.3.1. Software**

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets.

**3.2.3.2. Subsequent Expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

**3.2.3.3. Amortisation**

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

<b>Asset Category</b>	<b>Useful Life (Years)</b>	<b>Depreciation Rate (%)</b>
Computer Software	05	20%

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**3.2.4. Inventories**

Inventories are stated at the lower of cost and net realizable value, after making due allowance for obsolete and slow moving items. The cost of inventories is comprised all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the normal course of business less estimated cost of realization and/or cost of conversion from their existing state to saleable condition.

Inventory movement is reviewed at the end of reporting period by an expert to assess the recoverability of inventory and the items that are identified as irrecoverable are written off during the year.

**3.2.5. Work in Progress**

Contractual costs incurred for future work are recognized as an asset when it is probable that they will be recovered and such costs are classified as work in progress. Variation and claims are recognized in

contract revenue only when it is probable that the customer will approve the variation or claim and the amount of revenue can be reliably measured. Until recognize in revenue cost incurred for variation and claims are classified as work in progress.

### **3.2.6. Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances, call deposits, demand deposits, and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows

### **3.2.7. Impairment of Non Financial Assets**

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Corporation makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its' recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognized in the Statement of Comprehensive Income in those expenses categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Comprehensive Income.

## **3.3. Financial Instruments**

### **3.3.1 Financial Assets**

#### **3.3.1.1 Initial Recognition and Measurement**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchase or sale of financial assets that

**STATE ENGINEERING CORPORATION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

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require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset.

The Corporation financial assets include cash and cash equivalent, short term deposits, trade and other receivables, loans and quoted equity instruments.

**3.3.1.2 Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as described below:

**3.3.1.3 Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the income statement.

The Corporation evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Corporation is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Corporation may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset

**3.3.1.4 Held to maturity financial assets**

If the Corporation has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, Held to Maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective Interest Rate (EIR). The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

**3.3.1.5 Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in

an active market such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

### **3.3.1.6 Available for Sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

The Corporation evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Corporation is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Corporation may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Corporation has the intention and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

### **3.3.1.7 Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial Assets) is derecognised when:

- The rights to receive cash flows from the asset have expired,
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Corporation's continuing involvement in it. In that case, the Corporation also recognizes an

associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

### **3.3.1.8 Impairment of Financial Assets**

The corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred. After the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### **3.3.1.9 Financial Assets Carried at Amortised Cost**

For financial assets carried at amortized cost, the Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

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**3.3.2 Financial Liabilities**

**3.3.2.1 Initial Recognition and Measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Corporation financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

**3.3.2.2 Subsequent Measurement**

The measurement of financial liabilities depends on their classification as follows:

**3.3.2.3 Financial Liabilities at Fair Value through Profit or Loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognized in the profit or loss. The Corporation has not designated any financial liabilities upon initial recognition as at fair value through profit or loss

**3.3.2.4 Loans and Borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that is an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

**3.3.2.5 Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement

### **3.3.2.6 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expense will not be offset in the Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation.

### **3.3.2.7 Fair Value of Financial Instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation Models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note no 23.

## **3.4. Post Employment Benefits**

### **3.4.1. Defined Benefit Plan**

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date, using the projected unit credit (PUC) method. The gratuity liability is not externally funded, nor actuarially valued. The gratuity liability is valued using the Projected Unit Credit (PUC) method considering the assumptions required to arrive at the present value of defined benefit obligation.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payment to an employee arises only after the completion of 5 years of continued service.

### **3.4.2. Defined Contribution Plans – Employees' Provident Fund and Employee Trust Fund**

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and will have no legal or constructive obligation to pay further amounts. All employees who are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are covered by relevant contributions funds in line with the relevant statutes. Employer's contributions to the defined contribution plans are recognized as an expense in profit or loss when incurred.



### **3.5. Provision, Contingent Liabilities, Contingent Assets**

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation and a reliable estimate can be made of the amount of the obligation.

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

Contingent assets are disclosed, where inflow of economic benefit is probable

### **3.6. Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments. Where the Corporation receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

### **3.7. Statement of Comprehensive Income**

#### **3.7.1. Revenue**

Revenue represents the amounts derived from the provision of services and sale of goods, which fall within the Corporation ordinary activities net of trade discounts and turnover related taxes.

##### **3.7.1.1. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Corporation. The following specific criteria are used for the purpose of recognition of revenue.

##### **3.7.1.1.1. Construction Contract**

When the outcome of a contract can be estimated reliably, revenue is recognized by reference to the Stage of Completion of the Contracting activity as at the reporting date (Percentage-of-Completion Method). When the outcome of a contract cannot be estimated reliably, revenue is recognized to the extent of cost incurred that are likely to be recoverable. When it is probable that total cost will exceed total revenue, the expected loss is recognized as an expense immediately.

The Stage of Completion is measured by reference to the proportion that, costs incurred for work performed to date bear to the estimated total costs.

**3.7.1.1.2. Sale of Goods**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the Consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from the sale of goods is recognized when the significant risk and rewards of ownership of the goods have passed to the buyer with the Corporation retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

**3.7.1.1.3. Rendering of services**

Revenue from services rendered is recognized in the Statement of Comprehensive Income once all significant performance obligations have been provided.

**3.7.1.1.4. Other Income**

Profits or losses from disposal of property, plant and equipments recognized having deducted from proceeds on disposal, the carrying value of the assets and the related expenses.

Foreign currency gains and losses are reported on a net basis.

Income from scrap sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**3.7.1.1.5. Interest Income**

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

**3.7.2. Expenditure Recognition**

**3.7.2.1. Construction Contracts**

Contract Expenses are recognized as incurred unless they create an asset to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

**3.7.2.2. Other Expenses**

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Statement of comprehensive income the directors are of the opinion that function of expenses method presents fairly the elements of the Corporation performance, hence such presentation method is adopted.

### **3.7.2.3. Borrowing Costs**

Borrowing costs are recognized as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of Property, Plant and Equipments which are capitalized as part of the cost of those assets during the period of construction or development.

### **3.7.3. Taxation**

#### **3.7.3.1. Current Taxes**

Current Income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditures reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

The relevant details are disclosed in the respective notes to the Financial Statements.

#### **3.7.3.2. Deferred Taxation**

Deferred taxation is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period.

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.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

### **3.8. Related Party Transaction**

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged or not.

The relevant details are disclosed in the respective notes to the Financial Statements.

### **3.9. Event Occurring After The Reporting Period**

Events after the reporting period are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the financial statements are authorized for issue.

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

### **3.10. Segmental Reporting**

The Segment is a distinguishable component of the Corporation that is engaged either in providing related products or services (business segment), or in providing Products or Services within a particular Economic Environment (Geographical Segment), which is subject to risks and returns that are different from those of the Segments. Segment Information is presented in respect of the Corporation's Business and Geographical Segments. The Corporation's Primary Format for segment reporting is based on business Segments.

The Business segments are determined based on the Corporation's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The activities of the Corporation are located mainly in Sri Lanka. Consequently, the economic environment in which the Corporation operated is not subject to risks and rewards that are significantly different on a geographical basis. Hence disclosure by geographical region is not provided.

The relevant details are disclosed in the respective notes to the Financial Statements

### **3.11. Cash Flow**

Interest received and dividends received are classified as investing cash flows, while dividend paid and interest paid, is classified as financing cash flows for the purpose of presentation of Statement of Cash Flows which has been prepared using the 'Indirect Method'.

#### **1.1. Comparative information**

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

#### **1.2. New Standards and Interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements. These include;

These include following standards which will be effective from 1<sup>st</sup> January 2018;

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- (a) SLFRS 09 – This standard becomes effective for annual periods beginning on or after 1<sup>st</sup> January 2018. The adoption of SLFRS 9 will have an impact on the classification and measurement of the Corporation's financial instruments.
  
- (b) SLFRS 15 – Revenue from contracts with Customers SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized which replaces the existing revenue recognition guidance including LKAS 11 – “Construction Contracts”. The adoption of SLFRS 15 is effective for annual periods beginning on or after 1<sup>st</sup> January 2018, with early adoption permitted. The corporation will adopt this standard when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statement.

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	31.12.2020	31.12.2019
	(Rs.)	(Rs.)
<b>4 REVENUE</b>		
Buildings and Other Construction	1,366,740,367	3,144,997,317
Road Construction	60,817,003	37,379,217
Mechanical and Electrical Income	84,873,417	78,625,339
Consultancy and Architectural Services	155,943,700	191,645,905
Sale of Construction Related Material	146,081,828	450,048,143
Hiring Income	39,411,533	57,808,993
	<u>1,853,867,848</u>	<u>3,960,504,913</u>
<b>5 OTHER INCOME</b>		
Rent income	11,112,530	9,090,427
Reversal of Stock Over Provisions	(175,861)	57,434
Reversal of Other Provision	-	-
Amortization of Grants	380,000,000	450,000,000
Registration Fee Income	2,279,808	4,076,671
Miscellaneous Income	7,490,163	3,342,153
	<u>400,706,639</u>	<u>466,566,685</u>
<b>6 NET FINANCE INCOME /(EXPENSE)</b>		
<b>Finance Income</b>		
Interest Income on Fixed Deposits	17,948,468	21,512,241
Interest on Saving Deposits	1,349,206	1,651,878
Interest Income on Repurchase Agreements	-	49,451
Interest income on Staff Loan	130,224	538,717
Foreign Exchange Gain	-	-
	<u>19,427,898</u>	<u>23,752,287</u>
<b>Finance Cost</b>		
Interest on Loans	414,956,579	327,227,650
Bank Charges & Commission	15,996,435	15,583,773
Interest on Finance Lease Obligations	-	280,314
Interest on Bank Overdrafts	99,427,352	72,086,519
	<u>530,380,366</u>	<u>415,178,256</u>
<b>Net Finance Income /(Expense)</b>	<u>(510,952,469)</u>	<u>(391,425,969)</u>

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	31.12.2020 (Rs.)	31.12.2019 (Rs.)
<b>7 PROFIT BEFORE TAX</b>		
<i>Is stated after charging all expenses including the following.</i>		
Directors Remuneration	923,430	1,328,840
Professional Charges	840,735	2,830,896
Legal expenses	1,013,910	2,139,402
Donations	175,000	675,000
Depreciation on Property Plant & Equipment	36,804,596	45,350,596
Amortization of Intangible Assets	-	23,345
<b>Written off or Provision for/ (Reversal of)</b>	-	-
- Bad and Doubtful Debts	-	-
- Obsolete and Slow Moving Stocks	-	41,594
- Bad and Doubtful Debts	-	122,509,180
<b>Staff Related Cost</b>		
- Salaries ,Wages and Other Expenses	1,597,914,521	1,984,315,251
- Defined Benefit Plan Cost - Gratuity	5,251,013	7,112,848
- Defined Contribution EPF	157,240,754	161,400,531
ETF	39,306,846	39,698,191
<b>8 INCOME TAX EXPENSE</b>		
On the Current Year Profit (Note 8.2)	-	-
Under/ (Over) Provision in Previous Year	-	-
Deferred Taxation (Note 12)	(184,812,410)	218,465,942
<b>Tax Expense on Total Comprehensive Income</b>	<u>(184,812,410)</u>	<u>218,465,942</u>

**8.1 Taxation on Profits**

Under the provisions of the Inland Revenue Act No.10 of 2006 and amendments thereto, the Company is liable for income tax at the concessionary rate of 12% on construction income and 28% on other income.

	31.12.2020 (Rs)	31.12.2019 (Rs)
<b>8.2 Reconciliation between Current Tax Expense and the Accounting Profit</b>		
Accounting profit before Tax	(1,065,590,522)	(1,656,225,213)
Disallowable Expenses for Taxation	(105,572,262)	437,794,596
Allowable Expenses for Taxation	(331,070,244)	(83,256,201)
Tax Profit/(Loss) of Business Income	<u>(1,502,233,028)</u>	<u>(1,301,686,818)</u>
Taxable Income		
Tax Loss Brought Forward	(5,180,892,782)	(4,811,223,494)
Tax Loss incurred during the year	(1,502,233,028)	(1,509,931,668)
Total Loss	<u>(6,683,125,810)</u>	<u>(6,321,155,162)</u>
Tax Loss claimed during the year	39,278,932	4,927,899
Total Loss Carried Forward	<u>(6,643,846,878)</u>	<u>(6,316,227,263)</u>
Tax at the Rate of 12%	-	-
Tax at the Rate of 28%	-	-

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9. PROPERTY, PLANT AND EQUIPMENT

COST	FREEHOLD					LEASEHOLD					Total
	Land	Building	Plant, Machinery & Equipments	Computers	Motor Vehicles	Office Equipments	Furniture & Fittings	Plant, Machinery & Equipments	Motor Vehicles	Capital work in Progress	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2020	6,759,050,000	620,905,499	983,989,183	93,647,741	210,238,229	84,245,066	43,895,299	-	-	543,543,185	9,359,464,202
Additions during the period	-	-	329,000	25,000	-	215,885	37,575	-	-	-	607,460
Transfer of Assets	-	-	-	-	-	-	-	-	-	-	-
Disposals during the period	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2020	6,759,050,000	620,905,499	984,268,183	93,672,741	210,238,229	84,460,951	43,932,874	-	-	543,543,185	9,340,071,662
<b>ACCUMULATED DEPRECIATION</b>											
Balance as at 01st January 2020	-	89,996,044	956,688,394	87,783,120	196,387,416	73,032,689	36,796,452	-	-	-	1,440,684,115
Adjustment for Depreciation -2019	-	-	-	-	1,915,421	-	-	-	-	-	1,915,421
Balance as at 31.12.2019 as restated	-	89,996,044	956,688,394	87,783,120	198,302,837	73,032,689	36,796,452	-	-	-	1,442,599,536
Charge for the period	-	13,532,263	4,032,278	2,995,839	7,444,500	5,877,553	2,922,163	-	-	-	36,804,596
Transfer of Depreciation	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2020	-	103,528,307	960,720,672	90,778,959	205,747,337	78,910,242	39,718,615	-	-	-	1,479,404,132
<b>IMPAIRMENT</b>											
Balance as at 01st January 2019	-	-	-	-	-	-	-	-	-	-	-
Charge/(Reversal) for the period	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2019	-	-	-	-	-	-	-	-	-	-	-
Charge/(Reversal) for the year	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2019	-	-	-	-	-	-	-	-	-	-	-
<b>CARRYING AMOUNT</b>											
Balance as at 31st December 2020	6,759,050,000	517,377,192	23,547,511	2,893,782	4,490,892	5,550,709	4,214,259	-	-	543,543,185	7,860,667,530
As at 31st December 2019	6,759,050,000	530,909,455	27,250,790	5,864,621	11,935,392	12,830,877	5,480,347	-	-	543,543,185	7,896,864,666



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	31.12.2020 (Rs.)	31.12.2019 (Rs.)			
<b>10. INTANGIBLE ASSETS</b>					
<b>Cost</b>					
Balance at the beginning of the year	3,843,921	3,843,921			
Additions during the period	-	-			
Balance at the end of the period	<u>3,843,921</u>	<u>3,843,921</u>			
<b>Amortization</b>					
Balance at the beginning of the year	(3,843,921)	(3,820,577)			
Charge during the period	-	(23,344)			
Balance at the end of the period	<u>(3,843,920)</u>	<u>(3,843,921)</u>			
<b>Carrying Amount</b>					
<b>11. INVESTMENT IN SHARES</b>					
	<b>No of Shares</b>	<b>31.12.2020</b>	<b>31.12.2019</b>		
		<b>(Rs.)</b>	<b>(Rs.)</b>		
HDFC Bank	120,000	3,828,000	3,120,000		
Adjustment for Fair Value of Investments		384,000	708,000		
Carrying Amount		<u>4,212,000</u>	<u>3,828,000</u>		
<b>12. DEFERRED TAXATION</b>		<b>31.12.2020</b>	<b>31.12.2019</b>		
		<b>(Rs.)</b>	<b>(Rs.)</b>		
<b>12.1 Movement in Deferred Tax</b>					
Balance at the beginning of the year		980,712,209	762,246,266		
(Provision) /Reversal during the period		<u>(184,812,410)</u>	<u>218,465,942</u>		
Balance at the end of the period		<u>795,899,799</u>	<u>980,712,209</u>		
<b>12.2 Composition of Deferred Tax</b>		<b>31.12.2020</b>	<b>2019</b>		
	<b>Temporary Difference</b>	<b>Tax effect on Temporary Difference</b>	<b>Temporary Difference</b>	<b>Tax Effect on Temporary Difference</b>	
	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>	
Temporary Difference on PPE	341,467,918	47,805,509	366,154,911	51,261,688	
Temporary Difference on Gratuity Provision	(99,652,121)	(13,951,297)	(421,114,429)	(70,954,744)	
Temporary Difference on Stock Provision	(6,646,381)	(930,494)	(38,797,299)	(7,048,131)	
Temporary Difference on Tax Losses	<u>(3,924,465,394)</u>	<u>(549,425,155)</u>	<u>(3,917,776,512)</u>	<u>(395,174,299)</u>	
	<u>(3,689,295,978)</u>	<u>(516,501,437)</u>	<u>(4,011,533,329)</u>	<u>(421,915,486)</u>	
<b>12.3 Movement in Tax Effect of Temporary Differences</b>					
	<b>As at 31st December 2020</b>	<b>Recognized in Income Statement</b>	<b>As at 31st December 2019</b>	<b>Recognized in Income Statement</b>	<b>As at 31st December 2018</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>
Deferred tax on PPE	47,805,509	3,456,179	51,261,688	35,084,752	(16,176,936)
Deferred tax on Gratuity Provision	(13,951,297)	(57,003,447)	(70,954,744)	(61,567,571)	9,387,173
Deferred tax on Stock general Provision	(930,494)	(6,117,637)	(7,048,131)	(6,471,859)	576,272
Temporary Difference on Tax Losses	<u>(549,425,155)</u>	<u>154,250,856</u>	<u>(395,174,299)</u>	<u>373,285,458</u>	<u>768,459,757</u>
	<u>(516,501,437)</u>	<u>94,585,951</u>	<u>(421,915,486)</u>	<u>340,330,780</u>	<u>762,246,266</u>

Since the Corporation's income is liable for income tax, the deferred tax is arrived at by applying the income tax rates 12% applicable for the local income received in local currency.

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	31.12.2020 (Rs.)	31.12.2019 (Rs.)
<b>13. INVENTORIES</b>		
Raw Materials	333,829,099	337,867,693
Finished Goods	<u>223,187,024</u>	<u>288,197,603</u>
	557,016,123	626,065,297
Less: Provision for Impairment (Note:13.1)	(40,316,947)	(33,670,566)
Provision for Stock Loss	<u>(5,126,733)</u>	<u>(5,126,733)</u>
	<u>511,572,444</u>	<u>587,267,998</u>
<b>13.1 Movement in Provision for Impairment</b>		
Balance at the beginning of the year	33,670,566	33,628,972
Provision/(Reversal) made during the period	<u>6,646,381</u>	<u>41,594</u>
Balance at the end of the period	<u>40,316,947</u>	<u>33,670,566</u>
<b>14. TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables	3,150,218,077	3,995,937,503
Less: GST/VAT	(946,293,751)	(948,466,516)
Provision for impairment (14.1)	<u>(801,902,472)</u>	<u>(775,645,565)</u>
	1,402,021,854	2,271,825,422
Amount Due from Customers	3,589,519,168	2,406,784,314
Deposits , Prepayments and Advances	1,012,399,590	1,192,385,338
Withholding Tax Receivables	3,482,946	3,482,946
Other Receivables	<u>214,663,707</u>	<u>202,379,844</u>
	<u>6,222,087,266</u>	<u>6,076,857,868</u>
<b>14.1 Movement in Provision for Impairment</b>		
Balance at the beginning of the year	775,645,565	653,136,385
Provision/(Reversal) made during the period	<u>26,256,907</u>	<u>122,509,181</u>
Balance at the end of the period	<u>801,902,472</u>	<u>775,645,565</u>
Impairment provision was reviewed and identified debtors to be impaired for the year ended 31st December 2020, which include all the impaired debtors recognized in 2020.		
<b>15. Other Financial Assets Including Derivatives</b>		
<b>Non Current</b>		
Loans given to employees	<u>4,622,132</u>	<u>5,029,968</u>
	4,622,132	5,029,968
<b>Current</b>		
Retention and T C Receivable	1,342,411,399	1,164,480,100
Loans given to employees	<u>1,889,421</u>	<u>3,932,573</u>
	<u>1,344,300,820</u>	<u>1,168,412,673</u>
	<u>1,348,922,952</u>	<u>1,173,442,641</u>

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	31.12.2020 (Rs.)	31.12.2019 (Rs.)
<b>15.1. Loans given to employees</b>		
Balance at the beginning of the year	8,962,541	11,547,256
Loans Granted during the period	900,000	800,000
Loans Recovered during the period	<u>(3,350,987)</u>	<u>(3,384,715)</u>
<b>Balance at the end of the period</b>	<u>6,511,553</u>	<u>8,962,541</u>
Non Current	<u>4,622,132</u>	<u>5,029,968</u>
Current	<u>1,889,421</u>	<u>3,932,573</u>
The Corporation Provides Loans to employees and charged interest 7,500/= per 100,000/=irrespective of loan repayment period.		
<b>16. CASH AND CASH EQUIVALENTS</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
<b>16.1 Favourable Balances</b>		
Fixed Deposits	248,634,684	231,654,913
Saving/Call Deposits	33,723,544	54,924,565
Cash at Bank	240,943,210	95,377,878
Cash in Hand	<u>52,707,726</u>	<u>62,359,285</u>
	576,009,165	444,316,641
<b>16.2 Unfavorable Balances</b>		
Bank Overdraft	(554,740,966)	(451,165,053)
<i>Cash and Cash Equivalents for the purpose of the Cash Flow Statement</i>	<u>21,268,199</u>	<u>(6,848,412)</u>
<b>17. STATED CAPITAL</b>		
<b>Issued and Fully paid</b>		
At the beginning of the year	70,000,000	70,000,000
Issue during the period	-	-
At the end of the period	<u>70,000,000</u>	<u>70,000,000</u>
<b>18. INTEREST BEARING BORROWINGS</b>		
<b>Payable after one year</b>		
Treasury Loan	30,800,000	30,800,000
Term Loan	<u>2,370,517,725</u>	<u>2,339,245,245</u>
	2,401,317,725	2,370,045,245
<b>Payable within one year</b>		
Bill Discounting	100,000,000	50,000,000
Term Loan	<u>98,284,562</u>	<u>30,433,889</u>
	198,284,562	80,433,889

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18.1 Details of Securities and Repayment

Lender	- Peoples' Bank
Approved Facility	- Bill Discounting Facility up to 100M
Facility Obtained	- 50M
Securities Pledged	- 8 Acres 02 Roods 19.47p defected as lot no 1& 2 in plan no 3237 dated 17.06.2015 made by Mr I.A.Wijethilaka,LS
Interest Rate	- 17% P.A
Repayments	- 120 Days

18.2 Details of Securities and Repayment

Lender	- Bank of Ceylon
Approved Facility	- Bill Discounting Facility up to 250M
Facility Obtained	- 0
Interest Rate	- AWPLR + 4%
Repayments	- 6 months

18.3 Finance Lease Obligations

	31.12.2020 (Rs.)	31.12.2019 (Rs.)
Balance at the beginning of the year	-	4,612,410
Less: Payments made during the period	-	(4,612,410)
Gross Lease Obligation at the end of the period	-	-
Less: Interest in Suspense	-	-
Net Finance Lease Obligations	-	-
Payable within one year	-	-
Payable after one year	-	-

18.4 Term Loan

	Bank of Ceylon	HDFC	Peoples' Bank	Total
Balance at the beginning of the year	2,299,990,000	39,255,245	30,433,889	2,369,679,134
Obtained During the period	100,000,000	-	-	100,000,000
Repayment during the period	(876,847)	-	-	(876,847)
Balance at the end of the period	2,399,113,153	39,255,245	30,433,889	2,468,802,287
Loan Payable within One Year	53,000,000	14,850,673	30,433,889	98,284,562
Loan Payable after One Year	2,346,113,153	24,404,572	-	2,370,517,725

19. EMPLOYEE BENEFIT

	31.12.2020 (Rs.)	31.12.2019 (Rs.)
Balance at the beginning of the year	421,114,429	310,032,375
Provision made in Profit and Loss Account	65,579,588	55,285,953
Payments made during the period	(23,623,582)	(43,576,129)
Actuarial (Gain) / Loss recognized in Other Comprehensive Income	62,647,129	99,372,230
Recognition of Adjustment in other comprehensive Income	-	-
Balance at the end of the period	525,717,564	421,114,429

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2020 by professional actuaries, Actuarial & Management Consultants (Pvt) Limited.

The valuation method used by the Actuaries to value the Retirement Benefit Obligation is the "Projected Unit Credit Method". The method recommended by the Sri Lanka Accounting Standard, LKAS 19.

The Key Assumptions used by Actuary include the following;

	31.12.2020	31.12.2019
Discount Rate	8.00% p.a	10.25% p.a
Expected annual Rate of Salary Increment	1.30% p.a	1.30% p.a
Staff Turnover Rate		
Permanent Staff	4.00%	4.00%
Contract Staff	25.00%	25.00%
Wage Staff	20.00%	20.00%
Retiring Age (Years)	60 years	60 years

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19.1 The amount recognized in the Balance Sheet are as follows;

	31.12.2020 (Rs.)	31.12.2019 (Rs.)
Present value of unfunded obligations	525,717,564	421,114,429
Present value of funded obligations	-	-
Total present value of obligations	<u>525,717,564</u>	<u>421,114,429</u>
Fair value of plan assets	-	-
Present value of net obligations	<u>525,717,564</u>	<u>421,114,429</u>
Unrecognized net actuarial gains/ (losses)	-	-
Recognized liability for defined benefit obligations	<u>525,717,564</u>	<u>421,114,429</u>

19.2 Movement in the present value of defined benefit obligations

Liability for defined benefit obligations as at 1st January	421,114,430	310,032,375
Actuarial (gains)/ losses	62,647,129	99,372,230
Benefit paid by the plan	(23,623,582)	(41,198,704)
Current service costs/Provision	31,200,139	27,274,525
Interest Cost	34,379,449	28,011,428
Liability for defined benefit obligations as at 31st December	<u>525,717,565</u>	<u>423,491,854</u>

20. Other Financial Liabilities Including Derivatives

**Non Current**

Deferred Income

-	-
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**Current**

Deferred Income

-	-
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Mobilization Advance

3,397,928,779	2,920,110,818
<u>3,397,928,779</u>	<u>2,920,110,818</u>

20.1 Deferred Income

Balance at the beginning of the year	-	-
Grant Received during the period	-	450,000,000
Amortization during the period	-	(450,000,000)
Balance at the end of the period	<u>-</u>	<u>-</u>
Payable within one year	-	-
Payable after one year	-	-

21. TRADE AND OTHER PAYABLES

Trade Payables	1,187,511,564	1,139,674,793
Subcontract Payables	1,575,171,267	1,704,468,625
Accrued Sub Contract	131,601,666	-
Labour Contract Advances Payable	50,592,100	49,743,100
Accrued Expenses and Other Provisions	2,339,974,588	1,463,033,237
Amount Due to Customer	1,725,681,638	1,787,476,776
VAT Payable	1,178,153,536	1,230,301,473
ESC Payable	97,754,395	97,754,395
Inter Company Current Account	-	-
Compensation Payable	7,137,046	-
Other Taxes Payable	106,131,967	107,414,340
	<u>8,399,709,767</u>	<u>7,579,866,740</u>

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	31.12.2020 (Rs.)	31.12.2019 (Rs.)
<b>22. INCOME TAX PAYABLE</b>		
Balance at the beginning of the year	10,564,395	10,564,395
Provision for Income Tax on current year's Profits	-	-
Under/(Over) provision of Income Tax in respect of prior years	-	-
Unrecorded W H T	-	-
Tax paid during the year	-	-
- Income Tax	-	-
- Withholding Tax	-	-
- Other	-	-
<b>Balance at the end of the year</b>	<u>10,564,395</u>	<u>10,564,395</u>
<b>23 PRIOR YEAR ADJUSTMENT</b>		
<b>23.1</b> Over Provided Accrued Expenses are adjusted in the accounts. As a result of this accounting error, Financial statement has been restated as follows,		
<b>As at</b>	<b>31.12.2019</b>	
	<b>(Rs)</b>	
Accrued Expenses and Other Provisions as previously reported	1,825,962,748	
Adjustment on Accrued Expenses	(362,929,511)	
Accrued Expenses as restated	<u>1,463,033,237</u>	
<b>Changes in Equity</b>		
<b>Retained Earning</b>		
Retained Earnings as previously reported	(4,437,794,022)	
Accrued Expenses as restated	362,929,511	
Retained Earnings as restated	<u>(4,074,864,511)</u>	
<b>23.2</b> Under provided creditors balances are adjusted in the accounts. As a result of this accounting error, Financial Statement has been restated as follows,		
<b>As at</b>	<b>31.12.2019</b>	
	<b>(Rs)</b>	
Trade Payables as previously reported	1,137,523,253	
Adjustment on Trade Creditors	2,151,540	
Trade Payables as restated	<u>1,139,674,793</u>	
<b>Changes in Equity</b>		
<b>Retained Earning</b>		
Retained Earnings as previously reported (Restatement 23.1)	(4,074,864,511)	
Trade Payables as restated	(2,151,540)	
Retained Earnings as restated	<u>(4,077,016,052)</u>	
<b>23.2</b> Deposit, Prepayment and advance account is adjusted and as a result of this, Financial Statement has been restated as follows,		
<b>As at</b>	<b>31.12.2019</b>	
	<b>(Rs)</b>	
Deposit Prepayment and advance as previously reported	1,192,029,210	
Adjustment on prepayment Account	356,127	
Deposit Prepayment and advance as restated	<u>1,192,385,337</u>	
<b>Changes in Equity</b>		
<b>Retained Earning</b>		
Retained Earnings as previously reported (Restatement 23.1)	(4,077,016,052)	
Deposit Prepayment and advance as restated	(356,127)	
Retained Earnings as restated	<u>(4,076,659,925)</u>	

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PRIOR YEAR ADJUSTMENT (Cont..)

23.3 Mobilization Advance is adjusted and as a result of this, Financial Statement has been restated as follows,

As at	31.12.2019
	(Rs)
Mobilization Advance as previously Reported	2,910,152,997
Adjustment on prepayment Account	9,957,821
Trade Payables as restated	<u>2,920,110,818</u>

Changes in Equity

Retained Earning

Retained Earnings as previously reported (Restatement 23.2)	(4,076,659,925)
Mobilization Advance Adjustment	9,957,821
Retain Earnings as restated	<u>(4,086,617,746)</u>

23.4 Inter Company current Account with NEMO and Inter company current Account with SEC Balances setoff and Financial Statement has been restated as follows,

As at	31.12.2019
Trade and Other Payables	(Rs)
Inter Company current Account as previously Reported	514,117,207
Adjustment on Inter Company current Account WITH sec	(514,117,207)
Inter Company current account as restated as restated	<u>-</u>

Trade and other Receivables

Other receivables as previously reported	716,497,051
Adjustment on Inter company current account with NEMO	(514,117,207)
Retain Earnings as restated	<u>202,379,844</u>

24. FINANCIAL INSTRUMENTS

24.1 Financial Instruments - Statement of Financial Position (SOFP)

The Financial Instruments recognize in the Statement of Financial Position are as follows;

		31.12.2020 (Rs.)	31.12.2019 (Rs.)
Financial Assets	Note		
<b>Fair Value through Profit and Loss</b>			
SOFP Line Item:			
Other Financial Assets including derivatives - Non Current			-
Other Financial Assets including derivatives - Current			-
Total		<u>-</u>	<u>-</u>
<b>Held-to-maturity</b>			
SOFP Line Item:			
Cash and Cash Equivalents	16	248,634,684	231,654,913
Total		<u>248,634,684</u>	<u>231,654,913</u>
<b>Loans and Receivables</b>			
SOFP Line Item:			
Other financial assets including derivatives - Non Current	15	4,622,132	5,029,968
Trade and other receivables	14	6,222,087,266	5,183,302,316
Cash and cash equivalents	16	327,374,480	184,469,976
Other financial assets including derivatives - Current	15	1,344,300,820	1,168,412,673
Total		<u>7,898,384,698</u>	<u>6,541,214,933</u>
<b>Available-for-sale</b>			
SOFP Line Item:			
Other Investments	11	4,212,000	3,828,000
Total		<u>4,212,000</u>	<u>3,828,000</u>
		<u>8,151,231,383</u>	<u>6,776,697,846</u>

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24 FINANCIAL INSTRUMENTS, (Cont..)

Financial Liabilities

Fair value through profit and loss

SOPF Line Item:

Other financial liabilities including derivatives - Non Current	-	-
Other financial liabilities including derivatives - Current	-	-

Total	-	-
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Other Financial Liabilities

SOPF Line Item:

Interest Bearing Borrowings- Non Current	2,401,317,725	2,370,045,245
Interest Bearing borrowings- Current	198,284,562	80,433,889
Trade and Other Payables	8,399,709,767	8,454,761,917
Other Financial Liabilities including Derivatives - Current	3,397,928,779	2,910,152,997
Income Tax Payable	10,564,395	10,564,395
Bank Overdrafts	554,740,966	451,165,053

Total	14,962,546,193	14,277,123,496
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	14,962,546,193	14,277,123,496
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Rs.62,031,084.68 overdraft amount has pledged against fixed deposits.

24.2 Financial Risk Management

The Corporation has exposed to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk (including currency risk and interest rate risk)

24.2.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

24.2.1.1 Trade Receivables

Customer credit risk is managed by each business unit subject to the Corporation's established policy, procedures and control relating to customer credit risk management.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The Corporation evaluates the concentration of risk with respect to trade receivables as low, as most of its customers are government organization.

	Note	31.12.2020	31.12.2019
		(Rs.)	(Rs.)
Trade Receivables		3,150,218,077	3,995,937,503
		<u>3,150,218,077</u>	<u>3,995,937,503</u>

The aging of Trade & Other Receivables at the reporting date was;

	Gross 31.12.2020	Impairment 31.12.2020	Gross 31.12.2019	Impairment 31.12.2019
Past due 0-365 days	1,213,270,693	-	937,651,616	-
More than one year	1,936,947,384	801,902,472	1,844,072,521	657,947,958
	<u>3,150,218,077</u>	<u>801,902,472</u>	<u>2,781,724,137</u>	<u>657,947,958</u>

Based on historic default rates, the Corporation believes that, apart from the above, no impairment allowance is necessary in respect of Trade Receivables.



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FINANCIAL INSTRUMENTS, (Cont..)

24.2.1.2 Cash and Cash Equivalents

Credit risk from balances with banks and financial institutions is managed by the Finance Department in accordance with Corporation Finance management policy.

The Corporation holds short term deposits and cash and cash equivalents of Rs.573,400,692/- as at 31st December 2020.

As at 31st December 2020, Rs.240,943,210/- (2019-Rs.95,377,878/-) of the Favourable balance of bank and financial institution was rated "AA+" or better for the Corporation.

Fitch Rating Company	31.12.2020		31.12.2019	
	(Rs.)	%	(Rs.)	%
AAA	-	-	-	-
AA+	235,571,471	98%	82,690,413	84%
AA	-	-	-	-
AA-	3,491,564	1%	10,807,289	14%
A	-	-	-	-
BBB+	-	-	-	-
	<u>239,063,033</u>	<u>99%</u>	<u>93,497,702</u>	<u>98%</u>
Others	1,880,176	1%	1,880,176	2%
	<u>240,943,209</u>	<u>100%</u>	<u>95,377,878</u>	<u>100%</u>

24.2.2 Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

To measure and mitigate liquidity risk, Corporation closely monitor its net operating cash flow, maintained a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

As at 31st December 2020	Carrying amount	Less than one year	More than one year
<b>Non-derivative financial liabilities</b>			
Interest bearing borrowings	2,599,602,287	198,284,562	2,401,317,725
Income tax payable	10,564,395	-	10,564,395
Bank Overdrafts	554,740,966	554,740,966	-
Total	<u>3,164,907,649</u>	<u>753,025,528</u>	<u>2,411,882,120</u>

24.2.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

- I. Interest rate risk
- II. Currency risk
- III. Commodity price risk
- IV. Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### 24.2.3.1 Interest Rate Risk

At the reporting date the interest rate profile of the corporation's interest bearing financial instruments was;

	31.12.2020	31.12.2019
<b>Fixed rate instruments</b>		
Financial Assets	8%	12%
Financial Liabilities	AWPLR+2.5%	18.50%
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-

#### 24.2.3.2 Currency risk

The Corporation is exposed to currency risk on sales, purchases, borrowings and investments that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

This risk is minimised by hedging naturally by a matching sales and purchases or matching assets and liabilities of the same currency and amounts. Where feasible, contracts are executed on a basket of currencies, minimising the potential risks.

The principal exchange rates used by the Corporation for conversion of foreign currency balances and transactions, for the year ended 31.12.2020 are as follows;

	Average	Closing Rate	
		buying	Selling
US Dollars	186.65	184.12	189.18

#### 24.2.3.3 Capital management

The primary objective of the Corporation's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Corporation manages its capital structure and makes adjustments to it, in the light of changes in economic conditions.

STATE ENGINEERING CORPORATION OF SRI LANKA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31ST DECEMBER 2020

SEGMENT INFORMATION

	Construction		Construction Component		Road and Bridges		Mechanical & Electrical		NEMO		Consultancy		Total	
	31.12.2020 Rs.	2019 Rs.	31.12.2020 Rs.	2019 Rs.	31.12.2020 Rs.	2019 Rs.	31.12.2020 Rs.	2019 Rs.	31.12.2020 Rs.	2019 Rs.	31.12.2020 Rs.	2019 Rs.	31.12.2020 Rs.	2019 Rs.
Segment Gross Revenue	871,634,109	2,013,689,917	556,267,344	1,247,589,234	40,889,156	7,237,909	228,009,805	414,218,313	90,417,899	536,980,780	174,575,946	193,921,913	1,861,804,239	4,413,618,065
Less: Inter segment Revenue	(19,874,499)	(69,510,431)	(18,821,198)	(105,399,954)	-	-	(50,608,466)	(275,926,792)	-	-	(18,632,246)	(2,276,008)	(107,935,410)	(453,113,155)
Segment Net Revenue	851,759,610	1,944,159,486	537,446,146	1,142,189,310	40,889,156	7,237,909	177,401,336	138,291,521	90,417,899	536,980,780	155,943,700	191,645,905	1,753,868,829	3,960,504,910
Segment Cost of Sales	(1,021,713,318)	(2,017,912,836)	(671,022,623)	(1,180,473,111)	(36,400,249)	(6,441,739)	(277,404,375)	(161,156,943)	(272,337,644)	(637,286,614)	(2,279,876,110)	(4,003,271,243)	(4,003,271,243)	(4,003,271,243)
Segment Operation Profit	(169,953,709)	(73,753,350)	(133,576,377)	(35,283,801)	4,488,907	796,170	(100,003,039)	(22,865,422)	(181,919,745)	(100,305,834)	155,943,700	191,645,905	(425,010,262)	(42,765,332)
Less: Segment Overhead	(112,833,694)	(189,988,308)	(78,833,709)	(89,759,765)	(6,211,160)	(4,209,080)	(62,553,667)	(44,619,786)	-	-	(241,805,566)	(288,860,488)	(502,237,765)	(617,437,447)
Segment Gross Profit	(282,787,403)	(263,741,658)	(212,410,086)	(128,043,566)	(1,712,254)	(3,412,910)	(162,556,706)	(67,485,208)	(181,919,745)	(100,305,834)	(85,861,856)	(97,214,593)	(927,249,048)	(660,203,779)
Other Income	143,642,400	187,590,685	84,269,201	98,445,303	-	-	40,267,332	46,542,987.00	866,206	398,099	131,671,500	153,589,611	400,706,638	466,555,695
Administrative Expenses	(112,934,165)	(194,573,230)	(65,878,274)	(113,501,051)	-	-	(31,370,607)	(64,048,119)	(25,399,447)	(53,798,935)	(103,523,003)	(178,356,794)	(339,105,516)	(594,280,129)
Net Finance Income/(Exps)	(164,509,697)	(154,972,737)	(98,884,591)	(102,622,483)	(58,905,961)	(24,828,810)	(44,390,107)	(41,083,456)	(104,545,887)	(49,289,933)	(39,616,226)	(18,628,550)	(510,552,469)	(391,423,969)
Profit before Tax	(416,588,884)	(445,696,940)	(293,003,750)	(245,721,817)	(60,618,215)	(28,241,720)	(198,050,088)	(116,073,796)	(311,008,873)	(202,995,603)	(97,329,585)	(140,612,316)	(1,376,598,397)	(1,179,343,192)
Income Tax Expense	-	-	-	-	-	-	-	-	-	20,311,834	-	-	-	-
Deferred Tax Expenses	-	-	-	-	-	-	-	-	-	-	-	-	(184,812,410)	(218,465,942)
Profit for the Year	(416,588,884)	(445,696,940)	(293,003,750)	(245,721,817)	(60,618,215)	(28,241,720)	(198,050,088)	(116,073,796)	(311,008,873)	(182,684,769)	(97,329,585)	(140,612,316)	(1,551,411,807)	(660,877,260)
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	(62,647,129)	(99,372,230)
Surplus on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair Value Change	-	-	-	-	-	-	-	-	-	-	-	-	384,000	768,000
Total Comprehensive Income for the Year	(416,588,884)	(445,696,940)	(293,003,750)	(245,721,817)	(60,618,214)	(28,241,720)	(198,050,088)	(116,073,796)	(311,008,873)	(182,684,769)	(97,329,585)	(140,612,316)	(1,614,023,934)	(1,059,841,476)



**ජාතික විගණන කාර්යාලය**  
**தேசிய கணக்காய்வு அலுவலகம்**  
**NATIONAL AUDIT OFFICE**



මගේ අංකය  
எனது இல.  
My No.

CAE/C/SEC/FA/2020/21

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

18 September 2024

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The Chairman  
 State Engineering Corporation of Sri Lanka

**Report of the Auditor General on the Financial Statements and other legal and regulatory requirement of the State Engineering Corporation of Sri Lanka for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No.19 of 2018.**

The above mentioned report and financial statements are sent here with.

E.K.K.S Edirisinghe  
 Deputy Auditor General  
 For Auditor General



Copy : Secretary, Ministry of Finance, Economic Stabilization and National Policies





# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

CAE/C/SEC/FA/2020/21

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

12 September 2024

The Chairman  
State Engineering Corporation of Sri Lanka

**Report of the Auditor General on the Financial Statements and other legal and regulatory requirement of the State Engineering Corporation of Sri Lanka for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No.19 of 2018.**

- 1. Financial Statements**
- 1.1 Disclaimer of Opinion**

The audit of the financial statements of the State Engineering Corporation of Sri Lanka (“Corporation”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive Income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

I do not express an opinion on the accompanying financial statements of the Corporation. Because of the significance of the matters discussed in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## 1.2 Basis for Disclaimer of Opinion

- (a) According to Paragraph No.32 of Sri Lanka Accounting Standard - 01, the assets and liabilities, income and expenditure should not be off set against each other unless required or permitted by Sri Lanka Financial Reporting Standards. However, the debit balances of Creditors Control-COBOL, Creditor Control Account, Sub Contract Retention Account, Sub Contract Control Account and Accrued Expenses & Other Provisions had been offset against the credit balances of those accounts. Hence, the credit balances had been understated by Rs.179.46 million.
- Further, the credit balances of Advances for services, Special Cash Advance, Deposit Control Account, Collection from Client, Mobilization Advance Receivable, Cheque with Order, Labour sub contract control and Labour sub control advance aggregating to Rs. 1275.84 million had been offset against the debit balances of those accounts. Therefore, the debit balances of that accounts had been understated by that amount.
- (b) A difference of Rs. 9.64 million was observed between due to customers balance in financial statements and balance in profit calculation schedule.
- (c) Though the balances of current accounts being maintained among the divisions of the Corporation should be tallied with each other by the end of the year under review, a debit balance of Rs.13.62 million had been remained under other receivable balances in the financial statements as at 31 December 2020.
- (d) A difference of Rs.143.61 million was observed between the current account balance in the financial statements of the Corporation and National Equipment and Machinery Organization (NEMO). However, reasons for difference were not revealed to the audit.



- (e) A difference of Rs.1.31 million was observed between the raw material register and the financial statements as at 31 December 2020. Further, reasons for differences were not revealed to audit.
- (f) In accordance with the stock register, the value of 257 stock items had not been brought to the financial statement due to the unavailability of unit prices and item details as at 31 December 2020.
- (g) A difference of Rs. 3.92 million was observed between the revenue from construction and profit calculation schedule of National Equipment and Machinery Organization (NEMO).
- (h) Financial statement of the Corporation had been prepared aggregating the information of the Corporation and it's unit of NEMO. According to the note no. 25 in the financial statement, the Board had disclosed it's dissatisfaction about the NEMO financial statement due to de-identified data and inaccurate information. Such kind of a disclosure is questionable in audit, since the NEMO is an integral part of the financial statements.
- (i) Evidences had not been provided with the requested supporting documents for the following balances. Therefore, it was unable to ensure the accuracy and validity of such balances.

	<b>Item of Account</b>	<b>Value (Rs. Million)</b>	<b>Evidence not made available</b>
(I)	Due to customer	543.92	Detailed Schedule/ Confirmation / Age Analysis
(II)	Debtors (More than 03 years over Rs.50 Mn)	635.17	Debtor Confirmation/ Age Analysis
(III)	Deposit Prepayment and Advances	136.70	Detail Schedule
(IV)	Other Receivable	28.79	Detail Schedule
(V)	GST / VAT (Credit)	946.29	Detail Schedule

(VI)	Trade Payable	8.17	Detail Schedule
(VII)	Accrued Expenses and Other Provisions	22.76	Detail Schedule
(VIII)	Current Liability	229.62	Detail Schedule
(IX)	Bank Accounts	5.59	Confirmation
(X)	Accrued expenses and other provisions	23.02	Detail Schedule
(XI)	Differed Tax	795.90	Evidence had not been provided to the audit to assessing the probability that taxable profit will be available against which the unused tax losses.
(XII)	Financial Statement of National Equipment & Machinery Organization (NEMO)		
	(i) Trade Payable	262.76	Detail Schedule
	(ii) Sub Contract Payable-Debit Balance	3.32	Detail Schedule
	(iii) Accrued Expenses and Other Provision	59.91	Detail Schedule
	(iv) Due to Customer (Opening Balance 2013-2017)	48.54	Detail Schedule
	(v) Bank Balances	5.51	Bank Confirmation
	(vi) Assets	94.35	Detail Schedule
	(vii) Inventories	12.46	Detail Schedule
	(viii) Trade and Other receivable	59.66	Detail Schedule / Confirmation
	(ix) Mobilization Advances	441.18	Detail Schedule

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As described above I was unable to confirm or verify by alternative means, material items included in the statements of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Corporation.

### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

My responsibility is to conduct an audit of the Corporation's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

**2. Report on Other Legal and Regulatory Requirements**

**2.1** The National Audit Act No, 19 of 2018 include specific provisions for following requirements.

**2.1.1** I have not obtained all the information and explanation that considered necessary for the purpose of audit and I was unable to determine whether proper accounting records have been kept by the Corporation as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018

**2.1.2** The Financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No, 19 of 2018.

**2.1.3** The Financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2(a) and (i) described in the basis for Disclaimer of Opinion section of my report as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act No, 19 of 2018.

**2.2** Based on the procedures performed and evidence obtained was limited to matters that are material, nothing has come to my attention;

**2.2.1** To state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

**2.2.2** To state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;



Reference to Laws, Rules Regulations and Management Decisions etc.	Non-compliance
(a) Value Added Tax Act No.14of 2002	Actions had not been taken to remit the Value Added Tax totaling to Rs.969.89 million to the Department of Inland Revenue as at 31 December 2020.
(b) Nation Building Tax Act No. 09 of 2009	Actions had not been taken to remit the Nation Building Tax totaling to Rs.65.21 million to the Department of Inland Revenue as at 31 December 2020.
(c) Paragraph 2(c) of the internal Circular of cheques with orders, No. 121/1979 of 20 December 1979.	Once the advances are given by cheques together with orders, such advances should be settled within a period of 30 days. However, as per the advanced schedule as at 31 December 2020, advances totaling Rs.271.29 million had remained unsettled over 30 days. Out of that Rs.14.27 million and Rs.225.91 million were remained unsettled for one to five years and more than five years respectively by 31 December 2020.  Further, as per the schedule credit balances of cheques with order advances were Rs.197.69 million and reasons for credit balances were not revealed in audit.
(d) Paragraph 4 of the internal Circular of Special Cash advances No. 122/1979 of 20 December 1979.	Once the special cash advances are given for the supply of services or goods, such advances should be settled within a period of 14 days. However, cash advances over 05 years amounting to Rs.10.99 million had remained

unsettled even up to end of the year under review.

(e) Public Enterprises Circular No. PED/12 of 02 June 2003.

(i) Guideline No. 8.3.9

Twenty nine (29) employees of the Corporation had been released to the Ministry of Housing and Construction, Building Department, Government Factory and Central Cultural Fund and the salaries amounting to Rs.35.97 million incurred by the Corporation had not been reimbursed.

(ii) Guideline 6.5.1

The annual financial statements and the draft annual report should be furnished to the Auditor General within 60 days from the close of the year of accounts. Nevertheless, financial statements pertaining to the year under review had been furnished to the Auditor General on 17 May 2024, after a delay of 1173 days.

(iii) Guideline 8.4

The bank balances amounting to Rs.0.88 million were idled in 07 current accounts and the management had not paid attention to close down those dormant bank accounts as at 31 December 2020 by reviewing half yearly to justify the need for continuity with the bank accounts

(f) The Establishments Code  
Section 1.2 of Chapter II

An appointment should be made only for a post in the approved cadre, contrary to that, 362 excessive employees had been appointed as at 31 December 2020.



2.2.3 to state that the corporation has not performed according to its powers, functions and duties as per the requirement of section 12(g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12(h) of the National Audit Act, No. 19 of 2018.

### 2.3 Other Matters

(a) It was observed that trade debtors amounting to Rs.1,489.30 million remained unrecovered for more than 03 years and it was 55 per cent of the total debtor balance as at 31 December 2020. Further the receivable balance of Rs.433.17 million had remained for over 03 years without being recovered.

(b) Prepayments and Advances amounting to Rs.417.03 million remained over 05 years without being settled as at the end of the year under review.

(c) Project wise detailed progress report relating to the settlement of Mobilization Advance was not furnished to audit. However mobilization advance totaling Rs.1,116.07 million received from the clients had remained over 03 years without taking any action to settle those balances as at 31 December 2020.

(d) The payable Income tax balances totaling Rs.10.56 million had remained without being remitted to the Inland Revenue Department from the year 2013 to 2020.

(e) It was observed that out of the creditors balance amounting to Rs.448.09 million, a sum of Rs.388.19 million had remained without being settled over 03 years as at 31 December 2020.

(f) Out of the subcontract retentions amounting to Rs.779.99 million, a sum of Rs.733.26 million and out of the Sub Contract Control Account amounting to Rs.916.55 million, a sum of Rs.667.85 million had remained without being settled over 03 years.

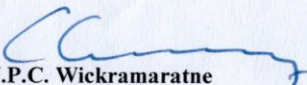
(g) Projects which incurred losses in the year under review were shown in the following table.

Division	No of project	Project value Rs. Million	Loss for the year under review	Accumulated Loss
Construction Division	27	3,827.89	246.95	954.34
Construction Component Division	01	54.36	0.16	2.29
Mechanical & Electrical Division	03	43.05	12.06	27.21
NEMO	12	246.60	19.63	0.278

Therefore, financial position will be further weakened in case of corporation failing to earn sufficient profit through the projects in the future.

(h) Action plan and Progress report including sufficient information of the projects implemented by the National Equipment and Machinery Organization (NEMO) division for the year under review had not been furnished to the audit to determine the accuracy, completeness, relevance and authority for the expenditure of projects.

(i) Action has not been taken up to 15 March 2024 to settle a sum of Rs.5.97 million included in the prepaid balance which was paid to a private company on 15 January 2015 for printing calendars and diaries.

  
**W.P.C. Wickramaratne**  
Auditor General