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ஆண்டறிக்கை
Annual Report
2019

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இலங்கை அரச பொறியியற் கூட்டுத்தாபனம்

STATE ENGINEERING CORPORATION OF SRI LANKA

www.secsl.lk

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Annual Report

SEC

Content

Corporate Governance Report

The State Engineering Corporation of Sri Lanka is a state corporation established under the provisions of the State Industrial Corporations Act, No. 49 of 1957. The registered office and the principal place of business of the Corporation is situated at No. 130, W.A.D. Ramanayake Mawatha, Colombo 02. The financial statements of the State Engineering Corporation of Sri Lanka constitute to end as at 31 December 2019 and it has been recognized as a common financial year ending on the 31st of December along with the National Equipment of Machinery Organization as well, which is one of the Corporation's projects.

The main activities and nature of operations of the State Engineering Corporation are primarily construction, manufacturing of building components, mechanical and electrical engineering works and consultancy tasks as specified in the Gazette Notification dated 28.03.2008 published by, and have been identified as the following activities.

I. the investigation, planning, designing and construction of building, civil engineering and other engineering projects in Sri Lanka or abroad, owned by any party, either independently or in collaboration with any local or foreign company and the acquisition and holding of shares, in any such company;

II. the provision of consultancy and management services in all fields of engineering in Sri Lanka or abroad, to any party, either independently or in collaboration with any local or foreign company;

III. to undertake property development either independently or in collaboration with any local or foreign company and the acquisition and holding of shares, in any such company;

IV. the manufacture and sale in Sri Lanka or abroad of any ready mix concrete, reinforced concrete and prestressed concrete products;

V. the manufacture, sale, import, and export of construction materials, machinery and equipment required for engineering projects / undertakings;

VI. the training of engineers and technical personnel required the purposes referred to in Paragraphs (i), (ii), (iii), (iv) and (v) above;

VII. the carrying out of research into construction materials, methods and techniques utilized for the purposes referred to in Paragraphs (i), (ii), (iii) and (iv) above.

The National Equipment and Machinery Organization is a special unit operating under the State Engineering Corporation and it was assigned to the Corporation by the decision of the Cabinet of Ministers in 2011, with the aim of assisting the development of infrastructure facilities in the rural areas of the island whilst operating as a separate unit under the State Engineering Corporation by providing heavy machinery for rent and engaging in related activities and businesses in connection with it.

Engineers to the Nation

01

Vision

To be the leading Engineering Enterprise

02

Mission

To be a provider of innovative and integrated engineering solutions through excellent consultancy, construction, manufacturing and project management services, supported by research and development, delighting the client, with the active participation of a competent and motivated work force within a prosperous enterprise and thereby contributing to the national development.

03

Core Values

- Clients' Satisfaction
- Integrity
- Social Obligation
- Employee Satisfaction
- Safety
- Quality

04

Our Goals

- To achieve highest levels of technical standards and professionalism.
- To be a commercially focused, financially viable and self-sustainable government enterprise.
- To diversify business activities of the Corporation.
- To develop and promote the use of domestic technology and local materials.
- To be the leading partner in National Development Programmes.
- To improve the management and human resources of the Corporation

Board of Directors - 2019

Dr. T. A. G. Gunasekara
Chairman
From 08.09.2016 to November 2019

Mr. P. J. M. Pelpola
Vice Chairman
From 09.02.2015 to November 2019

Mr. Sarath G. Jayathilake
Working Director
From 09.02.2015 to November 2019

Mr. Nilu Dilhara Wijedasa
Executive Director
From 10.01.2019 to November 2019

Mr. PalithaWalpola
Director
From10.02.2015 to November 2019

Mrs. B. Irangani
Director (Ministry Representative)
From 28.08.2017 to December 2019)

Mr. B.K.R.Balasoriya
Director (Treasury Representative)
From October 2018 to November 2019

Mrs. I. Wickramanayake Alexander
Secretary to the Board
2015.02.09 to November 2019

Mrs. Merleesa Ebenser
Secretary to the Board
From June 2019 to
07 November 2019

Mrs I.P.Sivaratnam
Secretary to the Board
From 08 November 2019

Corporate Management

Mr. D. T. Rajasekaran	-	General Manager
Mrs. P. D. Karawita	-	Deputy General Manager - Constructions
Mr. K. E. H. A. Ranasinghe	-	Deputy General Manager - Consultancy
Mr. M. H. Senaweera	-	Deputy General Manger - Finance
Mr. H. A. S. V. Hathurusinghe	-	Deputy General Manger - Human Resources and Administration
Mr. A. P. Thennakoon	-	Acting Deputy General Manager - Construction Component
Mr. A. P. K. Manamperi	-	Acting Deputy General Manager - Mechanical and Electrical
Mr. K.A.S. Shantha	-	Deputy General Manger

Corporate Management

Mr. P. M. A. Karunasingha	-	Manager (Finance)
Mr. A. P. K. Manamperi	-	Manager (Constructions)
Mr. T. Vijayakumar	-	Manager (Constructions)
Mr. V. Murugesu	-	Manager (Constructions)
Mr. M.E.C. Pinto	-	Manager (Constructions)
Mr. C.A.S.Hettiarachchi	-	Manager (Construction Components)
Miss. L.S.T.Liyanage	-	Manager (Human Resource/Training & Development)
Mrs. N. J. Jayakodi	-	Chief Engineer (Designs)
Mr. D. N. A. Galappaththi	-	Chief Quantity Surveyor
Miss N. A. B. R. Alwis	-	Chief Architect
Mr. M.S.C. Perera	-	Chief Internal Auditor
Mr. R.P.P.Wickramasinghe	-	Chief Security Officer
Mrs. P. S. D. Rajini	-	Acting Chief Engineer (Contracts and Planning)
Mr. A. M. S. T. B. Alahakoon	-	Acting Manager (Constructions)
Mr. A.R.L.Wijebandara	-	Acting Manager (Construction Components)
Mr. N. J.Jayakody	-	Acting Manager (Information Technology)
Mr. T. B. Jayalal	-	Acting Chief Supplies Officer

Chairman's Review

Dr. T. A. G. Gunasekara
(Term of office from 08.09.2016 to 28.11.2019)

I am pleased and honoured to present the Annual Report and Amalgamated financial statements of the State Engineering Corporation of Sri Lanka for the financial year 2019.

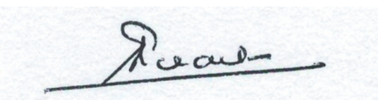
We performed by facing institutional constraints, adhering to the financial and procurement guidelines and procedures governed by public enterprises under the fact that private sector competitors are actively engaged in the highly competitive engineering market,and the loss incurred at the end of 2019 was recorded declining of Rs.768 million in comparison with the loss in previous year.

Considering the performance at the national level in the construction sector, with the acceleration of large-scale projects, the value added in construction activities in 2019 recorded a favorable growth of 4% compared to the decrease of 2.5% recorded in 2018. Due to its beneficial effect, the loss received in 2018 has been reduced by 49% in 2019.

Furthermore, the Ampara Auditorium repair project, which is a project of Dayata Kirula, has been successfully completed during the year under review.

At present, the Sri Lanka State Engineering Corporation is working to achieve those goals by adhering to the 2019-2024 business plan.

Finally, I would like to express my gratitude to my fellow board members for their valuable support and advice, and to the General Manager, senior management and our greatest asset, the staff, who have taken leadership and dedication for the success of the Corporation in 2019.



Dr. A.T.G. Gunasekara
Chairman

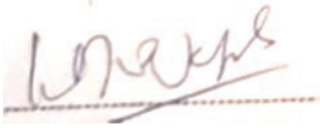
Report of the Directors

Attorney-at-Law Mr. NishanPalithaWalpola
Director

State Engineering Corporation was started in 1962 under the State Industrial Legalized Corporation Act No. 49 of 1958, the under the initiative of Dr. Kulasinghe, a renowned engineer in Sri Lanka. After independence in 1948, the State Engineering Corporation was started with the objectives of implementing state construction based on state entrepreneurship, as well as monitoring and consulting, instead of the private entrepreneurship that existed in the construction industry in Sri Lanka. Being the leader in the state construction industry in Sri Lanka, it provided the practical and technical knowledge to sharpen the skills of the construction industry during the apprenticeship period, including engineers and architects who acquire skills in the construction industry in Sri Lanka by providing excellent and unlimited service. Engineering Corporation has been appointed. The State Engineering Corporation should be honored and praised for being able to produce leaders in the public and private sectors who show competence in the construction sector.

Further, the National Equipment and Machinery Organization or NEMO, which has been affiliated to the StateEngineering Corporationsince the 2010s, has been instrumental in the successful journey of the State Engineering Corporation as an infrastructure provider in the construction sector.

Furthermore, all the trained and untrained staff working in the State Engineering Corporation without any discrimination will undoubtedly be able to further intensify the progress that the State Engineering Corporation has already achieved and become a never-ending bright beacon of light in the construction industry of the country.



Attorney-at-Law Mr. Nishan Palitha Walpola
LL.B(Colombo) LLM (wales) UK

Report of the Financial and Operational Analysis

Turnover and Profit

The Corporation, during the financial year ended as at 31.12.2019 has recorded a turnover of Rs. 3,960 million.

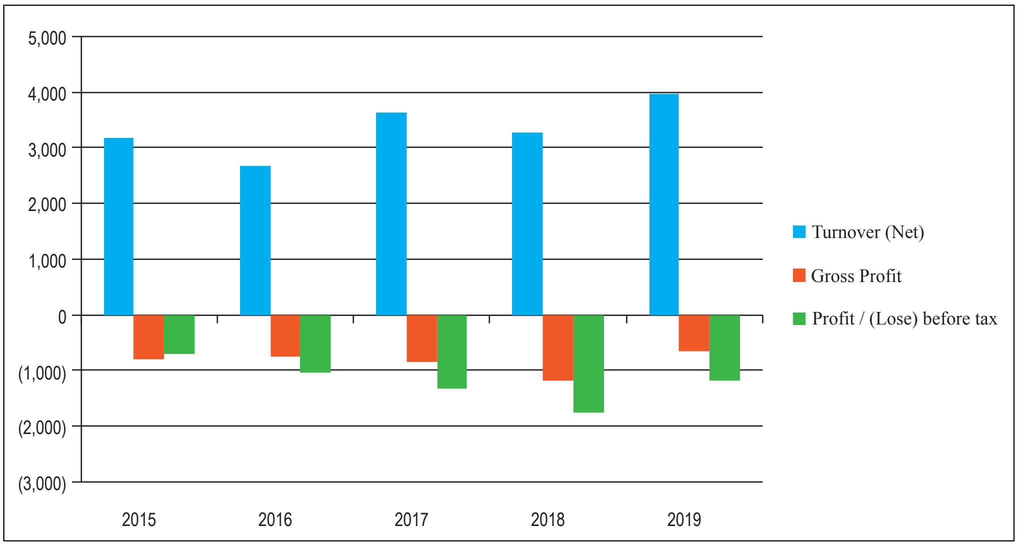


Table I - (Comparative Turnover and Profit of the Corporation (2015 – 2019)

	2015	2016	2017	2018	2019
Turnover (Net)	3168	2681	3623	3278	3960
Gross Profit	(799)	(748)	(839)	(1194)	(660)
Profit / (Loss) before tax	(708)	(1040)	(1316)	(1757)	(1179)

(Rs. million)

Division	Turnover		Projects awarded
	2018	2019	2019
Construction	1530	1944	982.49
Construction Components	1086	1142	652.19
Mechanical and Electrical	108	138	
Consultancy	172	191	
Roads and Bridges	78	7	
Equipment and Machinery	302	536	
	3278	3960	

Construction Division

The Construction Division, during the financial year 2019, has recorded a turnover of Rs. 2014 million and went on to succumb to a net loss of Rs. 446 million which was a decrease of 15% in the loss situation compared to the previous year and it can be expressed as a decrease of 70% in the operating loss. The 26% growth in the year's turnover led to such a favourable situation.

Turnover and Net Operating Profit / (Loss)

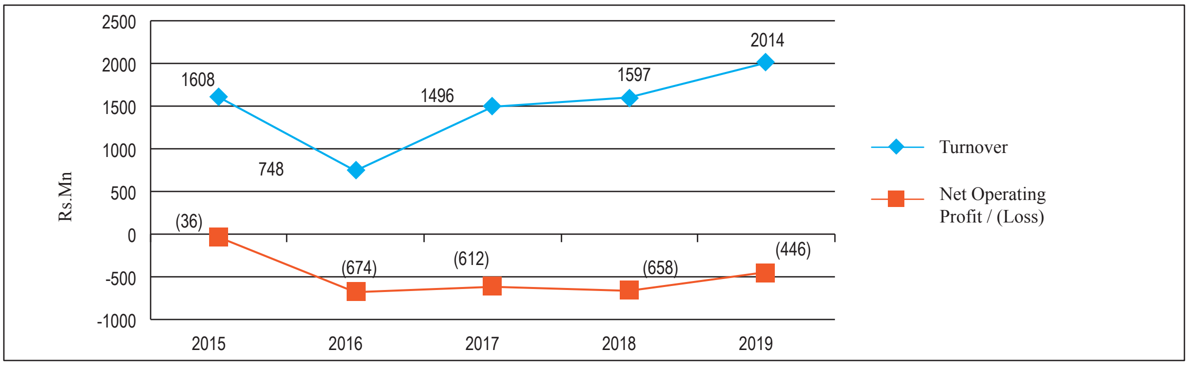


Table II – Turnover and Net Operating Profit / (Loss) of the Construction Division

In its performance during the year –

- Value of new projects awarded - Rs. 982.49 Mn.
- Value of projects completed - Rs. 960.57 Mn.
- Value of projects commenced - Rs. 1205.20 Mn.

Construction Components Division

This division earned a turnover of Rs. 1247 million and met with a net loss of Rs. 245 million during the financial year 2019. As compared to the previous year, the construction related projects led by the Division increased Rs.214 million, i.e. 45% of growth Due to the growth value of 214 million or 45%, it owned of the growth opportunity of the turnover and an operating profit of Rs.19 million. It has reached 50% of the estimated turnover of the year.

Turnover and Net Operating Profit / (Loss)

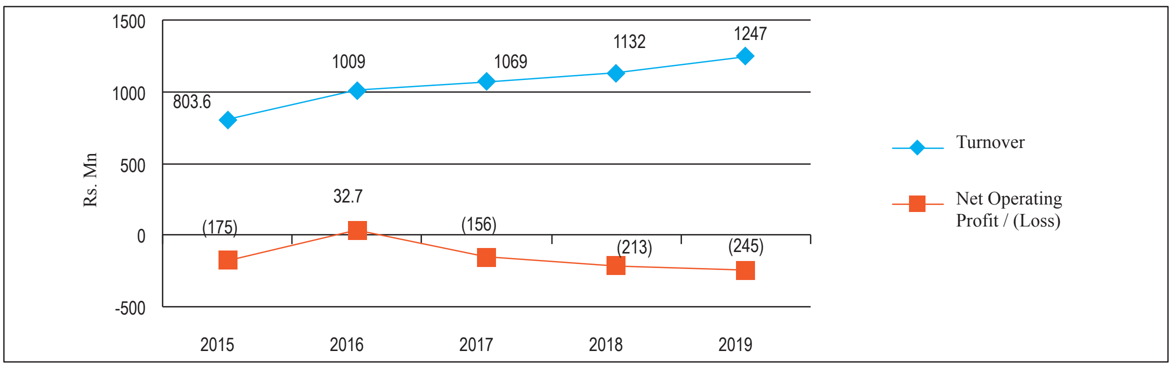


Table III - Turnover and Net Operating Profit / (Loss) of the Construction Components Division.

In its performance during the year

- Value of projects awarded - Rs. 652.19 Mn.
- Value of projects completed - Rs. 496.8 Mn.

Mechanical and Electrical Division

This division earned a turnover of Rs. 414.2 million suffered a net loss of Rs. 116 million during the financial year 2019. Despite the income being under a 60% deficit compared to the expected income, the turnover in the year 2018 was Rs. Mr. 57.9 as compared to Rs. 71 with an actual turnover and operational income of Rs. 28 million or 40% while maintaining a gross profit ratio of 24% compared to the previous year's value shows a favourable potential for future business opportunities in that field.

In addition, it should be noted that loss condition of Rs.181 m. prevailed in previous year has been declined to Rs.116 m. in the year 2019.

Turnover and Net Operating Profit / (Loss)

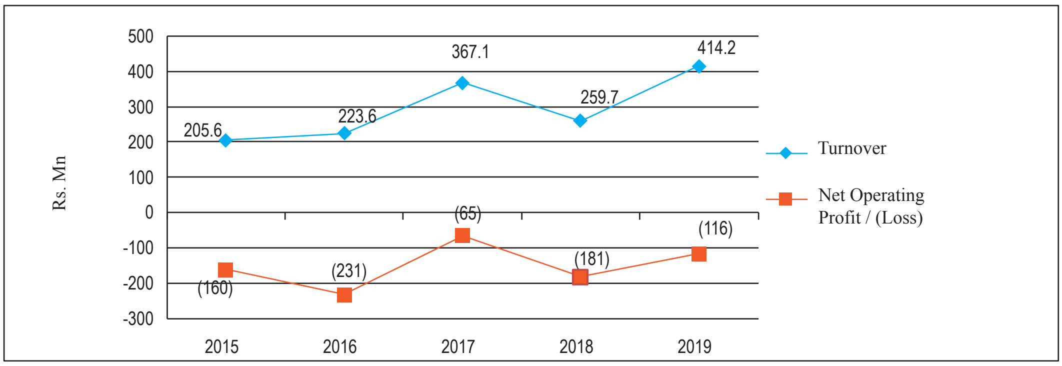


Table IV - Turnover and Net Operating Profit / (Loss) of the Mechanical and Electrical Division

While handing over internal Carpeting and Renovation of internal roads for industrial land owners in Godagama area for a sum of Rs 50.8 million during 2019, there were about 13 no s Social water project have been handed over to the clients in different area scattered island wide.

Consultancy Division

In the year 2019, the Consultancy Division recorded its income as a sum amounting to Rs.193.9 million whilst succumbing to a net loss of Rs.140.6 million during the year.

During the year, the Division undertook projects expecting structural engineering services including provision of specialized services such as architectural, structural, electrical, quantity surveying, air-conditioning and fire protection as well as group consultancy services. It covered service cluster projects ranging from building design to calling for bid, construction supervision, progress review, etc.

In addition, during the year, it performed many services in the fields of religion, education and health as corporate social responsibility.

Turnover and Net Operating Profit / (Loss)

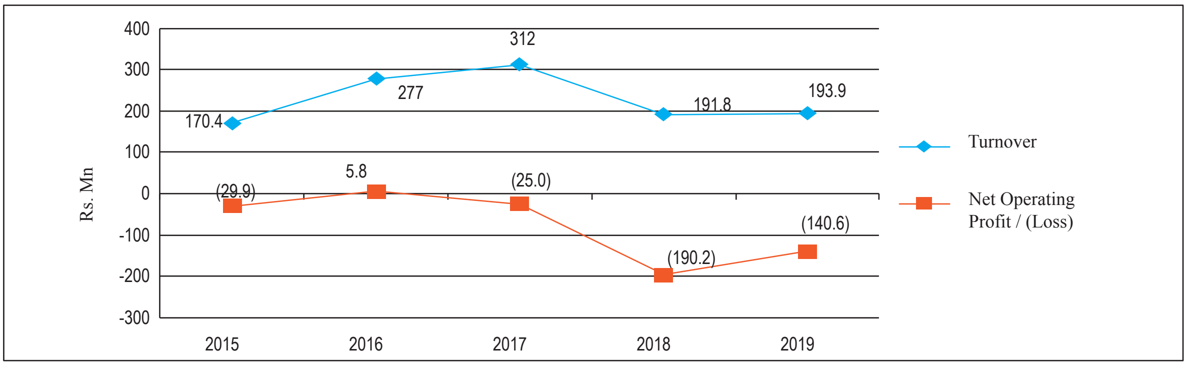


Table V - Turnover and Net Operating Profit / (Loss) of the Consultancy Division

Roads and Bridges Division

The Roads and Bridges Division could earn an income of Rs. 7.2 million in 2019 as against Rs. 78 million it earned in 2018 suffering setback in a net loss of Rs. 28 million.

Turnover and Net Operating Profit / (Loss)

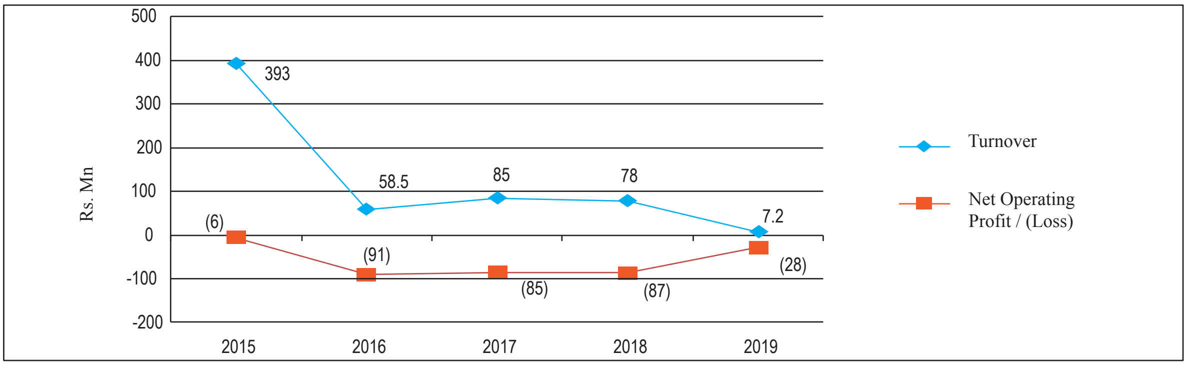


Table VI - Turnover and Net Operating Profit / (Loss) of the Roads and Bridges Division

National Equipment and Machinery Division

The NEMO Division earned an income of Rs. 536 million in 2019 and it was a growth of Rs. 234 million as against the previous year and net loss was Rs. 202 million.

Turnover and Net Operating Profit / (Loss)

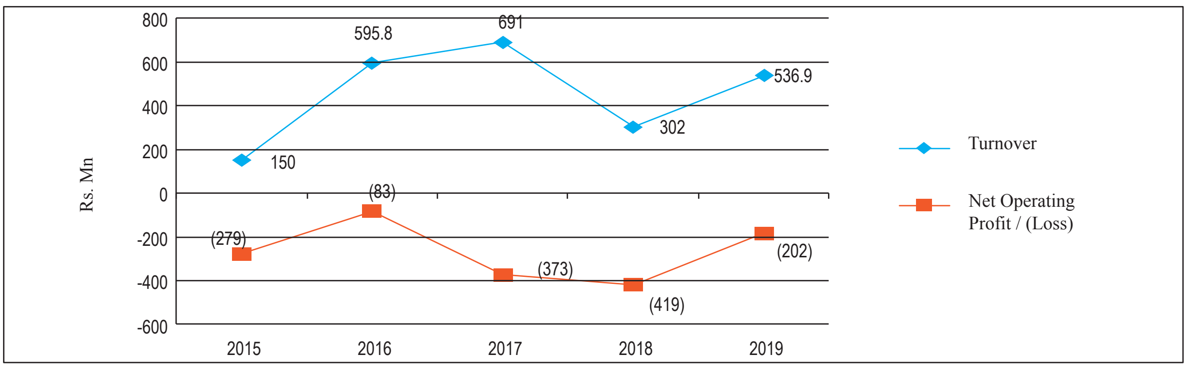


Table VII - Turnover and Net Operating Profit / (Loss) of the NEMO Division

Cash Flow

It was able to acquire a consolidated cash flow of Rs. 5350 million through all sources during the year 2019. It included inflow through operational processes, government grants and external funding.

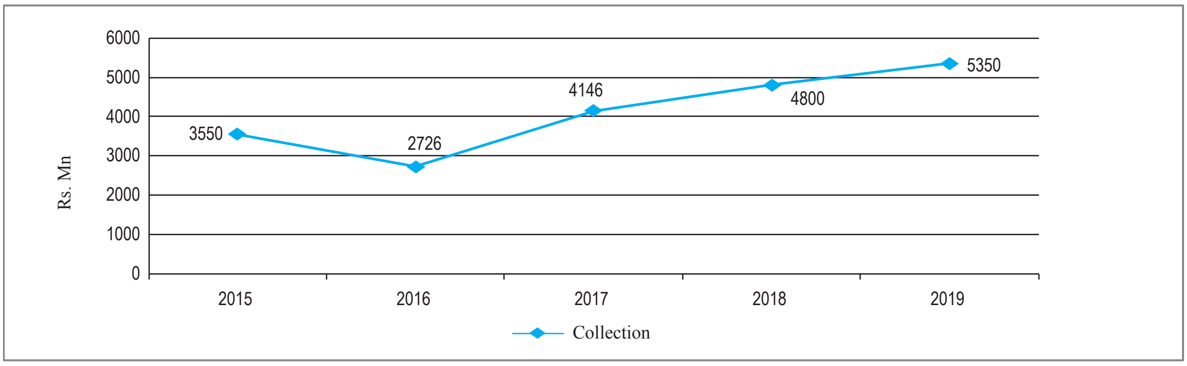


Table VIII - Cash Flows

Assets

The total assets of the Corporation during the year 2019 compared to 2018 increased by Rs. 1630 million. In parallel, the Corporation's current assets showed an increase up to Rs. 8790 million in 2019 compared to Rs. 7356 million in the year 2018.

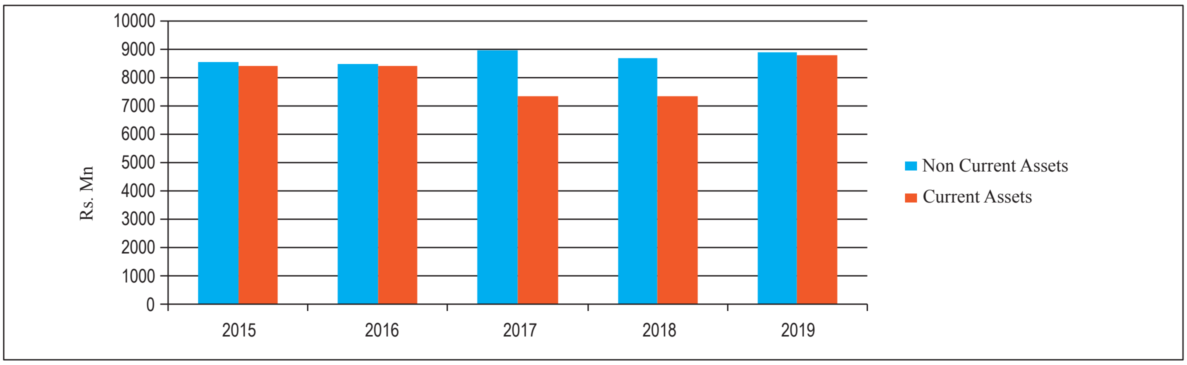


Table IX –Status of Assets

(Rs.Mn.)

	2015	2016	2017	2018	2019
Non Current Assets	8535	8462	8946	8692	8888
Current Assets	8395	8407	7350	7356	8790

Other Income

	2015 (Rs. 000)	2016 (Rs. 000)	2017 (Rs. 000)	2018 (Rs. 000)	2019 (Rs. 000)
Rent	12,975	10,441	9,704	10,225	9,090
Reversal of stock over provision	1,258	1,239	45	180	57
Amortization of grants	397,130	222,130	147,130	113,787	450,000
Registration fee income	3,477	3,350	4,883	4,787	4,076
Miscellaneous income	11,595	7,403	13,159	9,410	3,342
	426,437	**244,566**	**174,921**	**138,389**	**466,565**

In 2019, government grants for recurrent expenditure was Rs.450 million. As a result of amortization and adjustment on other income, its value could gain higher rather than previous year.

Report of the Audit Committee – 2019

Members of the Committee

Mr. B.K.R.Balasooriya (Non-Executive Director) - **Committee Chairman**
M.A.(Econ), Bcom (Sp.Hons), CPFA
Chief Financial Officer, Ministry of Finance and Mass Media

Mrs. B. G. Irangani (Non-Executive Director) - **Committee Member**
Bcom (Special)
Chief Accountant
Ministry of Housing and Construction and Social Welfare

Mr. Nilu Wijedasa (Executive Director) - **Committee Member**
City & Guide (London), MBA (UK)
Executive Director - State Engineering Corporation of Sri Lanka
Chairman, National Equipment and Machinery Organization

Main Activities

Major tasks carried out by the Committee during the year 2019 :

1. Determining the scope of the internal audit unit.
2. Review and approve the annual audit plan and work programme.
3. Review and evaluate the internal control system covering accounting, financial and operational aspects based on the internal audit reports.
4. Ensuring timely submission of final accounts and annual reports.
5. Creating awareness and requirements for compliance with Treasury circulars and other directives.
6. Review matters related to personal and administration and make recommendations for decisions.
7. Review and organize matters related to staff discipline, elimination of wastage and fraud.
8. Review the Internal Audit Report and ensure prompt action with regard to the brief complaints pointed out.
9. Review the Internal Audit Report and take corrective action as possible.
10. Review the implementation of the recommendations of the Committee on Public Enterprises.
11. Review the Audit Report 14 (2) (c) - 2016 of the National Audit Office and replies of the Management.

Audit and Management Committee Meetings

04 meetings were held during the year 2019 and all the meetings were attended by the General Manager, Deputy General Manager (Finance) and Internal Auditor on the invitation of the Committee. Government Audit Superintendent and Chief Internal Auditor of the Ministry were participated to all meetings as observers.

Minutes of the meetings are presented to the Board of Directors and the important issues were brought up and discussed at the Board meetings.

For and on behalf of the Audit Committee,

Chairman
Audit and Management Committee - 2019
State Engineering Corporation of Sri Lanka

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය எனது இல. My No.	CAE/C/SEC/01/2019/01/20	මගේ අංකය உமது இல. Your No.		දිනය திகதி Date	19 September 2023

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 2019 in terms of Section 12 of the National Audit Act, No.19 of 2018

The above mentioned report with the certified Financial Statements is sent herewith.

T.G.I. Padmini

Deputy Auditor General

For Auditor General

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

FILE

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka
+94 11 2 88 70 28 - 34 | +94 11 2 88 72 23 | ag@auditorgeneral.gov.lk | www.naosl.gov.lk

මගේ අංකය
எனது இல.
My No. CAE/C/SEC/01/2019/01/20

ඔබේ අංකය
உமது இல.
Your No

දිනය
திகதි
Date 19 September 2023

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 2019 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 2019 comprising the statement of financial position as at 31 December 2019 and 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 the 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 the Sri Lanka Financial Reporting Standards. However, the debit balances in the Mobilization advance payable, Creditors, Creditors Control-COBOL, Sub contract Control, Sub contract Retention and Direct payment vendor accounts had been offset against the credit balances of those accounts. Hence, the credit balances of such accounts had been understated by aggregating to Rs. 401.83 million. Further, aggregated credit balances Rs. 1,361.50 million, Retention Receivable, Pre-payments, Mobilization advance receivable, Refundable deposits, Cheque with Order, Contract labour imprest, Labour sub contract control and Labour sub control advance as at the end of the year had been offset against the debit balances of these accounts. Therefore these accounts had been understated by similar amounts.

(b) In accordance with the paragraph No.51 of the Sri Lanka Accounting Standard – 16, Property, Plant and Equipment, an entity shall review the scrap value and useful life of its assets at the end of each financial year and, if the expected values differ from previous estimates, correct the estimation error in accordance with Sri Lanka Accounting Standards 08. However, the corporation had not reviewed the scrap value and useful life of these assets which had a carrying value of Rs.997.98 million at the end of the year under review. Further, the assets of Rs.1, 057.60 million owned to the Corporation were fully depreciated and continued to be used but appropriate action had not been taken to correct the estimated error in these assets.

(c) The Corporation has pledged its investments worth Rs.71.80 million against the bank overdraft. However, the Corporation had not disclosed such pledged amount at the reporting date in the financial statements as per the provisions in the Paragraph 14 of SLFRS 07 – Financial Instruments: Disclosure.

(d) Credit balances of debtors aggregating Rs.26.50 million had been offset against the debit balances of such accounts in National Equipment & Machinery Organization (NEMO). As a result, the debtors of NEMO had been understated by similar amounts.

(e) It was observed that unidentified two balances aggregating Rs.16.38 million had existed under the trade and other receivable.

(f) Even though the inter division balances should not be included in the financial statement, receivable from NEMO division amounting to Rs.647.20 million had been included under other receivable, and payable to State Engineering Corporation by NEMO amounting to Rs. 514.12 million had been included under other payable. Therefore, other receivable and other payable were overstated by these amounts. Further the balances of current accounts being maintained between the divisions of the corporation should be zero as at end of the year. However, a debit balance of Inter division of current account amounting to Rs.1.82 million had been included under other receivable in the financial statements.

g) A difference amounting to Rs.106.47 million was observed between revenue from Building and other construction in financial statement of NEMO and schedule of revenue furnish to audit. However, reasons for differences were not revealed to audit.

(h) Evidences were not provided with the requested supporting documents for the following balances. Therefore, it was unable to ensure the accuracy and validity of such balances.

	Item of Account	Value	Evidence not made available
		(Rs. Millon)	----
(a)	Trade Receivable (more than 3 years and over Rs. 50 million)	517.13	Debtors Confirmations
(b)	Collection from Client	38.58	Detail Schedule
(c)	Other Receivable Accounts	31.21	Detail Schedule
(d)	Due to customer - Service	543.92	Detailed Schedule
(e)	Bank Balance	1.88	Bank confirmation
(f)	Differed Taxation	980.71	Audit evidence had not been provided to the audit to assessing the probability that taxable profit will be available against which the unused tax losses.
(g)	Property, Plant & Equipment (NEMO)	141.74	Register of Fixed Asset as at 31.12.2019
(h)	Trade Receivables (NEMO)	1,096.51	Confirmations
(i)	Petty Cash – Imprest (Opening Balance - NEMO)	2.72	Detailed schedule for opening balance
(j)	Bank Balances (NEMO)	5.62	Bank Statements and Bank confirmations.

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.

As a result of these matters, I was unable to determine whether any adjustment might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows.

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 includes 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 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 were 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.1,058.88 million to the Inland Revenue Department as at 31 December 2019.
(b)	Nation Building Tax Act No. 09 of 2009	Actions had not been taken to remit the Nation Building Tax totaling to Rs.104.56 million to the IRD as at 31 December 2019.
(c)	Public Enterprises Circular, No. PED/12 dated 02 June 2003, Section 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 12 December 2022.
(d)	Section 2(c) of the Circular, No. 121/1979 of 20 December 1979 issued by then Chairman of the Corporation.	Once the advances are given by cheques together with orders, such advances should be settled within a period of 30 days. However, such advances totaling Rs.254.47 million had remained unsettled for over 03 years.
(e)	Section 4 of the Circular, No. 122/1979 of 20 December 1979 relevant to cash advance issued by	Once the cash advances are given for supply of service or goods, such advances should be settled within a period of 14 days.

the Chairman of the Corporation.	However, over 03 years special cash advance balances of Rs.27.73 million had remained unsettled as at 31 December 2019.

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.

3. Other Matters

(a) Trade debtors amounting to Rs.1,342.95 million remained unrecovered for more than 03 years and it is 48 per cent of the total debtor balance and the receivable balance of Rs.929.23 million had remained for over 05 years without being recovered.

(b) The Income tax balances totaling to Rs.10.56 million had remained without being remitted to the Inland Revenue Department from year 2013 to 2019.

(c) Out of the creditors balance amounting to Rs.477.23 million a sum of Rs.443.90 million had remained without being settled over 03 years.

(d) Project wise detail progress relating to the retention payable was not available to audit. However, out of the sub contract retentions amounting to Rs.776.72 million, a sum of Rs.674.38 million had remained over 05 years.

(e) The sub contract payable amount of Rs.685.21 million had remained for over 03 years without being settled.

(f) 46 projects implemented by the Construction Division valued at Rs.6,821.22 million had sustained losses amounting to Rs.260.84 million in the year under review, and its total accumulated loss as at 31 December 2019 was Rs.1,232.95 million and 04 projects implemented by the Construction Component Division valued at Rs.258.67 million had sustained losses amounting to Rs.9.39 million in the year under review, and its total accumulated loss as at 31 December 2019 was Rs.49.32 million. Further, 06 projects implemented by Mechanical & Electrical Division valued at Rs.91.07 had sustained losses amounting to Rs.22.88 in the year under review, and its total accumulated loss as at 31 December 2019 was Rs.35.94 million and 112 number of projects implemented by the NEMO valued at Rs. 838.69 million had sustained losses amounting to Rs. 95.14 million in the year under review.

(g) The bank balances amounting to Rs.0.87 million were idled in 07 current accounts, and the management had not paid attention to close down these dormant bank accounts as at 31 December 2019 by reviewing half yearly to justify the need for continuity with the bank accounts as per section 8.4 of the Public Enterprise Circular No. PED 12 dated 02 June 2003.

W.P.C. Wickramaratne
Auditor General

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இலங்கை அரச பொறியியற் கூட்டுத்தாபனம்

STATE ENGINEERING CORPORATION OF SRI LANKA

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	2019 (Rs.)	2018 (Rs.)
Revenue	4	**3,960,504,914**	3,278,555,466
Cost of Sales		**(4,620,708,690)**	(4,472,833,991)
Gross Profit		**(660,203,776)**	(1,194,278,525)
Other Income	5	**466,566,685**	138,389,556
Administrative Expenses		**(594,280,129)**	(443,417,858)
Net Finance Income/ (Expense)	6	**(391,425,969)**	(258,285,571)
Profit before Tax	7	**(1,179,343,188)**	(1,757,592,398)
Income Tax Expense	8	**(218,465,942)**	(98,223,356)
Profit for the period		**(960,877,246)**	(1,855,815,754)
Other comprehensive income			
Actuarial Gain/ (Losses) on Defined Benefit Plans		**(99,372,230)**	(1,588,292)
Fair Value Change of Available for sale Financial Instruments		**708,000**	(804,000)
Surplus on Revaluation of property, Plant and Equipments			
Other comprehensive income for the period, net of tax		**(98,664,230)**	(2,392,292)
Total comprehensive income for the period		**(1,059,541,476)**	(1,858,208,046)

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

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	31.12.2019 (Rs.)	31.12.2018 (Rs.)
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	9	**7,898,780,088**	7,920,400,710
Intangible Assets	10	-	23,345
Investments in shares	11	**3,828,000**	3,120,000
Deferred Taxation	12	**980,712,209**	762,246,266
Other Financial Assets Including Derivatives	15	**5,029,968**	6,480,565
		8,888,350,265	8,692,270,886
Current Assets			
Inventories	13	**587,267,998**	480,200,440
Trade and other Receivables	14	**6,590,618,947**	5,267,786,918
Other Financial Assets Including Derivatives	15	**1,168,412,673**	1,041,767,500
Cash and Cash Equivalents	16	**444,316,641**	566,839,296
		8,790,616,258	7,356,594,154
Total Assets		**17,678,966,524**	16,048,865,040
EQUITY AND LIABILITIES			
Stated Capital	17	**70,000,000**	70,000,000
Capital Accretion Reserve		**27,738,806**	27,738,806
Revaluation Reserve		**7,484,472,989**	7,484,472,989
E&M Capital		**(167,291,864)**	(167,291,864)
General Reserve		**3,602,690**	3,602,690
Retained Earnings		**(4,437,794,022)**	(3,383,482,244)
Total Equity		**2,980,728,599**	4,035,040,377
Non-Current Liabilities			
Interest Bearing Borrowings	18	**2,370,045,245**	2,101,800,000
Employee Benefit	19	**421,114,429**	310,032,375
Other Financial Liabilities including derivatives	20	-	-
		2,791,159,674	2,411,832,375
Current Liabilities			
Interest Bearing Borrowings	18	**80,433,889**	154,332,096
Trade and other Payables	21	**8,454,761,917**	6,674,908,044
Other Financial Liabilities including derivatives	20	**2,910,152,997**	2,412,183,921
Income Tax Payable	22	**10,564,395**	10,564,395
Bank Overdraft	16	**451,165,053**	350,003,832
		11,907,078,252	9,601,992,288
Total Equity, Liabilities		**17,678,966,524**	16,048,865,040

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

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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 intergral 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.

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Chairman Director

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Stated Capital (Rs.)	Capital Accretion Reserve (Rs.)	Revaluation Reserve (Rs.)	General Reserve (Rs.)	E&M Capital (Rs.)	Available For Sale Reserve (Rs.)	Retained Earnings (Rs.)	Total (Rs.)
Balance as at 01st January 2018	70,000,000	27,738,806	7,484,472,989	3,602,690	(167,291,864)	-	(999,390,377)	6,419,132,244
Adjustment on Trade and Other Payables							(1,186,750)	(1,186,750)
E P F and E T F arreas							(461,733,423)	(461,733,423)
Penalty for E P F and E T F							(62,963,648)	(62,963,648)
Balance as at 01.01.2018 as restated	70,000,000	27,738,806	7,484,472,989	3,602,690	(167,291,864)	-	(1,525,274,198)	5,893,248,423
Profit for the Year							(1,854,204,236)	(1,854,204,236)
Other comprehensive Income -Actuarial Loss							(3,199,812)	(3,199,812)
Other comprehensive Income -Fair value changes							(804,000)	(804,000)
Total other comprehensive income for the period	-	-	-	-	-	-	(4,003,812)	(4,003,812)
Balance as at 31.12.2018 as previously reported	70,000,000	27,738,806	7,484,472,989	3,602,690	(167,291,864)	-	(3,383,482,246)	4,035,040,375
Restatement								
Adjustment on Trade and Other Receivables							(4,829,480)	(4,829,480)
Adjustment on Trade and other payables							10,059,180	10,059,180
Balance as at 31.12.2018 as restated	70,000,000	27,738,806	7,484,472,989	3,602,690	(167,291,864)	-	(3,378,252,546)	4,040,270,075
Profit for the Period							(960,877,246)	(960,877,246)
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)
Balance as at 31st December 2019	70,000,000	27,738,806	7,484,472,989	3,602,690	(167,291,864)	-	(4,437,794,022)	2,980,728,598

(Figures in brackets indicate deductions)

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31ST DECEMBER 2019

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Cash Flow from Operating Activities		
Profit Before Tax	(1,179,343,189)	(1,757,592,398)
Adjustments for,		
Depreciation of Property, Plant and Equipment	36,212,915	164,200,486
Impairment/write off of Property, Plant and Equipment		
Amortization of Intangible assets	23,345	280,113
Dismantalling of Assets (Galapatha)	-	-
Provision for Retirement Benefit Obligations	55,285,953	44,233,101
Provision/(reversal) for Bad and Doubtful Debts	122,509,182	258,226,245
Provision for/(Reversal) of Obsolete Stocks	41,594	3,957,438
Provision /(reversal) of Income Tax	-	(20,106,452)
Interest Expenses Payable	(49,065,944)	-
Amortization of Grant	(450,000,000)	(113,787,343)
Bank Charges	-	-
Interest Income	(23,748,333)	(22,380,911)
Interest Expenses	399,538,158	269,576,560
Operating Profit Before Working Capital Changes	(1,088,546,319)	(1,173,393,161)
(Increase)/Decrease in Inventory	(107,109,152)	32,158,648
(Increase)/Decrease in Trade and Other Receivables	(979,822,601)	(3,455,790)
(Increase)/Decrease in Other Current Financial Assets	(120,463,452)	(73,422,954)
(Increase)/Decrease in Other Current Financial Liabilities	296,069,076	534,635,133
Increase/(Decrease) Trade and Other Payables	1,319,564,955	153,955,216
Cash Generated from/(used in) Operating Activities	(680,307,494)	(529,522,907)
Interest Paid	(153,300,491)	(269,576,560)
Gratuity Paid	(43,576,129)	(22,101,153)
Income Tax Paid	-	-
Net Cash Generated from/(used in) Operating Activities	(877,184,113)	(821,200,620)
Cash Flow from Investing Activities		
Purchases of Property, Plant and Equipment	(15,494,848)	(12,130,660)
Down Payment of Lease	-	-
Interest Received	23,748,333	22,380,911
Net Cash Generated from/(used in) Investing Activities	8,253,484	10,250,251
Cash Flow from Financing Activities		
Preceeds from long term borrowings	302,369,250	2,071,000,000
Repayment of Lease	(4,332,096)	(4,186,776)
Repayment of Loan	(102,790,402)	(614,149,003)
Grant Received	450,000,000	-
Net Cash Generated from/(used in) Financing Activities	645,246,751	1,452,664,221
Net Increase/(Decrease) in Cash and Cash Equivalents during the period	(223,683,878)	641,713,852
Cash and Cash Equivalents at the beginning of the period	216,835,466	(424,878,389)
Cash and Cash Equivalents at the end of the period	(6,848,412)	216,835,465

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

STATE ENGINEERING CORPORATION OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

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 01st January 1962 and function under the Ministry of Housing & Construction. 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 30.11.2022

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.

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 selfconstructed 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.

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:

Asset Category	**Useful Life (Years)**	**Depreciation Rate (%)**
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:

Asset Category	Useful Life (Years)	Depreciation Rate (%)
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 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 pass-through 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.

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 de-recognition 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'.

3.11.1.1 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.

3.11.1.2 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 1st January 2018;

(a) SLFRS 09 – This stranded becomes effective for annual periods beginning on or after 1st January 2018.The adoption of SLFRS 9 will have an impact on the classification and measurement of the Corporation's financial instruments.

(a) 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 1st January 2018, with early adoption permitted. The corporation will adopt this stranded 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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
4 REVENUE		
Buildings and other Construction	**3,144,997,317**	2,228,686,937
Road Construction	**37,379,217**	97,820,240
Mechanical and Electrical Income	**78,625,339**	71,020,425
Consultancy and Architectural Services	**191,645,905**	185,684,649
Sale of Construction Related Material	**450,048,143**	607,991,885
Hiring Income	**57,808,993**	87,351,330
	3,960,504,913	3,278,555,466
5 OTHER INCOME		
Rent income	**9,090,427**	10,225,263
Reversal of Stock over provisos	**57,434**	179,906
Reversal of other provision	**-**	-
Amortization of Grants	**450,000,000**	113,787,343
Registration fee income	**4,076,671**	4,786,875
Miscellaneous Income	**3,342,153**	9,410,169
	466,566,685	138,389,556
6 NET FINANCE INCOME /(EXPENSE)		
Finance Income		
Interest Income on Fixed Deposits	**21,512,241**	20,320,888
Interest on Saving Deposits	**1,651,878**	1,617,067
Interest Income on Repurchase Agreements	**49,451**	-
Interest income on Staff Loan	**538,717**	442,956
Foreign Exchange Gain	**-**	-
	23,752,287	22,380,911
Finance Cost		
Interest on loans	**327,227,650**	172,134,154
Bank Charges & Commission	**15,583,773**	10,860,994
Interest on Finance Lease Obligations	**280,314**	844,944
Interest on Bank Overdrafts	**72,086,519**	96,826,390
	415,178,256	280,666,482
Net Finance Income /(Expense)	**(391,425,969)**	(258,285,571)

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		31.12.2019 (Rs.)	31.12.2018 (Rs.)
7	**PROFIT BEFORE TAX**		
	Is stated after charging all expenses including the following,		
	Directors Remuneration	**1,328,840**	880,784
	Professional Charges	**2,830,896**	5,768,598
	Legal expenses	**2,139,402**	2,148,247
	Donations	**675,000**	489,000
	Depreciation on Proprerty Plant & Equipment	**45,350,596**	164,200,486
	Amortization of Intangible Assets	**23,345**	280,113
	Written off or Provision for/ (Reversal of)		
	- Bad and Doubtful Debts		
	- Obsolete and Slow Moving Stocks	**41,594**	4,600,614
	- Bad and Doubutful Debts	**122,509,180**	258,226,245
	Staff Related Cost		
	- Salaries ,Wages and other expenses	**1,984,315,251**	1,889,255,862
	- Defined Benefit Plan Cost - Gratuity	**7,112,848**	43,798,178
	- Defined Contribution EPF	**161,400,531**	148,905,888
	ETF	**39,698,191**	37,487,077
8	**INCOME TAX EXPENSE**		
	On the Current years Profit (Note 8.2)	-	-
	Under/ (over) Provision in previous year	-	1,789
	Deferred Taxation (Note 12)	**218,465,942**	98,221,567
	Tax expense on Total Comprehensive Income	**218,465,942** #	98,223,356

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

		31.12.2019 (Rs.)	31.12.2018 (Rs.)
8.2	**Reconciliation between current tax expense and the accounting profit**		
	Accounting Profit before tax	**(1,179,343,188)**	(1,757,592,398)
	Trading profit	**(1,718,737,843)**	(1,749,920,367)
	Other income	**62,512,630**	18,003,299
	Disallowable Expenses for Taxation	**437,794,596**	233,502,221
	Allowable Expenses for Taxation	**(83,256,201)**	(42,713,669)
	Statutory Profit/(Loss) from Business	**(1,301,686,818)**	(1,541,128,516)
	Taxable Income	**(1,301,686,818)**	(1,541,128,516)
	Tax Loss Brought Forward	**(4,811,223,494)**	(2,668,000,951)
	Tax loss incurred During the year	**(1,509,931,668)**	(1,266,228,130)
	B/F Loss adjustment		2,697,662
	Tax loss claimed during the year	**4,927,899**	7,166,025
	Tax loss claimed during the year	**(6,316,227,263)**	(3,924,365,394)
	Tax at the Rate of 12% (2012 - 12%)	-	-
	Tax at the Rate of 28% (2012 - 28%)		-
	Provision for Taxation on Current Year Profit	-	-

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9. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD							LEASEHOLD			
	Land	**Building**	**Plant, Machinery & Equipments**	**Computers**	**Motor Vehicles**	**Office Equipments**	**Furniture & Fittings**	**Plant, Machinery & Equipments**	**Motor Vehicles**	**Capital work in Progress**	**Total**
COST	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Balance as at 01st January 2019	6,759,050,000	620,905,499	977,205,694	91,518,241	192,859,149	81,575,993	43,365,147	-	17,850,000	540,542,191	9,324,871,914
Additions during the period	-	-	6,733,489	2,145,500	-	2,989,873	622,152	-	-	3,000,994	15,492,008
											-
Transfer of Assets/Adjustment Year 2018 (NEMO)	-			(16,000)	17,379,080	(320,800)	(92,000)		(17,850,000)		(899,720)
Disposals during the period	-										-
Balance as at 31st December 2019	6,759,050,000	620,905,499	983,939,183	93,647,741	210,238,229	84,245,066	43,895,299	-	-	543,543,185	9,339,464,202
ACCUMULATED DEPRECIATION											
Balance as at 01st January 2019	-	76,463,781	951,921,378	84,456,542	183,984,048	66,474,617	34,296,547		6,874,288	-	1,404,471,202
Charge for the period	-	13,532,263	4,767,016	3,326,578	1,959,079	4,939,572	4,118,405	-	3,570,000	-	36,212,914
Transfer of Depreciation					10,444,288				(10,444,288)		-
Disposals						-					
Balance as at 31st December 2019	-	89,996,044	956,688,394	87,783,120	196,387,415	71,414,189	38,414,952	-	-	-	1,440,684,116
IMPAIRMENT											
Balance as at 01st January 2018	-	-	-	-	-	-	-	-	-	-	-
Charge/(Reversal) for the period	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2018	-	-	-	-	-	-	-	-	-	-	-
Charge/(Reversal) for the year											
Balance as at 31st December 2019	-	-	-	-	-	-	-	-	-	-	-
CARRYING AMOUNT											
Balance as at 31st December 2019	6,759,050,000	530,909,455	27,250,790	5,864,621	13,850,814	12,830,877	5,480,347	-	-	543,543,185	7,898,780,088
As at 31st December 2018	6,838,665,000	464,826,718	25,284,317	7,061,699	8,875,101	15,101,375	9,068,599	-	10,975,712	540,542,189	7,920,400,710

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	31.12.2019 (Rs.)	31.12.2018 (Rs.)
10. INTANGIBLE ASSETS		
Cost		
Balance at the begining of the year	**3,843,921**	3,843,921
Additions during the period	-	-
Balance at the end of the period	**3,843,921**	3,843,921
Amortization		
Balance at the begining of the year	**(3,820,577)**	(3,540,463)
Charge during the period	**(23,345)**	(280,113)
Balance at the end of the period	**(3,843,921)**	(3,820,577)
Carrying Amount	-	23,345

11. INVESTMENT IN SHARES	No of Shares	31.12.2019 (Rs.)	31.12.2018 (Rs.)
HDFC Bank	120,000	**3,120,000**	3,924,000
Adjustment for fair value of investments		**708,000**	(804,000)
Carrying amount		**3,828,000**	3,120,000

12. DEFERRED TAXATION	31.12.2019 (Rs.)	31.12.2018 (Rs.)
12.1 Movement in deferred tax		
Balance at the beginning of the year	**762,246,266**	860,467,834
(Provision) /Reversal during the period	**218,465,942**	(98,221,567)
Balance at the end of the Period	**980,712,209**	762,246,266

12.2 Composition of deferred tax	31.12.2019		2018	
	Temporary difference (Rs.)	Tax effect on temporary difference (Rs.)	Temporary difference (Rs.)	Tax effect on temporary difference (Rs.)
Temporary Difference on PPE	**366,154,911**	**51,261,688**	(246,540,677)	(16,176,936)
Temporary difference on Gratiuity Provision	**(421,114,429)**	**(70,954,744)**	148,044,946	9,387,173
Temporary Difference on Stock Provision	**(38,797,299)**	**(7,048,131)**	15,662,723	576,272
Temporary Difference on Tax Losses	**(3,917,776,512)**	**(395,174,299)**	4,602,140,166	768,459,757
	(4,011,533,329)	**(421,915,486)**	4,519,307,158	762,246,266

12.3 Movement in tax effect of temporary differences	As at 31st December 2019 (Rs.)	Recognized in income statement (Rs.)	As at 31st December 2018 (Rs.)	Recognized in income statement (Rs.)	As at 31st December 2017 (Rs.)
Deferred tax on PPE	**51,261,688**	**35,084,752**	(16,176,936)	46,460,643	(62,637,579)
Deferred tax on Gratuity Provision	**(70,954,744)**	**(61,567,571)**	9,387,173	(30,419,842)	39,807,015
Deferred tax on Stock General Provision	**(7,048,131)**	**(6,471,859)**	576,272	(2,881,296)	3,457,569
Temporary Difference on Tax Losses	**(395,174,299)**	**373,285,458**	768,459,757	(111,381,073)	879,840,830
	(421,915,486)	**340,330,780**	762,246,266	(98,221,568)	860,467,835

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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	31.12.2019 (Rs.)	31.12.2018 (Rs.)
13. INVENTORIES		
Raw Materials	**337,867,693**	268,806,962
Finished Goods	**288,197,603**	250,149,183
	626,065,297	518,956,145
Less: Provision for Impairment (Note:13.1)	**(33,670,566)**	(33,628,972)
Provision for Stock Loss	**(5,126,733)**	(5,126,733)
	587,267,998	480,200,440

13.1 Movement in Provision for Impairment

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Balance at the beginning of the year	**33,628,972**	29,028,358
Provision/(Reversal) made during the period	**41,594**	4,600,614
Balance at the end of the period	**33,670,566**	33,628,972

14. TRADE AND OTHER RECEIVABLES

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Trade Receivables	**3,995,937,503**	3,517,061,630
Less: GST/VAT	**(948,466,516)**	(899,140,208)
Provision for impairment **(14.1)**	**(775,645,565)**	(653,136,385)
	2,271,825,422	1,964,785,037
Amount Due from Customers	**2,406,784,314**	2,074,807,364
Deposits , Prepayments and advances	**1,192,029,210**	1,122,170,094
Withholding Tax receivables	**3,482,946**	2,159,048
Inter Company Current Account with NEMO	**-**	70,979,176
Other Receivables	**716,497,051**	32,886,199
	6,590,618,947	5,267,786,918

14.1 Movement in Provision for Impairment

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Balance at the beginning of the year	**653,136,385**	394,910,140
Provision/(Reversal) made during the period	**122,509,181**	258,226,245
Balance at the end of the period	**775,645,565**	653,136,385

Impairment provision was reveived and identified debtors to be impaired for the year ended 31st December 2019,Which include all the impaired debtors recognized in 2019.

15. Other Financial Assets Including Derivatives

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Non Current		
Loans given to employees	**5,029,968**	6,480,565
	5,029,968	6,480,565
Current		
Retention and T C Receivable	**1,164,480,100**	1,036,700,809
Loans given to employees	**3,932,573**	5,066,691
	1,168,412,673	1,041,767,500
	1,173,442,641	1,048,248,065

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	31.12.2019 (Rs.)	31.12.2018 (Rs.)
15.1. Loans given to employees		
Balance at the beginning of the year	**11,547,256**	14,164,216
Loans Granted during the period	**800,000**	3,000,000
Loans Recovered during the period	**(3,384,715)**	(5,616,960)
Balance at the end of the period	**8,962,541**	11,547,256
Non Current	**5,029,968**	6,480,565
Current	**3,932,573**	5,066,691

The Corporation Provides Loans to employees and charged interest 7,500/= per 100,000/= irrespective of loan repayment period.

16. CASH AND CASH EQUIVALENTS	**31.12.2019 (Rs.)**	**31.12.2018 (Rs.)**
16.1 Favourable Balances		
Fixed Deposits	**231,654,913**	211,643,562
Saving/Call Deposits	**54,924,565**	29,833,332
Cash at Bank	**95,377,878**	311,231,403
Cash in Hand	**62,359,285**	14,130,999
	444,316,641	566,839,296
16.2 Unfavorable Balances		
Bank Overdraft	**(451,165,053)**	(350,003,832)
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	**(6,848,412)**	216,835,465

17. STATED CAPITAL		
Issued and Fully paid		
At the beginning of the year	**70,000,000**	70,000,000
Issue during the period	-	-
At the end of the period	**70,000,000**	70,000,000

18. INTEREST BEARING BORROWINGS		
Payable after one year		
Treasury Loan	**30,800,000**	30,800,000
Term Loan	**2,339,245,245**	2,071,000,000
Finance Lease Obligations	-	-
	2,370,045,245	2,101,800,000
Payable within one year		
Bill Discounting	**50,000,000**	100,000,000
Term Loan	**30,433,889**	50,000,000
Finance Lease Obligations	-	4,332,096
	80,433,889	154,332,096

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	31.12.2019 (Rs.)	31.12.2018 (Rs.)

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 deficted as lot no 1& 2 in plan no 3237 dated 17.06.2015 nade 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 Facilty up to 250M
Facility Obtained	- 0
Interest Rate	- AWPLR + 4%
Repayments	- 6 months

18.3 Finance Lease Obligations

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Balance at the beginning of the year	**4,612,410**	9,644,130
Less: Payments made during the period	**(4,612,410)**	(5,031,720)
Gross Lease Obligation at the end of the period	-	4,612,410
Less:	-	(280,314)
Net Finance Lease Obligations	-	4,332,096
Payable within one year	-	4,332,096
Payable after one year	-	-

18.4 Term Loan

	Bank of Ceylon	Peoples Bank	HDFC	Total
Balance at the beginning of the year	**2,020,000,000**	**50,000,000**	**51,000,000**	**2,121,000,000**
Obtained During the period	**279,990,000**	**-**	**22,379,250**	**302,369,250**
Repayment during the period	**-**	**(19,566,111)**	**(34,124,005)**	**(53,690,116)**
Balance at the End of the period	**2,299,990,000**	**30,433,889**	**39,255,245**	**2,369,679,134**
Loan Payable within One Year	**-**	**30,433,889**	**-**	**30,433,889**
Loan Payable after One Year	**2,299,990,000**	**-**	**39,255,245**	**2,339,245,245**

19. EMPLOYEE BENEFIT

	31.12.2019 ^re'&	31.12.2018 ^re'&
Balance at the beginning of the year	**310,032,375**	286,312,135
Provision made in profit and Loss Account	**55,285,953**	44,233,101
Payments made during the period	**(43,576,129)**	(22,101,153)
Actuarial (gain) / loss recognized in Other Comprehensive Income	**99,372,230**	1,588,292
Recognition of Adjustment in other comprehensive Income	**-**	-
Balance at the end of the period	**421,114,429**	310,032,375

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2019 by 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 LKAS 19 - 'Employee Benefits'

The Key Assumptions used by Actuary include the following	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Discount Rate	**10.25%**	12.00%
Expected annual Rate of Salary Increment	**1.30%**	1.30%
Staff Turnover Factor (Ranging based on Age Group)	**4.00% - 25.00%**	0.0%-1.08%
Retiring Age (Years)	**60**	60

Plan is not pre-Funded

The Corporation will Continue as a Going Concern

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19.1 The amount recognised in the Balance Sheet are as follows

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Present value of unfunded obligations	**421,114,429**	310,032,375
Present value of funded obligations	-	-
Total present value of obligations	**421,114,429**	310,032,375
Fair value of plan assets	-	-
Present value of net obligations	**421,114,429**	310,032,375
Unrecognised net actuarial gains/ (losses)	-	-
Unrecognised net actuarial gains/ (losses)	**421,114,429**	310,032,375

19.2 Movement in the present value of defined benefit obligations

Liability for defined benefit obligations as at 1st January	**310,032,375**	286,312,135
Actuarial (gains)/ losses	**99,372,230**	1,588,292
Benefit paid by the plan	**(41,198,704)**	(22,101,153)
Current service costs	**27,274,525**	22,680,555
Interest Cost	**28,011,428**	21,552,546
Liability for defined benefit obligations as at 31st December	**423,491,854**	310,032,375

20. Other Financial Liabilities Including Derivatives

Non Current		
Deferred Income	-	-
	-	-
Current		
Deferred Income	-	-
Mobilisation Advance	**2,910,152,997**	2,412,183,921
	2,910,152,997	2,412,183,921

20.1 Deferred Income

Balance at the beginning of the year	-	113,787,349
Grant Received during the period	**450,000,000**	-
Amortization during the period	**(450,000,000)**	(113,787,349)
Balance at the end of the period	-	-
Payable within one year	-	-
Payable after one year		-

21. TRADE AND OTHER PAYABLES

Trade Payables	**1,137,523,253**	821,471,914
Subcontract Payables	**1,704,468,625**	1,545,322,609
Labour Contract Advances Payable	**49,743,100**	49,743,094
Accrued Expenses and Other Provisions	**1,825,962,748**	1,503,054,303
Amount Due to Customer	**1,787,476,776**	1,715,106,870
VAT Payable	**1,230,301,473**	898,294,674
ESC Payable	**97,754,395**	67,996,943
Inter Company Current Account	**514,117,207**	-
Other taxes Payable	**107,414,340**	73,917,637
	8,454,761,917	6,674,908,044

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22. INCOME TAX PAYABLE

			31.12.2019 (Rs.)	31.12.2018 (Rs.)
Balance at the beginning of the year			**10,564,395**	30,669,058
Provision for Income Tax on current year's profits				1,789
Under/(Over) provision of Income Tax in respect of prior years				(20,106,452)
Unrecorded W H T			-	-
Tax paid during the year	- Income Tax			
	- Withholding Tax		-	
	- Other			
Balance at the end of the year			**10,564,395**	10,564,395

23. FINANCIAL INSTRUMENTS

23.1 Financial Instruments - Statement of Financial Position (SOFP)

The Financial Instruments recognise in the Statement of Financial Position are as follows:

Financial Assets	**Note**	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Fair value through profit and loss			
SOFP Line Item:			
Other financial assets including derivatives - Non Current		-	-
Other financial assets including derivatives - Current		-	-
Total		-	-
Held-to-maturity			
SOFP Line Item:			
Cash and cash equivalents	16	**231,654,913**	211,643,562
Total		**231,654,913**	211,643,562
Loans and receivables			
SOFP Line Item:			
Other financial assets including derivatives - Non Current	15	**5,029,968**	6,480,565
Trade and other receivables	14	**6,590,618,947**	5,267,786,918
Cash and cash equivalents	16	**212,661,728**	355,195,734
Other financial assets including derivatives - Current	15	**1,168,412,673**	1,041,767,500
Total		**7,976,723,316**	6,671,230,717
Available-for-sale			
SOFP Line Item:			
Other Investments	11	**3,828,000**	3,120,000
Total		**3,828,000**	3,120,000
		8,212,206,229	6,885,994,279

Financial Liabilities		31.12.2019 (Rs.)	31.12.2018 (Rs.)
Fair value through profit and loss			
SOFP Line Item:			
Other financial liabilities including derivatives - Non Current		-	-
Other financial liabilities including derivatives - Current		-	-
Total		-	-

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23 FINANCIAL INSTRUMENTS, (Cont..)

Other Financial Liabilities

SOFP Line Item:			
Interest Bearing borrowings- Non Current	**18**	**2,370,045,245**	2,101,800,000
Other financial liabilities including derivatives - Non Current	**20**	**-**	-
Interest Bearing borrowings- Current	**18**	**80,433,889**	154,332,096
Trade and other Payables	**21**	**8,454,761,917**	6,674,908,044
Other financial liabilities including derivatives - Current	**20**	**2,910,152,997**	2,412,183,921
Income Tax payable	**22**	**10,564,395**	10,564,395
Bank Overdrafts	**16**	**451,165,053**	350,003,832
Total		**14,277,123,496**	11,703,792,288
		14,277,123,496	11,703,792,288

23.2 Financial Risk Management

The corporation has exposure to the following risks from its use of financial instruments:

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

23.2.1 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.

23.2.1.1 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	31.12.2019	31.12.2018
		(Rs.)	**(Rs.)**
Trade Receivables		3,995,937,503	3,517,061,630
		3,995,937,503	3,517,061,630

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

	Gross	**Impairment**	**Gross**	**Impairment**
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Past due 0-365 days	**937,651,616**	-	1,136,358,098	-
More than one year	**3,058,285,887**	775,645,565	2,380,703,532	653,136,385
	3,995,937,503	775,645,565	3,517,061,630	653,136,385

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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23.2.1.2 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. 439,588,364/- at 31st December 2019 (2018 - Rs. 566,839,296/-) which represents its maximum credit exposure on these assets.

23 FINANCIAL INSTRUMENTS,(Cont..)

23.2.1.2 Cash and Cash Equivalents (Cont..)

As at 31st December 2019, Rs. 95,377,878/- (2018-Rs.311,231,403/-) of the favourable balance of bank and financial institution was rated "AA+" or better for the corporation

Fitch rating Company	31.12.2019		2018	
	(Rs.)	%	**(Rs.)**	%
AAA	-	-	-	-
AA+	82,690,413	87%	302,058,946	97%
AA	-	-	-	-
AA-	10,807,289	11%	7,292,281	2%
A	-	-	-	-
BBB+	-	-	-	-
	93,497,702	98%	309,351,227	99%
Others	1,880,176	2%	1,880,176	1%
	95,377,878	100%	311,231,403	100%

23.2.2 Liquidity Risk

Liquidity risk is the risk that the corporation will encounter difficulty in meeting the obligations associated with it's 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 2019	**Carrying amount**	**Less than one year**	**More than one year**
Non-derivative financial liabilities			
Interest bearing borrowings	**2,450,479,134**	**80,433,889**	**2,370,045,245**
Income tax payable	**10,564,395**	**10,564,395**	**-**
Bank Overdrafts	**451,165,053**	**451,165,053**	**-**
Total	**2,912,208,583**	**542,163,337**	**2,370,045,245**

23.2.3 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.

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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.

23 FINANCIAL INSTRUMENTS,(Cont..)

Interest Rate Risk

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

	31.12.2019 (Rs.)	31.12.2018 (Rs.)
Fixed rate instruments		
Financial assets	8%	14%
Financial liabilities	AWPLR+2.5%	18.50%
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

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 31.12.2019 are as follows

		Closing Rate	
	Average	buying	Selling
US Dollars	181.50	179.66	183.33

23.2.4 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.

	31.12.2019	2018
Debt to Equity Ratio	**493%**	**298%**
Debt Ratio	**83%**	**75%**

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24. CONTINGENT LIABILITIES

24.1 On behalf of State Engineering Corporation, banks have given Bank Guarantees to the Corporation's customers amounting to Rs.745.9 Mn /- as at 31st December 2019.

Bank	Letter of Credit (Rs.)	Performance , Advance & Bid bonds (Rs.)	Total (Rs.)
Peoples Bank	-	**745,994,818**	**745,994,818**
	-	**745,994,818**	**745,994,818**

24.2 Following legal cases are pending as at 31st December 2019.

I. Case No:CHC/537/2016/MR

M/S Eagle Wings Security and Investigation (Pvt) Limited has Filed the case in high court against State Engineering Corporation of sri lanka as non payment of service charges under case no CHC/537/2016/MR.Currently SEC has recorded Rs.21,063,471.31 is certified outstanding in our Financial Statement ,where as Eagle Wings demand Rs.37,472,181.25 is in the court case,which will be reconciled and finalized in the court case.

25. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors at the end 31st December 2019.

26. RELATED PARTY DISCLOSURES

26.1 TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

According to Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures, Key Management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors including Chief Executive Officer of the Corporation who are in the very next level to the Board of Directors have been classified as Key Management Personnel of the Corporation

(i) **Loans to the Directors**

No loans have been granted to the Directors of the Corporation

(ii) **Key Management Personnel Compensation**

	2019 **(Rs.)**	2018 **(Rs.)**
Directors Remuneration	1,328,840	880,784
	1,328,840	880,784

26.2 Transactions with Related Companies

	Relationship	2019 **(Rs.)**	2018 **(Rs.)**
Ocean view Development Company	Affilliate		
		-	-

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26.3 Other Transactions with Key Management Personnel

There were no other transactions with key Managerial Personnel other than those disclosed in Note 26 to these Financial Statements.

27 PRIOR YEAR ADJUSTMENT

27.1 Trade Receivables

This amount related to duplicate invoicing in M & E Group. As a result of this accounting error financial statement has been restated as follows,

As at	**31.12.2019 (Rs.)**
Trade Debtor as previously reported	2,688,281,733
Adjustment on trade debtor	(3,096,976)
Trade Debtor as restated	
	2,685,184,757
Changes in Equity	
Retained Earning	
Retained earnings as previously reported	(2,401,809,781)
Trade Debtor as restated	(3,096,976)
Retained earnings as restated	(2,404,906,757)

27.2 Trade Receivables

This amount related to credit note issued at the point of Debt collection.This project was fully completed projrct .Due to this accounting errorFinancial statement has been restated as follows,

As at	**31.12.2019 (Rs.)**
Trade Debtor as previously reported 27.1	2,685,184,757
Adjustment on trade debtor	(1,732,505)
Trade Debtor as restated	2,683,452,253
Changes in Equity	
Retained Earning	
Retained earnings as previously reported 27.1	(2,404,906,757)
Trade Debtor as restated	(1,732,505)
Retained earnings as restated	(2,406,639,261)

27.3 Trade and Other Payables-Amount Due to customer

Site No.2300 is a permenent site but this site previously treared as construction site .As a result of this accounting error Financial Statement has been restated as follows,

As at	**31.12.2019 (Rs.)**
Trade and Other Payables as previously reported	1,356,054,901
Adjustment on Trade and other Payables	(10,059,180)
Trade and Other Payables as restated	1,345,995,721
Changes in Equity	
Retained Earning	
Retained earnings as previously reported 27.2	(2,406,639,261)
Trade and Other Payables as restated	(10,059,180)
Retained earnings as restated	(2,416,698,441)

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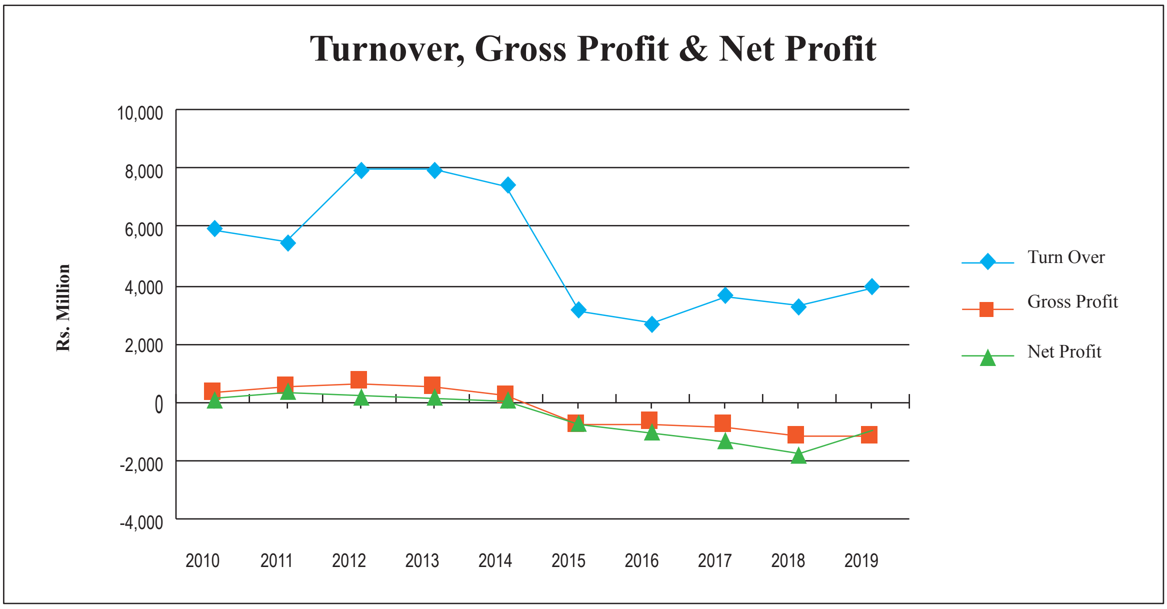
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

SEGMENT INFORMATION

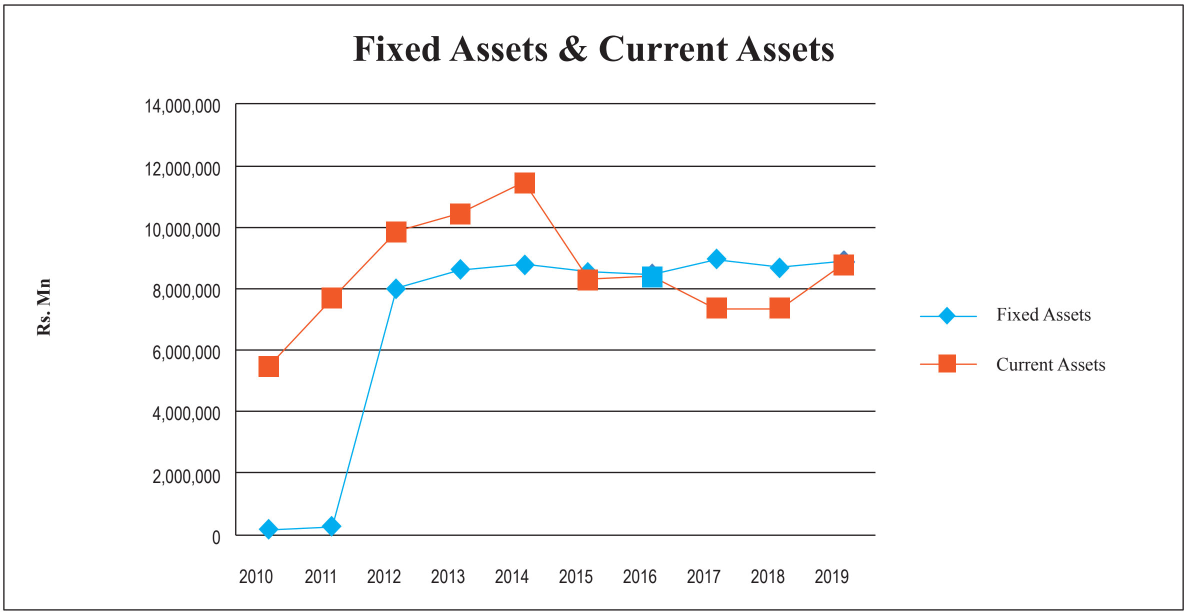
	Construction		Construction Component		Road and Bridges		Mechanical & Electrical		NEMO		Consulatancy		Total	
	31.12.2019	2018	31.12.2019	2018	31.12.2019	2018	31.12.2019	2018	31.12.2019	2018	31.12.2019	2018	31.12.2019	2018
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Segment Gross Revenue	2,013,669,917	1,597,148,874	1,247,589,234	1,132,125,774	7,237,909	78,573,567	414,218,313	259,772,448	536,980,780	302,559,760	193,921,913	191,881,378	4,413,618,066	3,562,061,800
Less: Inter segment Revenue	(69,510,431)	(66,760,589)	(105,399,924)	(45,674,973)	-	-	(275,926,792)	(151,686,896)	-	-	(2,276,008)	(19,383,876)	(453,113,155)	(283,506,334)
Segment Net Revenue	**1,944,159,486**	**1,530,388,285**	**1,142,189,310**	**1,086,450,801**	**7,237,909**	**78,573,567**	**138,291,521**	**108,085,552**	**536,980,780**	**302,559,760**	**191,645,905**	**172,497,502**		**3,278,555,466**
Segment Cost of Sales	(2,017,912,836)	(1,771,318,859)	(1,180,473,111)	(1,072,884,366)	(6,441,739)	(70,570,442)	(161,156,943)	(190,830,833)	(637,286,614)	(578,835,651)			(4,003,271,242)	(3,684,440,151)
Segment Operation Profit	**(73,753,350)**	**(240,930,574)**	**(38,283,801)**	**13,566,435**	**796,170**	**8,003,125**	**(22,865,422)**	**(82,745,281)**	**(100,305,833)**	**(276,275,891)**	**191,645,905**	**172,497,502**	**(42,766,328)**	**(405,884,686)**
Less: Segment Overhead	(189,988,308)	(253,868,841)	(89,759,785)	(120,329,482)	(4,209,080)	(125,653,242)	(44,619,786)	(63,765,213)	-	-	(288,860,488)	(224,777,061)	(617,437,445)	(788,393,840)
Segment Gross Profit	**(263,741,658)**	**(494,799,415)**	**(128,043,586)**	**(106,763,046)**	**(3,412,910)**	**(117,650,117)**	**(67,485,208)**	**(146,510,494)**	**(100,305,833)**	**(276,275,891)**	**(97,214,583)**	**(52,279,559)**	**(660,203,776)**	**(1,194,278,525)**
Other Income	167,590,685	7,614,381	98,445,303	4,431,002	-	117,351,825.00	46,542,987	1,664,402.07	398,099	385,347	153,589,611	6,942,600	466,566,685	138,389,556
Administrative Expenses	(194,573,230)	(108,020,201)	(113,501,051)	(57,385,733)	-	(50,634,469.00)	(54,048,119)	(23,629,419)	(53,798,935)	(105,854,729)	(178,358,794)	(97,893,307)	(594,280,129)	(443,417,858)
Net Finance Income/(Exps)	(154,972,737)	(63,718,260)	(102,622,483)	(53,599,227)	(24,828,810)	(36,569,853)	(41,083,456)	(13,004,054)	(49,289,933)	(37,971,584)	(18,628,550)	(53,422,594)	(391,425,969)	(258,285,571)
Profit before Tax	**(445,696,940)**	**(658,923,496)**	**(245,721,817)**	**(213,317,005)**	**(28,241,720)**	**(87,502,614)**	**(116,073,796)**	**(181,479,566)**	**(202,996,603)**	**(419,716,857)**	**(140,612,316)**	**(196,652,860)**	**(1,179,343,188)**	**(1,757,592,398)**
Income Tax Expense	-	-	-	-	-	-	-	-	20,311,834		-	-	-	(1,789)
Deferred Tax Expenses	-	-	-	-	-	-	-	-			-	-	(218,465,942)	(98,221,567)
Profit for the Year	**(445,696,940)**	**(658,923,496)**	**(245,721,817)**	**(213,317,005)**	**(28,241,720)**	**(87,502,614)**	**(116,073,796)**	**(181,479,566)**	**(182,684,769)**	**(419,716,856)**	**(140,612,316)**	**(196,652,860)**	**(960,877,246)**	**(1,855,815,754)**
Other Comprehensive Income		(1,484,452)		(660,348)		(108,308)		(480,522)		1,611,520		(466,181)	(99,372,230)	(1,588,292)
Surplus on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair Value Change		-	-	-	-	-	-	-	-	-	-	-	708,000	(804,000)
Total Comprehensive Income for the Year	**(445,696,940)**	**(660,407,948)**	**(245,721,817)**	**(213,977,353)**	**(28,241,720)**	**(87,610,922)**	**(116,073,796)**	**(181,960,088)**	**-**	**(418,105,336)**	**(140,612,316)**	**(197,119,041)**	**(1,059,541,476)**	**(1,858,208,046)**

Turnover, Gross Profit, Net Profit, Fixed Assets and Current Assets and Liabilities of the Financial Year



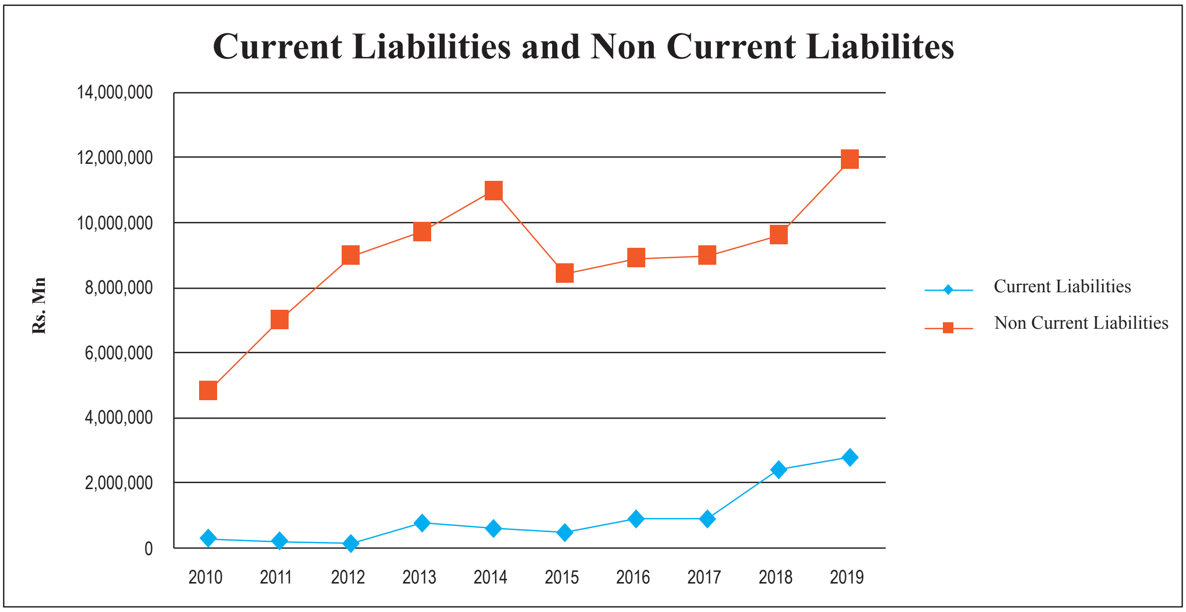
(Rs.Mn.)

Year	Turnover	Gross Profit	Net Profit
2010	5,921	320	133
2011	5,473	527	347
2012	7,951	653	225
2013	7,965	522	148
2014	7,403	195	46
2015	3,168	(799)	(708)
2016	2,680	(747)	(1,030)
2017	3,623	(839)	(1,316)
2018	3,278	(1,194)	(1,757)
2019	3,960	(660)	(1,179)



Rs. Thousand

Year	Fixed Assets	Current Assets
2010	162,787	5,447,793
2011	275,263	7,703,216
2012	8,011,840	9,857,632
2013	8,612,565	10,431,031
2014	8,783,804	11,464,153
2015	8,541,607	8,292,241
2016	8,462,242	8,407,727
2017	8,945,203	7,350,796
2018	8,692,270	7,356,594
2019	8,888,350	8,790,616



(**Table** - Current Liabilities and Non-Current Liabilities)

Year	Non-Current Liabilities	Current Liabilities
2010	278,718	4,844,511
2011	197,177	7,028,146
2012	139,366	8,977,585
2013	761,215	9,713,843
2014	604,026	10,967,149
2015	480,487	8,429,181
2016	897,151	8,889,421
2017	889,392	8,988,456
2018	2,411,832	9,601,992
2019	2,791,159	11,907,078

(Table - Fixed Assets and Current Assets)

Construction Division

Key Members of the Management

Deputy General Manager (Constructions)	-	Eng. (Mrs.) P. D. Karawita
Manager (Constructions)	-	Eng. A. P. K. Manamperi
Manager (Constructions)	-	Eng. A. M .S. T. B. Alahakoon
Manager (Constructions)	-	Eng. M.E.C. Pinto
Manager (Constructions)	-	Eng. V. Murugesu
Manager (Constructions)	-	Eng. T. Wijayakumar
Accountant (Constructions)	-	Mr. H. K. Bandula Yodheeshwara
Accountant (Constructions)	-	Ms. K. W. M. L. D. Keerthirathna

Progress Review of the Construction Division

Following Managers extended their utmost cooperation towards the completion of the relevant projects during the year 2019

		Value of the Projects completed (Rs. Mn.)
Manager	- Eng. A. P. K. Manamperi	365.51
Manager	- A. M. S. T. B. Alahakoon	257.08
Manager	- V. Murugesu	20.18
Manager	- T. Wijayakumar	317.81
		960.58

Particulars of the major projects undertaken during the year 2019 are as given below :

1. Construction of the hermitage at Mirisawetiya, Anuradhapura - Contract Value Rs.89.22 Mn.

2. Completion of balanced work of Darmasalawa at - Contract Value Rs.84.36 Mn.

3. Renovation of Dutch Museum - Contract Value Rs.97.26 Mn.

Projects awarded during the year 2019

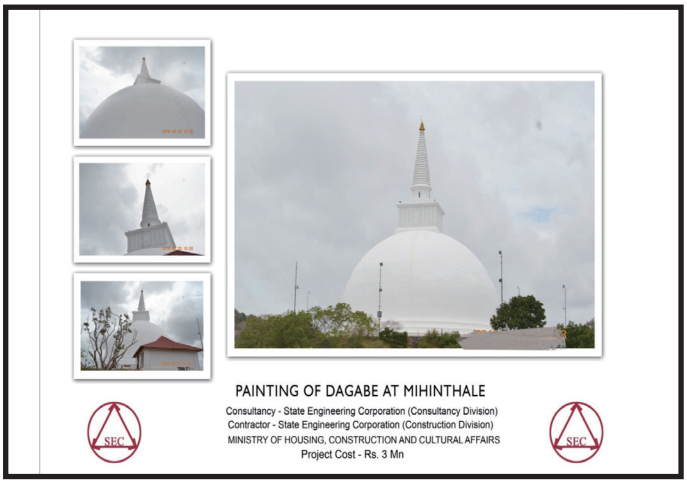
Serial No.	Project No.	Name of the Project	Value of the Contract (Rs. Mn.)
01	2360	Construction of Proposed Sunday School Building at St. Sebastian's Church, Katuwawala, Negombo - Phase I	49.67
02	2361	Construction of Proposed Sunday School Building at St. Sebastian's Church, Katuwawala, Negombo - Phase II	49.96
03	2362	Construction of the new building of Sri Pattini Temple in Kandy	44.92
04	2364	Construction of Hambantota Siriyagama Basic Health Facility Centre.	6.40
05	2365	Construction of Hambantota Siriyagama Basic Health Facility Centre	6.40
06	2366	Proposed New Almsgiving Hall at Udukandara, Rankeliya, and hermitage Building	41.72
07	2367	Construction of Almsgiving Hall at Abhayagiri Temple in Anuradhapura	41.26
08	2329	Mihintale Anubudu Mihindu Maha Stupa renovation work - Phase I	86.87
09	2368	Construction of the hermitage of the Mirisavatiya Temple in Anuradhapura	89.22
10	2369	The balance work of the construction of the Dharmasalawa of the Mihintale Rajamaha Vihara - Phase I	84.36
11	2370	Proposed Classroom Unit for Youth Center at Weerawila, Hambantota	43.43
12	2371	Construction of Basic Health Facility Centre at Aluthgamhara, Hambantota	6.4
13	2373	Expansion of the existing stairs in the proposed Mihintala Maha stupa of the Mihintala Rajamaha Vihara	26.04
14	2374	Proposed expansion of the sand compound of the Mihintala Maha stupa at the Mihintala Rajamaha Vihara	7.78
15	2375	Painting of Mihindu Maha stupa at the Mihintala Rajamaha Vihara	3.7
16	2377	Proposed Lester James Peiris Museum and Library - Phase I	19.99
17	2379	Renovation work of Dutch Museum at Pettah	97.26
18	2385	Construction of swimming pool at Debarawewa Madya Maha Vidyalaya, Tissamaharama	32.09
19	2386	Construction of the Basic Health Facility Centre at Ethbatuwa Hambantota	6.4
20	2387	Construction of the Basic Health Facility Centre at Udakandara, Hambantota	6.4
21	2389	Renovation of the toilet system behind the police quarters in Galle Fort	2.04
22	2391	Construction of the Basic Health Facility Centre at Julpallama, Hambantota	6.4
23	2392	Construction of swimming pool at Sooriyawewa National School, Hambantota.	25.48
24	2393	Construction of proposed new District Secretariat, Kegalle (Balanced work)	198.33
		Total Value (Rs. Mn.)	**982.49**

Projects commenced during the year 2019

Project No.	Name of the Project	Value of the Contract (Rs. Mn.)	fldka;%d;a jákdlu ^re' ñ&
01	2341	Construction of Pugoda Court Complex.	424.54
02	2360	Construction of Proposed Sunday School Building at St. Sebastian's Church, Katuwawala, Negombo - Phase I	49.67
03	2361	Construction of Proposed Sunday School Building at St. Sebastian's Church, Katuwawala, Negombo - Phase II	49.96
04	2362	Construction of the new building for Sri Pattini Temple in Kandy	44.92
05	2364	Construction of Basic Health Facility Centre at Siriagama, Hambantota	6.40
06	2365	Construction of Basic Health Facility Centre at Siriagama, Hambantota	6.40
07	2366	Proposed New Almsgiving Hall and Hermitage Building at Udukandara, Rankeliya.	41.72
08	2329	Renovation of Anubudu Mihindu Maha Stupa - Phase I	86.87
09	2367	Construction of Almsgiving Hall at Abhayagiri Vihara in Anuradhapura	41.26
10	2368	Construction of the hermitage of the Mirisa Vatiya Vihara in Anuradhapura	89.22
11	2369	Balanced work of the construction of the Dharmasalawa of Mihintale Rajamaha Vihara - Phase I	84.36
12	2370	Proposed Classroom Unit for the Youth Center at Weerawila, Hambantota.	43.43
13	2371	Construction of the Basic Health Facility Centre at Aluthgamhara, Hambantota	6.4
14	2373	Expansion of the existing stairs at the proposed Mihintala Maha stupa of the Mihintale Rajamaha Vihara	26.04
15	2374	Proposed expansion of the sand compund at the Mihintale Rajamaha Vihara	7.78
16	2375	Painting of Mihintala Maha stupa of the Mihintale Rajamaha Vihara	3.17
17	2377	Proposed Lester James Peiris Museum and Library - Phase I	19.99
18	2379	Renovation work of Dutch Museum at Pettah	97.26
19	2385	Construction of the swimming pool of Debarawewa Madya Maha Vidyalaya in Tissamaharama	32.09
20	2386	Construction of Basic Health Facility Centre at Etbatuwa, Hambantota	6.4
21	2387	Construction of Basic Health Facility Centre at Udakandara, Hambantota	6.4
22	2389	Renovation of the toilet system behind the police quarters in Galle Fort	2.04
23	2391	Construction of the Basic Health Facility Centre at Julpallama , Hambantota	6.4
24	2392	Construction of swimming pool at Sooriyawewa National School, Hambantota.	25.48
		Total Value (Rs. Mn.)	**1205.20**

Projects completed during the year 2019

Serial No.	Project No.	Name of the Project	Value of the Contract (Rs. Mn.)
01	2167	Construction of vehicle yard and office building at Rajawatta	62.07
02	2169	Construction of Morawaka Bus Terminal	44.44
03	2290	Construction of Bandaragama Market Complex - Phase II	138.16
04	2327	Designing and Construction of Bandaragama Proposed Market Phase III	52.68
05	2280	Construction of the Ticket counter at Yala Katagamuwa Entrance - Phase I	37.51
06	2281	Construction of Staff Quarters at Yala Katagamuwa Entrance - Phase I	34.11
07	2260	Construction of proposed building for outpatient department and office at Megahathenna Base Hospital	41.87
08	2134	6th and 7th floors of Isurupaya Building Complex	275.49
09	2194	Construction of industrial buildings at Pallekele	157.99
10	2252	Construction of Karamatiya weekly fair	37.71
11	2306	Construction of the proposed scoreboard at Tissamaharama	1.70
12	2364	Construction of Basic Health Facility Center at Siriyagama, Hambantota	6.40
13	2365	Construction of Basic Health Facility Center at Siriyagama, Hambantota	6.40
14	2371	Construction of Basic Health Facility Center at Aluthgamhara, Hambantota	6.40
15	2337	Expansion of the existing stairs in the proposed Mihintala Maha Stupa of Mihintale Rajamaha Vihara	20.18
16	2373	Expansion of the existing stairs in the proposed Mihintala Maha Stupa of Mihintale Rajamaha Vihara	26.05
17	2374	Proposed expansion of the sand compound of Mihindu Stupa at Mihintale Rajamaha Vihara	7.79
18	2375	Painting of the Mihindu Maha Stupa of Mihintale Rajamaha Vihara	3.18
		Total Value (Rs. Mn.)	**960.13**


PAINTING OF DAGABE AT MIHINTHALE
Consultancy - State Engineering Corporation (Consultancy Division)
Contractor - State Engineering Corporation (Construction Division)
MINISTRY OF HOUSING, CONSTRUCTION AND CULTURAL AFFAIRS
Project Cost - Rs. 3 Mn
SEC
SEC


DESIGN & CONSTRUCTION OF TWO STORIED BUILDING COMPLEX FOR
ELECTRONIC AND AIR CONDITIONING SECTIONS DSS
CONSTRUCTION BY - CONSTRUCTION GROUP
PROJECT COST - 55.7MN
CONSTRUCTION GROUP
SEC


2019 02 11 15 55
DESIGN & CONSTRUCTION OF MARKET COMPLEX AT BANDARAGAMA
CONSTRUCTION BY - CONSTRUCTION GROUP
PROJECT COST - 279MN
CONSTRUCTION GROUP
SEC

Construction Component Division

Key Members of the Management

Deputy General Manager	-	Mr. A. P. Tennakoon
Manager	-	Mr. C. A. S. Hettiarachchi
Manager	-	Mr. T.B.Jayalal
Accountant	-	Mr. K. B. G. H. N. Kariyawasam
Senior Project Manager (Horana)	-	Mr. K. R. A. Leelarathna
Senior Project Manager (Kalubowila)	-	Mr. K. P. P. M. Jayasiri
Senior Project Manager (Nagawillu/Rathmalyaya)	-	Mr. K. P. P. M. Jayasiri
Works Manager (Ekala)	-	Mr. J. P. L. M. Jayasingha
Works Manager (Ratmalana)	-	Mr. D. S. C. Ariyasiri
Project Manager (Sleeper Yard, Dematagoda)	-	Mr. M. M. S. P. Rajasingha
Works Manager (Dankotuwa)	-	Mr. K. R. T. Madushan
Assistant Works Manager (Ekala)	-	Mr. J. D. V. Prasanna
Assistant Works Manager (Ekala)	-	Mr. R. B. P. U. Jayawardhana
Residential Agent (Lunugamwehera)	-	Mr. G. N. W. Kaluthota
Residential Agent (Lunawa)	-	Mr. L. W. S. M. Liyanawaduge
Assistant Residential Agent (Kalubowila)	-	Mr. R. M. J. R. Ratnayaka
Project Manager (Tharapuram)	-	Mr. S. Moraleeswaran
Residential Agent (Tangalle)	-	Mr. O. N. Liyanage

Progress Review

The Construction Component Division registered a turnover of Rs. 1247 million during the current year and the net loss incurred was Rs. 245 million. In comparison to the year 2018, the current year has shown a growth of Rs. 115 million in the turnover. However, there has been an increase in losses due to the increase in overall cost. In addition, it did not show a very satisfactory situation in comparison with the budget data.

All pre-cast production sites were in a loss position. However, a profit of Rs. 18 million was able to gain from the project sites. In the year 2019, the total amount of earnings from credit sales and cash sales was Rs. 1344 million. Due to the increase in employee salaries, wages and overtime, huge costs had to be incurred for them. In addition, due to borrowing a large amount of interest costs were incurred, as a result cash flows to projects and major pre-cast sites were restricted.

The production work at the Dematagoda sleeper production site, which was a major work site in the Construction

Component Division, was ended in the middle of the current year due to finishing of orders. A new order was expected from the purchaser, Sri Lanka Railway Department.

Projects completed during the current year

Sub no	Purchaser	Name of the project	Value Rs. Mn.
1	Ministry of Megapolis and Western Development	Project of constructing Dompe Fair Phase 1	64.67
2	Ministry of Megapolis and Western Development	Project of constructing Dompe Fair Phase 2	68.05
3	Building Department, Central Cultural Fund	Project of constructing Dahampasal Phase 1 Project of constructing Dahampasal Phase 2	51.00 258.00
4	Ceylon Electricity Board	Project of constructing Boundary wall, Norochcholai Phase 1	54.36
		Full Total	**496.08**

Projects awarded for Construction Component Division during the year 2019

	Purchaser	Name of the project	Value Rs. Mn.
1	National Housing Development Authority	Kirindioya old pipeline promotion Project	225
2	Central Cultural Fund	Sisudaham Sevana Project Phase 3	78
3	Ministry of Industries and Commerce	Project to construct the pre-cast school building at Erukkampitiya Madya Maha Vidyalaya, Nagawilluwa, Palavi	39.68
4	Ministry of Industries and Commerce	Project to construct the pre-cast school building at Rishard Badurdeen Maha Vidyalaya, Ratmalyaya, Palavi	39.68
5	National Housing Development Authority	Proposed Housing Development Project, Tangalle	89.56
6	National Housing Development Authority	Drinking Water Project, Modigama, Ampara	138.26
7	Ceylon Electricity Board	Project of constructing Boundary wall, Norochcholai - Phase 2	42.01
		Full Total	**652.19**

Construction of Dompe Fair (Phase 1 & 2)

Mechanical and Electrical Division

Key Members of the Management

Mr. H. G. K. Manamperi	-	Deputy General Manager (Mech. & Electrical)
Mr. E. M. D. Ekanayaka	-	Chief Engineer (Mechanical)
Mr. Sanjaya Dharmasena	-	Works Manager (Ratmalana site)
Mr. K. N. S. Karunaratna	-	Assistant Works Manager (Ekala site)
Mr. A. S. B. Wickrama	-	Assistant Works Manager (Peliyagoda site)
Mr. Imantha Jayaratna	-	Works Manager (Dolomite Production site)
Mr. Pramod Dilnuwan	-	Resident Agent (Customs Head Office site)
Mr. K.P.R.Pushpa Kumara	-	Resident Agent (Fire Protection service site)
Mr. Rachin Silva	-	Resident Agent (Sugathadasa indoor ground site)
Mr. R.A.Jayasundara	-	Resident Agent (Ministry of Finance site)
Mr. J.Rajaratne	-	Resident Agent (Diyagama technical site)
Mr. A. D. G. Kumara	-	Engineer (Mechanical)
Mr. M. K. S. Dimithri	-	Engineer (Electrical)
Mrs. T. S. Apsara Rohan	-	Accountant

Progress Review

The annual turnover and gross profit of the Mechanical and Electrical Division in 2019 were Rs. 414 million and Rs. 22.8 million respectively.

However, the net loss of this Division for the year was Rs.116 million.

Main contributions to turnover of this Division were maintenance unit projects, community water projects and internal construction projects.

Maintenance unit projects were as follows;

- Customs maintenance site
- Sugathadasa playground site
- Ministry of Finance site
- Technical institute site of University of Moratuwa

Major Activities of the Mechanical and Electrical Division

- Fabrication and construction of steel structures and mechanical and electrical works
- Fire protection and processing systems
- Closed circuit television systems
- Renting out, maintenance and transportation of machinery and equipment related to the construction

industry

- Maintenance of building facilities
- Works of water supply and drainage system and laying of pipes
- Production of dolomite fertilizer, slaked lime and potty
- Works of Roof covering

Current sites of the Mechanical and Electrical Division.

- Shakti Community Water Project - Beliatta, Pallattara
- Ekamuthu Community Water Project - Beliatta, Dedduvawala
- Navoda Community Water Project - Beliatta, Kudaheella
- Janadhi Community Water Project - Beliatta, Galagama
- Ekabadda Community Water Project - Weeraketiya, Wekandawala
- Praja Shakti Community Water Project - Weeraketiya, Morayaya
- Surathura Community Water Project - Weeraketiya, Ambakolawewa South
- Abhaya Shakti Community Water Project - Weerakatiya, Ambakolawewa North
- Rantilina Community Water Project - Beliatta, Ambagasdeniya
- Siyath Praja Community Water Project - Ambalantota , Hadiwinna
- Samagi Community Water Project - Beliatta, Walasmulla
- Malasnagala Aranya Community Water Project - Ambalantota
- Sathruwangama Community Water Project - Lunugamwehera, Mahaaluthgamara

Social care project implemented in the year 2019

Name of the Project and Description	Cost (Rs.Mn.)	Date of Handover	Beneficiary
Carpeting the inner road at Godagama Estate	50.8	2019.08.30	Industrial Estate shareholders

Mahaingiriya – Keenagavila Road

Consultancy Division

Key Members of the Management

Mr. Hyacinth Ranasingha	-	Deputy General Manager
Mrs. N. J. Jayakody	-	Chief Engineer (Designs)
Mrs. N. A. B. Rangika Alwis	-	Chief Architect
Mr. D. N. A. Galappaththi	-	Chief Quantity Surveyor
Mr. W. A. C. L. Seram	-	Chief Engineer (Electrical)
Mrs. B. L. K. Dayani	-	Accountant
Mr. W. P. S. Sudarshana	-	Senior Architect
Mrs. V. P. C. Samarasingha	-	Senior Architect
Mrs. S. K. Ramadasa	-	Senior Architect
Mr. J. C. Kannangara	-	Senior Engineer
Mr. W. Hemachandra	-	Senior Engineer
Mr. M. Thirikumaran	-	Senior Engineer
Mrs. A. W. D. I. Priyani	-	Senior Engineer
Mrs. Udeni Thalagalarachchi	-	Senior Quantity Surveyor

Major Activities

Construction related engineering works and provision of infrastructure related consultancy services.

Consultancy Division has gained a turnover of Rs. 193 million during the year 2019.

The major projects undertaken by the Consultative Body in 2019 were the design and bidding document, administration and construction supervision review for the proposed office building for CEB at Narahenpita, Colombo 05.

Most of the consultancy projects undertaken were projects for provision of joint consultancy services involving architectural, structural electrical, quantity surveying and specialized services such as air conditioning and fire protection.

In addition, a number of projects where engineering services including structural and electrical engineering services were required by clients such as the Urban Development Authority were also included in the performance during the year.

During the year 2019, the Consultancy Division also performed many services in the fields of religion, education and health as its corporate social responsibility.

Project awarded for the consultancy service in the year 2019

During the year 161 Projects expecting the consultancy service were awarded by various state sectors such as departments, corporations and ministries.

Project awarded for the consultancy service in the year

During the year 2019, the Consultancy Division accomplished 31 consulting services of various value assigned by government institutions in various fields such as education, financial affairs, health, local governance, transportation, etc.

National Equipment and Machinery Organization(NEMO)

Management Committee Members

P.A.Mahasen Pelpola	-	Management Committee Chairman, NEMO
Nilu Dilhara Wijedasa	-	Management Committee Chairman, NEMO
Srimathi Weerasinghe	-	Management Committee Member, National Housing Development Authority
H.K.Balachandren	-	Management Committee Member, National Construction Development Authority
H.M.U.K.Herath	-	Management Committee Member, Ministry of National Housing Construction
M.H.M.Smile	-	Management Committee Member, Building Department

Members of the Management

K.A.Shantha Kumara	-	General Manager
A.K.D.P.P.Amaradasa	-	Assistant General Manager
S.S.Hewapathirana	-	Engineer (Civil)
R.P.N.Priyadarshani	-	Engineer (Mechanical
P.Austin	-	Engineer (Mechanical)
S.P.K.K.Kumari	-	Manager (Administration)
R.S.P.Jayadasa	-	Manager (Human Resource)
V.Kodithuwakku	-	Administrative Officer Manager (Finance)
Chamila Perera	-	Assistant Manager (Finance)
Miss Senani	-	Assistant Manager (Finance)
Mr Nadeera	-	Assistant Manager (Finance)
Mr Saliya	-	Assistant Manager (Finance)

Progress Review

National Equipment and Machinery Organization generates its income in two ways.

1. Island-wide depot and sites network service – Renting out, repairing and maintenance of heavy machines.
2. Project Sector – Engaging in minor civil, mechanical irrigation and agricultural related construction projects.

Financial progress of the Division relating to the year 2019 was as follows;

Serial No.	Particulars	Income (Rs.Mn.)
1	Rentals of machinery received.	43.1
2	Income received for works done at Projects	334.4
3	Advance received Projects	114.8

Projects completed during the year 2019

Serial No.	Details of Project	Value of the Project (Rs.Mn.)
1	Development of 79 roads under the Gamperaliya project at Ratmalana Divisional Secretariat.	56.0
2	Following projects implemented by the institutions under the Ministry of Sports. 1. Four (04) projects under the Sugathadasa Sports Development Authority	104.0
	2. Ten (10) projects under the Sports Development Department	276.0
3	Projects implemented under the Central Cultural Fund	4710
4	Projects implemented under the National Youth Corps	19.0
5	Projects implemented under the Road Development Authority	42.0
6	Projects implemented under the Government Factories	4.6

In the year 2011, the Cabinet of Ministers merged all the physical and resources belonging to the National Equipment and Machinery Organization with the State Engineering Corporation. As a result of realizing the instability of this merging, it was relocated under the supervision of the Management Committee. Expanding and engaged in small construction projects Upon the approval of the Cabinet of Ministers dated 13th January 2016, it engaged in small construction projects by further expanding its functions.

Details	2017	2018	2019
Income	691	302	536
Expense	(1064)	(721)	(718)
Loss	(373)	(419)	(182)

During the year 2019, the Organization recorded income of Rs.536 million and by incurring expenses of Rs 718 million for that income, the loss before tax was Rs. 182 million. It showed the economic inefficiency in comparison of the loss before taxes.

Financial details of several years of National Equipment and Machinery Organization

	2013	2014	2015	2016	2017	2018	2019
Operational income	434	459	150	595	691	302	536
Cost of sales	(425)	(473)	(400)	(528)	(905)	(578)	(637)
Gross profit	(9)	(13)	(250)	67	213	276	100
Other income	0.4	0.3	3	11	0.4	0.3	0.3
Administrative expenses	(35)	(38)	(33)	(143)	(134)	(105)	(53)
Financial expenses	-	0.5	0.6	(18)	(25)	(37)	(49)
Profit before tax		(51)	(279)	(82)	(373)	(419)	(202)
Income tax expenses				Nil	Nil	Nil	(20)

National Equipment and Machinery Organization

Utilization of Human Resource - 31.12.2019

Serial No.	Designation	Salary Code	Approved Cadre 2011'12'13	2019'12'31 oskg fiajl ixLHdj					
				Permanent	Casual	Secondment / office basis	Contract	Trainees	Total
Executive Level									
1	Deputy General Manager - Technology	HM 1-3	1			1			1
2	Assistant Manager - Maintenance	MM1-3	1						-
3	Assistant Manager - Operation	MM1-3	1						-
4	Assistant Manager – Personnel & Admin	MM1-3	1						-
5	Engineer -Mechanical	MM1-3	10	4		0	1		5
6	Engineer - Civil	MM1-3					4	1	5
7	Legal Officer	MM1-3		1					1
8	Quantity Surveyor	MM1-3					3		3
	Total		**14**	**5**	**5=D15-D15**	**1**	**8**	**1**	**15**
Tertiary Level									
9	Accounts Officer	JM 1-1	1						
10	Administrative Officer	JM1-1	1	13					13
11	Assistant Manager	JM1-1					4		4
12	Accounts Assistant	JM1-1		1					1
13	Supplies Officer	JM1-1	1						
14	Security Officer	JM1-1					1		1
	Total		**3**	**14**			**5**		**19**
Secondary Level									
15	Assistant Quantity Surveyor	MA2-2					3	1	4
16	Technical Assistant - Civil	MA2-2	2	1					1
17	Foreman -Mechanical	MA2-2	5						
18	Foreman - Civil	MA2-2					6		6
19	Designer	MA2-2					3		3
20	Management Assistant	MA1-2	39	60					60
21	Clerk	MA1-2					16		16
22	Accounts Clerk	MA1-2					2		2
	Total		46	61	-		30	1	92
Primary Level									
23	Vehicle Electrician	PL 3	4	3					3
24	Aluminium Processor	PL 3					1		1
25	Tinker	PL 3	3	2					2
26	Electrician	PL 3	1				1		1
27	Mechanician	PL 3	30						-
28	Mechanic	PL 3		23					24
29	System Fitter	PL 3	2						-
30	Fitter	PL 3		2					2.0

31	Machinist	PL 3	4	7					7
32	Tyre technician	PL 3		2					2
33	Spray Painter	PL 3		1					1
34	Painter	PL 3	4						
35	Welder	PL 3	13	9			1		10
36	Machine Operator – Heavy vehicles	PL 3	110	106					106
37	Driver	PL 3	33	39					39
38	Skilled employee	PL 3		4			3		7
39	Security Guard	PL 2 /PL 1	44	55			22		77
40	Store keeper	PL 2	6						-
41	Office Assistant – K.K.S.	PL 1	4	4					4
42	Lorry Assistant	PL 1	10						-
43	Labourer	PL 1	13						-
44	Unskilled employee	PL 1		26	44		102		173
	Total		281	283	44		131		459
Others									
45	Senior Superintendent - Civil								1
46	Secretary to the Board of Directors								1
47	Project Coordinator						1		1
48	Practical Trainee							3	3
Grand Total			344	363	44		175	5	591

Human Resource and Administration Division

The staff of the Corporation as at the end of the year 2019 was 2475. Of it, 2156 members were in the permanent cadre whilst 214 personnel including Chairman, Vice Chairman, Working Director and Executive Director were employed on contract basis. Number of casual employees was 105.

02. Accordingly, the manner as to how the staff of the Corporation has been detailed in comparison to the past two years was shown in the Table below. The casual employees were not been included in it.

	2019		2018		2017	
	Permanent	Contract	Permanent	Contract	Permanent	Contract
Chairman / Vice Chairman	-	02	-	02	-	02
Working Director	-	01	-	01	-	01
Executive Director	-	01	-	01	-	01
General Manager	01	-	01	-	01	-
Additional General Manager	-	-	-	01	-	01
Deputy General Manager	01	-	-	-	-	-
Deputy General Manager (Constructions)	01	-	02	-	02	-
Deputy General Manager (Con. Comp.)	01	-	-	-	-	-
Deputy General Manager (Mech. & Elect.)	-	-	-	-	-	-
Deputy General Manager (Consultancy)	01	-	01	-	01	-
Deputy General Manager (Human Resource & Admin)	-	01	-	01	-	01
Deputy General Manager (Finance)	-	01	-	01	-	01
Manager (Finance)	01	-	01	-	01	-
Manager (Construction)	03	01	03	01	03	-
Manager (Construction Component)	01	-	01	-	01	
Chief Engineer (Designs)	01	-	01	-	01	
Chief Engineer (Electrical)	-	--	-	-	-	-
Chief Engineer (Mechanical)	-	--	-	-	-	-
Chief Estimator	-	-	-	-	-	-
Senior Engineer (Civil)	09	-	10	-	10	-
Engineer (Information Technology)	-	-	-	-	-	-
Engineer (Civil / Mech. / Elect.)	79	24	61	31	69	25
Architect	21	01	22	01	20	-
Quantity Surveyor	17	16	18	15	16	02
Accountant	8	-	08	-	08	-
Administrative Officer	06	01	06	01	06	01
Other officers	27	06	30	07	32	08
Special Superintendent (Civil / Mech. / Elect.)	07	-	-	-	-	-
Senior Superintendent (Civil / Mech. / Elect.)	13	-	13	-	13	-
Superintendent (Civil / Mech. / Elect.)	35	120	52	81	51	58
Draughtsman / Asst. Quantity Surveyor	43	23	57	18	61	17
Foreman (Civil / Mech. / Elect.) / Supervisor	61	15	69	19	68	13
Clerical and Parallel Grades	327	01	326	03	332	04
Security Employees	150	-	130	11	131	12
Semi Skilled Employees	70	-	92	-	57	-
Skilled Employees	522	-	579	02	583	02
Unskilled Employees	750	-	377	-	435	-
Sub Total	2156	214	1860	197	1902	149
Grand Total	**2370**		**2057**		**2051**	

03. Casual employees of 402 who served in the Corporation, were made permanent.

04. Action was taken to grant internal promotions and the work in that regard has been completed to a greater extent.

05. Training opportunities were increased for the students studying in the technical institutes in comparison to previous years.

06. In addition, training Programmes and workshops were organized in order to upgrade the productivity and efficiency of internal staff.

07. Action has been taken to add yet another part of the interim allowance to the basic salary of the employees during this year as well.

08. Action has been taken to handover the confirmation letters to the employees who were made permanent.

09. Mutual soft ball cricket tournaments were organized in order to uplift the goodwill and the sportsmanship between Head Office and Worksites.

10. Events like Vasantha Udanaya and Employee Get-together were arranged in order to celebrate the Sinhala and Hindu New Year meant for all employee categories of the Corporation.

11. Action has been taken to rectify the shortages the Head Office canteen.

12. Actions have been taken to enhance the artistic and aesthetic skills of Employees and to upgrade inter-institutional cooperation .

13. Programme to appreciate the services of retiring employees was launched and preliminary work was commenced.

14. A First aid unit was established.

15. As per instructions of government, continuous actions have been taken to conserve the environment, landscaping, to eradicate Dengu.

16. Staff strength of the Corporation as at the 31st of December 2019 was given below.

Permanent	-	2156
Contract	-	214
Casual	-	105
Total		**2475**

17. Human Resources and the Staff of the Administration Division are as stated below
    i. Deputy General Manager (Human Resources and Administration)
    ii. Manager (Human Resources / Training and Development)
    iii. Assistant Human Resources Manager
    iv. Legal Officer
    v. Administrative Officer

vi. Secretary's Assistant

vii. Management Assistant

viii. Book Binder / Record Keeper

ix. Messenger

x. Lift Operator

xi. Karyala Karya Sahayaka (KKS)

xii. Skilled and Unskilled employees

Accordingly, staff consisting of 57 persons employed at in the Division of Personnel and Administration.

Internal Audit Division

Key Members of the Management

M.S.C. Perera USP - Chief Internal Auditor
Major General (Retired)

Internal Audit Report

The internal audit plan approved by the Board of Directors has been submitted to the Chief Internal Auditor of the Ministry and the Auditor General during the year under review.

The Chief Internal Auditor has submitted 55 audit reports to the management during the year 2019. The summarized copies of these audit reports have been sent to the Audit and Management Committee on quarterly basis.

During the year 2019, 04 audit and management committee meetings were held and copies of internal audit reports were sent to the Secretary to Ministry, the Chief Internal Auditor of the Ministry, National Audit Office, State Engineering Corporation, Audit Management Department and General Treasury.

Pre Audit Examination

Pre audit examinations into the matters such as final payments payable to employees (158), gratuity payable to employees (117), no claim certificates (160), release of final payments to sub contractors (115) and sub contract procurement procedure (116) have been carried out.

The Internal Audit Officers during the year under review were in attendance of the 11 board meetings on the orders of rejected goods, 08 events of the final audit duties of the worksites and 290 events of the bid opening.

Finance Division

Deputy General Manager (Finance)	-	Mr. M. H. Senaweera
Manager (Finance)	-	Mr. P. M. A. Karunasingha
Accountant (Payments)	-	Mrs. T. Nayanadarshani
Accountant (Financial Accounts)	-	Mrs. S. A. M. A. B. J. K. Senarathna
Accountant (Salaries / Wages)	-	Mrs. Nilupa Dilsara
Accountant (Constructions)	-	Mr. Bandula Yodheeshwara
Accountant (Construction Component)	-	Mr. K. B. G. H. N. Kariyawasam
Accountant (Mechanical & Electrical)	-	Mrs. T. S. Apsara Rohan
Accountant (Consultancy)	-	Mrs. B. L. K. Dayani
Accountant (Roads & Bridges)	-	Mrs. T. S. Apsara Rohan
Accountant (Constructions)	-	Miss. K.W.M.L.D.Keerthirathna

During the year, this Division with the support of 95 of the total staff and its supervisory officers, the financial operations and daily information and reports of the corporation were presented to the management and value holders on the prescribed dates in accepted formats. Accordingly, in order to fulfill its statutory responsibility, the National Equipment and Machinery Organization, an affiliated to the State Engineering Corporation, was being always instructed to minimize the delay in providing the financial statements of the consolidated financial statements

In the middle of the insufficient financial inflow from the operations of the corporation, adjusting financial needs within this year through the intervention of the government by considering the financial needs of the operational and administrative Divisions, is a sign of challenging situations for the coming years.

Further, the existing financial facilities were shifted to the financial sources with limited expenses during this year in order to keep the financial expenses at a minimum level in existing situation.

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