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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය
எனது இல. } CAE/C/SEC/01/FS/2021/12
My No.

ඔබේ අංකය
உமது இல. }
Your No.

දිනය
திகதி } 24 October 2025
Date

DGM (F)

for necessary action

RECEIVED
28 OCT 2025
CHAIRMAN OFFICE
STATE ENGINEERING CORPORATION
OF SRI LANKA

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 2021 in terms of Section 12 of the National Audit Act, No.19 of 2018.

The above mentioned report and financial statements are sent herewith.

V.D.Seetha
Deputy Auditor General
For Auditor General (Acting)

Copies: 01. The Secretory, Ministry Finance, Planning and Economic Development
02. The Secretory, Ministry of Housing, Construction and Water Supply

Copy to PED - 28.10.2025

STATE ENGINEERING CO
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අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. CAE/C/SEC/01/FS/2021/12

ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date 24 October 2025

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 2021 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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive Income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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. The National Equipment and Machinery Organization (NEMO) had been amalgamated to the Corporation as its unit according to the decision of Cabinet of Ministers dated 27 April 2021 on Cabinet Paper No. CMP/21/0631/306/037. 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.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.

1.2 Basis for Disclaimer of Opinion

(a) Contrary to the Paragraph No.32 of Sri Lanka Accounting Standard – 01, the debit balances of credit control account-COBOL, Ministry pool vehicle account, creditors control account, current account with U.D.A, sub control account, sub contract retention account, direct payment vendor account, mobilization advance payable and trade and other payables of National Equipment and Machinery Organization (NEMO) unit had been offset against the credit balances of those accounts. Hence, the current liabilities had been understated by Rs. 413.17 million.

Further, the credit balances of refundable deposit, special cash advance, sub contract mobilization advance, advance payment to suppliers, advance for services, cheque with order advance, contract labour imprest and labour sub control advance, trade debtors, project debtors and retention receivable of NEMO aggregating to Rs. 789.54 million had been offset against the debit balances of those accounts. Therefore, the current assets of the financial statement had been understated by that amount.

(b) Contrary to the paragraph 51 of Sri Lanka Accounting Standard (LKAS) 16 – Property, Plant and Equipment, the Corporation had not reviewed the residual value and useful life of certain fixed assets, which had a carrying amount of Rs. 414.60 million as at the end of the year under review. Further, assets with a total cost of Rs. 1,106.38 million had been fully depreciated still in use. However, no action had been taken to rectify the estimation error or to disclose the gross carrying amount of these fully depreciated assets, as required under paragraph 79(b) of the standard.

(c) There is an unidentified difference of Rs. 2.44 million in the value of fixed assets between the financial statements and fixed asset register.

(d) Although balances of current accounts being maintained among the divisions of the Corporation should be tallied with each other by the end of the year under review, a debit balance of Rs.104.69 million had been remained under other receivable in the financial statements as "Inter group current accounts" further a difference of Rs.153.46 million was observed between the current account balance in the financial statements of the Corporation and National Equipment and Machinery Organization (NEMO). However, reasons for difference were not revealed to the audit.

(e) Stock items of 238 numbers had not been valued and brought to the financial statement due to the unavailability of unit prices as at 31 December 2021.

(f) Due to the non-accuracy of stock unit pricing, the raw material and finished goods stocks were overstated by Rs. 0.44 million, and Rs. 2.04 million respectively. Hence the total stock was overstated by Rs. 2.48 million.

(g) The salary payable of the NEMO unit amounting to Rs.123.82 million, included undisclosed and unexplained EPF of Rs.25.93 million, ETF of Rs. 0.13 million, bank transfers of Rs. 2.38 million and salary control accounts of Rs. 11.26 million respectively. Further, an amount of Rs.163.06 million of interest payable had been erroneously included in the salary payable balance.

(h) According to the financial statement and profit calculation schedule, a difference of Rs. 868.01 million and Rs. 451.58 million were observed in the balances due from customers and balances due to customers in the NEMO unit as at 31 December 2021.

(i) Trade receivable balance of the NEMO unit as per the financial statements of the year under review was Rs. 339.96 million. However as per the schedule submitted to the audit, it shows a credit balance of Rs. 118.64 million. Accordingly, a difference of Rs.458.59 million was observed between two balances.

(j) Balances relating to fixed assets (NEMO unit), other receivables, due to customers and advance payables, bank balances, and VAT amounting to Rs. 372.79 million, Rs.765.05 million, Rs. 676.02 million, Rs. 7.45 million, and Rs. 909.63 million respectively, could not been satisfactorily verified during the audit. This was mainly due to the unavailability of the fixed assets register, board of survey reports, detailed schedules, age analysis, bank statements, bank confirmations and other supporting documentation.

(k) The aggregated opening balances amounting to Rs. 1,632.85 million in NEMO unit of mobilization advance payable, creditor control, and receivable etc could not be verified due to the absence of adequate supporting records and reconciliations.

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

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

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

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

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

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

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

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

2. Report on Other Legal and Regulatory Requirements

2.1 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 and section 12 (a) of the National Audit Act, No. 19 of 2018.

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

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

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

2.2.1 To state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which is 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.14 of 2002	Actions had not been taken to remit the value added tax totaling to Rs.1,423.33 million to the Department of Inland Revenue even as at 31 December 2024.

(b)	Nation Building Tax Act No. 09 of 2009	Actions had not been taken to remit the nation building tax totaling to Rs.65.21 million to the Department of Inland Revenue as at 31 December 2024.
(c)	Paragraph 08 of the Internal Circular of cheques with orders, No. 2020/48 of 18 December 2020 issued by General Manager.	As at 31 December 2021, advances issued by cheques aggregating to Rs.518.81 million had remained without being settled and out of that a sum of Rs.11.24 million had remained outstanding for 1 to 5 years, and Rs. 224.84 million for over 5 years.
(d)	Paragraph 6.6 of the Public Enterprises Circular No. 01/2021 of 16 November 2021	The annual financial statements and the draft annual report should be submitted to the Auditor General within 60 days from the close of the financial year. However, the financial statements of the year 2021 had been furnished to the Auditor General on 25 April 2025.

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

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

2.3 Other Matters

(a) The trade debtors relating to 07 divisions amounting to Rs.1,461.02 million had remained over 03 years without being recovered and it represent 56 per cent of the total debtor balance of the financial statements as at 31 December 2021.

(b) Advances amounting to Rs. 1,119.21 million had been recorded under various classifications as deposits, prepayments, and advances. Out of that balances aggregating to Rs.443.83 million had remained outstanding over five years, and Rs. 552.31 million over three years respectively.

(c) The current liabilities balance outstanding over 03 years as at the end of the year under review was Rs.1,784.74 million. Further, Income tax payable amounting Rs.10.56 million had remained without being settled since year 2013.

(d) Mobilization advance totaling Rs.928.53 million received from the clients had been remained over 05 years without been settled even as at 31 December 2021.

(e) The objectives of the Corporation are investigation, planning, designing and construction of buildings, civil engineering and other engineering projects, providing of consultancy and project management services, manufacture and sale of ready mix concrete, reinforced concrete and pre-stressed concrete products etc. Out of the construction projects implemented in the year under review, 35 projects incurred a loss of Rs. 355.48 million and the accumulated loss from those projects as at 31 December 2021 was Rs. 1,187.02 million. Further only two permanent sites have been made profits and others had operated on losses.

(f) Although Rs.3,039.34 million had been spent for 127 projects that implemented before 2021, the invoices had been issued only for Rs.2,157.82 million. Because these projects remain non-operational, there is probability that the Corporation will not be able to recover the remaining amount of Rs.881.52 million.

(g) The balance due from customers and the balance due to customers as at 31 December 2021 on non- performing projects were Rs.453.22 million and Rs.455.79 million respectively.

G.H.D. Dharmapala
Auditor General (Acting)

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2021

	Note	2021 (Rs.)	2020 (Rs.)
Revenue	4	3,130,996,585	1,853,867,848
Cost of Sales		(3,701,502,430)	(2,781,115,896)
Gross Profit		(570,505,845)	(927,248,047)
Other Income	5	25,155,673	400,706,639
Administrative Expenses		(399,124,792)	(339,105,516)
Net Finance Income/ (Expense)	6	(278,569,243)	(510,952,469)
Profit before Tax	7	(1,223,044,207)	(1,376,599,393)
Income Tax Expense	8	(516,501,437)	(184,812,410)
Profit for the period		(1,739,545,644)	(1,561,411,804)
Other comprehensive income			
Actuarial Gain/ (Losses) on Defined Benefit Plans		1,721,805	(62,647,129)
Fair Value Change of Available for sale Financial Instruments		(108,000)	384,000
Other comprehensive income for the period, net of tax		1,613,805	(62,263,129)
Total comprehensive income for the period		(1,737,931,839)	(1,623,674,933)

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

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021

	Note	31.12.2021 (Rs.)	31.12.2020 (Rs.) Restated
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	9	7,846,340,620	7,860,667,530
Intangible Assets	10	181,754	-
Investments in shares	11	4,104,000	4,212,000
Deferred Taxation	12	279,398,361	795,899,799
Other Financial Assets Including Derivatives	15	4,681,470	4,622,132
		8,134,706,205	8,665,401,461
Current Assets			
Inventories	13	636,879,772	511,572,444
Trade and other Receivables	14	6,838,241,040	6,222,087,266
Other Financial Assets Including Derivatives	15	1,197,426,621	1,344,300,820
Cash and Cash Equivalents	16	461,368,370	576,009,165
		9,133,915,803	8,653,969,695
Total Assets		17,268,622,008	17,319,371,156
EQUITY AND LIABILITIES			
Stated Capital	17	298,000,000	70,000,000
Capital Accretion Reserve		27,738,806	27,738,806
Revaluation Reserve		7,582,576,115	7,582,576,115
E&M Capital		(265,394,990)	(265,394,990)
Grant from Treasury - NEMO for VRS		325,943,913	325,943,913
General Reserve		3,602,690	3,602,690
Retained Earnings		(7,655,486,937)	(5,862,494,387)
Total Equity		316,979,597	1,881,972,148
Non-Current Liabilities			-
Interest Bearing Borrowings	18	2,401,317,726	2,401,317,725
Employee Benefit	19	549,401,976	470,656,853
Other Financial Liabilities including derivatives	20	-	-
		2,950,719,702	2,871,974,578
Current Liabilities			
Interest Bearing Borrowings	18	198,284,562	198,284,562
Trade and Other Payables	21	9,117,016,960	8,403,905,728
Other Financial Liabilities including derivatives	20	4,277,144,536	3,397,928,779
Income Tax Payable	22	10,564,395	10,564,395
Bank Overdraft	16	397,912,256	554,740,966
		14,000,922,709	12,565,424,431
Total Equity, Liabilities		17,268,622,008	17,319,371,156

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

....
Deputy General Manager (Finance)

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

....
Chairman

M.B.J.N. Fernando
B.Sc. Eng., P.G. (Dip.) in Energy Technology

....
Director

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2021

	Stated Capital	Capital Accretion Reserve	Revaluation Reserve	General Reserve	E&M Capital	Treasury Grant NEMO	Retained Earnings	Total
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Balance as at 01st January 2020	70,000,000	27,738,806	7,582,576,115	3,602,690	(265,394,990)	-	(4,088,533,170)	3,329,989,451
Profit for the Period							(1,561,411,804)	(1,561,411,804)
Treasury grant - VRS (NEMO)						124,792,879		124,792,879
Other Comprehensive Income -Actuarial Loss							(62,647,129)	(62,647,129)
Other Comprehensive Income -Fair Value Changes							384,000	384,000
Total other comprehensive income for the period	-	-	-	-	-	-	(62,263,129)	(62,263,129)
Balance as at 31.12.2020 as previously reported	70,000,000	27,738,806	7,582,576,115	3,602,690	(265,394,990)	124,792,879	(5,712,208,103)	1,831,107,397
Restatement								
Reversal of Accrued Provision							(4,195,960)	(4,195,960)
Compensation paid year 2020							(146,090,324)	(146,090,324)
Adjustment for Government Grant						146,090,324		146,090,324
Adjustment for Gratuity						55,060,710		55,060,710
Balance as at 31.12.2020 as restated	70,000,000	27,738,806	7,582,576,115	3,602,690	(265,394,990)	325,943,913	(5,862,494,387)	1,881,972,147
Profit for the Period							(1,739,545,644)	(1,739,545,644)
Adjustment for Employee benefit (NEMO)							(55,060,710)	(55,060,710)
Capital Contributed by Government	228,000,000						-	228,000,000
Other Comprehensive Income -Actuarial Loss							1,721,805	1,721,805
Other Comprehensive Income -Fair Value Changes							(108,000)	(108,000)
Total Other Comprehensive Income for the Period	-	-	-	-	-	-	1,613,805	1,613,805
Balance as at 31st December 2021	298,000,000	27,738,806	7,582,576,115	3,602,690	(265,394,990)	325,943,913	(7,655,486,937)	316,979,596

(Figures in brackets indicate deductions)

STATE ENGINEERING CORPORATION OF SRI LANKA
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMER 2021

	31.12.2021 (Rs.)	31.12.2020 (Rs.) Restated
Cash Flow from Operating Activities		
Profit Before Tax	(1,223,044,207)	(1,376,599,394)
Adjustments for,		
Depreciation of Property, Plant and Equipment	28,700,432	36,804,596
Amortization of Intangible Assets	18,246	-
Provision for Retirement Benefit Obligations	77,470,317	65,279,588
Provision for accrued expenses and other provisions	(4,195,959)	
Compensation	31,197,479	
Provision/(Reversal) for Bad and Doubtful Debts	46,776,965	26,256,905
Provision for/(Reversal) of Obsolete Stocks	3,679,957	6,646,381
Provision /(Reversal) of Income Tax	-	-
Interest Expenses Payable	-	-
Amortization of Grant	-	(380,000,000)
Interest Income	(6,110,661)	(19,427,898)
Interest Expenses	256,932,799	514,383,932
Operating Profit Before Working Capital Changes	(788,574,632)	(1,126,655,890)
(Increase)/Decrease in Inventory	(128,987,284)	69,049,176
(Increase)/Decrease in Trade and Other Receivables	(662,919,873)	(191,932,738)
(Increase)/Decrease in Other Current Financial Assets	146,814,860	(175,480,311)
(Increase)/Decrease in Other Current Financial Liabilities	879,215,756	218,650,324
Increase/(Decrease) Trade and Other Payables	658,270,305	785,228,748
Cash Generated from/(used in) Operating Activities	103,819,133	(421,140,691)
Interest Paid	(197,906,777)	(256,093,141)
Gratuity Paid	(52,064,099)	(23,323,582)
Compensation paid	(31,197,479)	(146,090,324)
Income Tax Paid	-	-
Net Cash Generated from/(used in) Operating Activities	(177,349,222)	(846,647,738)
Cash Flow from Investing Activities		
Purchases of Property, Plant and Equipment	(14,373,522)	(607,461)
Purchase of Intangible Assets	(200,000)	-
Interest Received	6,110,661	19,427,898
Net Cash Generated from/(used in) Investing Activities	(8,462,861)	18,820,437
Cash Flow from Financing Activities		
Precedes from Long Term Borrowings		100,000,000
Grant from Treasury - NEMO for VRS	-	325,943,913
Cash Contributed by Treasury	228,000,000	-
Repayment of Loan		50,000,000
Grant Received		380,000,000
Net Cash Generated from/(used in) Financing Activities	228,000,000	855,943,913
Net Increase/(Decrease) in Cash and Cash Equivalents during the period	42,187,917	28,116,610
Cash and Cash Equivalents at the beginning of the period	21,268,198	(6,848,412)
Cash and Cash Equivalents at the end of the period	63,456,115	21,268,198

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

1. GENERAL

1.1. Reporting Entity

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

1.2. Principal Activities and Nature of Operations

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

2. Summary of Significant Accounting Policies

2.1. Statement of Compliance

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

The Financial Statements were authorized for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 20.03.2025.

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

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

3.2.1.3. Leased Assets

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

3.2.1.4. Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

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

3.2.1.5. Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognized within other income in profit or loss.

3.2.1.6. Revaluation

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

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 passthrough arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Corporation's continuing involvement in it. In that case, the Corporation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

3.3.1.8 Impairment of Financial Assets

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

3.3.1.9 Financial Assets Carried at Amortised Cost

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

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

3.3.2 Financial Liabilities

3.3.2.1 Initial Recognition and Measurement

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

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

3.3.2.2 Subsequent Measurement

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

3.3.2.3 Financial Liabilities at Fair Value through Profit or Loss

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

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

3.3.2.4 Loans and Borrowings

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

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

3.3.2.5 Derecognition

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

3.3.2.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation.

3.3.2.7 Fair Value of Financial Instruments

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

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:
• Using recent arm's length market transactions;
• Reference to the current fair value of another instrument that is substantially the same;
• A discounted cash flow analysis or other valuation Models

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

3.4. Post Employment Benefits

3.4.1.Defined Benefit Plan

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

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

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

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

3.5. Provision, Contingent Liabilities, Contingent Assets

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

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

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

3.6. Government grants

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

3.7. Statement of Comprehensive Income

3.7.1. Revenue

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

3.7.1.1. Revenue Recognition

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

3.7.1.1.1. Construction Contract

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

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

3.7.1.1.2. Sale of Goods

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

3.7.1.1.3. Rendering of services

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

3.7.1.1.4. Other Income

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

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

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

3.7.1.1.5. Interest Income

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

3.7.2. Expenditure Recognition

3.7.2.1. Construction Contracts

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

3.7.2.2. Other Expenses

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

3.7.2.3. Borrowing Costs

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

3.7.3. Taxation

3.7.3.1. Current Taxes

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

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

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

3.7.3.2. Deferred Taxation

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

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

3.8. Related Party Transaction

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

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

3.9. Event Occurring After The Reporting Period

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

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

3.10. Segmental Reporting

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

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

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

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

3.11. Cash Flow

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

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 2024;

(a) SLFRS 09 – This stranded becomes effective for annual periods beginning on or after 1st January 2024.The adoption of SLFRS 9 will have an impact on the classification and measurement of the Corporation's financial instruments.

(b) SLFRS 15 – Revenue from contracts with Customers SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized which replaces the existing revenue recognition guidance including LKAS 11 – "Construction Contracts". The adoption of SLFRS 15 is effective for annual periods beginning on or after 1st January 2025, 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.

		31.12.2021	31.12.2020
		(Rs.)	(Rs.)
4	**REVENUE**		
	Buildings and Other Construction	1,833,855,623	1,366,740,367
	Road Construction	526,192,714	60,817,003
	Mechanical and Electrical Income	111,445,669	84,873,417
	Consultancy and Architectural Services	338,089,747	155,943,700
	Sale of Construction Related Material	248,541,603	146,081,828
	Hiring Income	72,871,229	39,411,533
		3,130,996,585	1,853,867,848
5	**OTHER INCOME**		
	Rent income	11,418,062	11,112,530
	Reversal of Stock Over Provisions	198,805	(175,861)
	Reversal of Other Provision	-	-
	Amortization of Grants	-	380,000,000
	Registration Fee Income	5,735,801	2,279,808
	Miscellaneous Income	7,803,006	7,490,163
		25,155,674	400,706,640
6	**NET FINANCE INCOME /(EXPENSE)**		
	Finance Income		
	Interest Income on Fixed Deposits	5,405,067	17,948,468
	Interest on Saving Deposits	962,159	1,349,206
	Interest Income on Repurchase Agreements	180,124	-
	Interest income on Staff Loan	88,246	130,224
		6,635,596	19,427,898
	Finance Cost		
	Interest on Loans	220,182,310	414,956,579
	Bank Charges & Commission	28,272,040	15,996,435
	Interest on Bank Overdrafts	36,750,489	99,427,352
		285,204,839	530,380,366
	Net Finance Income /(Expense)	(278,569,243)	(510,952,468)

	31.12.2021 (Rs.)	31.12.2020 (Rs.)

7 PROFIT BEFORE TAX

Is stated after charging all expenses including the following,

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
Directors Remuneration	411,239	923,430
Professional Charges	1,098,650	840,735
Legal expenses	2,568,767	1,013,910
Donations	228,082	175,000
Depreciation on Property Plant & Equipment	28,724,667	36,804,596
Amortization of Intangible Assets	18,247	-
Written off or Provision for/ (Reversal of)		
- Bad and Doubtful Debts	-	
- Obsolete and Slow Moving Stocks	3,673,627	-
Bad and Doubtful Debts	16,776,966	-
Staff Related Cost		
- Salaries ,Wages and Other Expenses	1,863,152,518	1,597,914,521
- Defined Benefit Plan Cost - Gratuity	-	-
- Defined Contribution EPF	147,169,867	157,240,754
ETF	38,337,461	39,306,846

8 INCOME TAX EXPENSE

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
On the Current Year Profit (Note 8.2)	-	-
Under/ (Over) Provision in Previous Year	-	-
Deferred Taxation (Note 12)	(516,501,437)	(184,812,410)
Tax Expense on Total Comprehensive Income	(516,501,437)	(184,812,410)

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.

8.2 Reconciliation between Current Tax Expense and the Accounting Profit

	31.12.2021 (Rs)	31.12.2020 (Rs)
Accounting profit before Tax	(1,080,681,497)	(1,065,590,522)
Disallowable Expenses for Taxation	289,368,286	(105,572,262)
Allowable Expenses for Taxation	(365,441,392)	(331,070,244)
Tax Profit/(Loss) of Business Income	(1,156,754,603)	(1,502,233,028)
Taxable Income		-
Tax Loss Brought Forward	(6,643,846,878)	5,180,892,782
Tax Loss incurred during the year	1,156,754,603	1,502,233,028
Total Loss	(5,487,092,275)	6,683,125,810
Tax Loss claimed during the year	(29,083,630)	(39,278,932)
Total Loss Carried Forward	(5,516,175,905)	6,643,846,878
Tax at the Rate of 12%	-	-
Tax at the Rate of 28%	-	-

9. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD							LEASEHOLD			
COST	Land	Building	Plant, Machinery & Equipments	Computers	Motor Vehicles	Office Equipments	Furniture & Fittings	Plant, Machinery & Equipments	Motor Vehicles	Capital work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
Balance as at 01st January 2021	6,759,050,000	620,905,499	984,268,183	93,672,741	210,238,229	84,460,951	43,932,874	-	-	543,543,185	9,340,071,662
Additions during the period	-	-	1,037,470	4,953,000	-	2,012,135	1,307,243	-	-	5,063,674	14,373,522
Transfer of Assets	-	-	-	-	-	-	-	-	-	-	-
Disposals during the period	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2021	**6,759,050,000**	**620,905,499**	**985,305,653**	**98,625,741**	**210,238,229**	**86,473,086**	**45,240,117**	-	-	**548,606,859**	**9,354,445,184**
ACCUMULATED DEPRECIATION											
Balance as at 01st January 2021	-	103,528,307	960,720,672	90,778,959	205,747,337	78,910,242	39,718,615	-	-	-	1,479,404,132
Charge for the period	-	13,532,263	3,898,818	1,861,149	4,225,079	3,709,498	1,473,625	-	-	-	28,700,432
Transfer of Depreciation	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2021	-	**117,060,570**	**964,619,490**	**92,640,108**	**209,972,416**	**82,619,740**	**41,192,240**	-	-	-	**1,508,104,564**
IMPAIRMENT											
Balance as at 01st January 2020	-	-	-	-	-	-	-	-	-	-	-
Charge/(Reversal) for the period	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2020	-	-	-	-	-	-	-	-	-	-	-
Charge/(Reversal) for the year	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2021	-	-	-	-	-	-	-	-	-	-	-
CARRYING AMOUNT											
Balance as at 31st December 2021	**6,759,050,000**	**503,844,929**	**20,686,163**	**5,985,633**	**265,813**	**3,853,346**	**4,047,877**	-	-	**548,606,859**	**7,846,340,620**
As at 31st December 2020	6,759,050,000	517,377,192	23,547,511	2,893,782	4,490,892	5,550,709	4,214,259	-	-	543,543,185	7,860,667,530

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
10. INTANGIBLE ASSETS		
Cost		
Balance at the beginning of the year	3,843,921	3,843,921
Additions during the period	200,000	-
Balance at the end of the period	4,043,921	3,843,921
Amortization		
Balance at the beginning of the year	(3,843,921)	(3,843,921)
Charge during the period	(18,246)	-
Balance at the end of the period	(3,862,167)	(3,843,921)
Carrying Amount	181,754	-

11. INVESTMENT IN SHARES	No of Shares	31.12.2021 (Rs.)	31.12.2020 (Rs.)
HDFC Bank	120,000	4,212,000	3,828,000
Adjustment for Fair Value of Investments		(108,000)	384,000
Carrying Amount		4,104,000	4,212,000

12. DEFERRED TAXATION

12.1 Movement in Deferred Tax

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
Balance at the beginning of the year	795,899,798	980,712,209
(Provision) /Reversal during the period	(516,501,437)	(184,812,410)
Balance at the end of the period	279,398,361	795,899,800

12.2 Composition of Deferred Tax

	31.12.2021		2020	
	Temporary Difference (Rs.)	Tax effect on Temporary Difference (Rs.)	Temporary Difference (Rs.)	Tax Effect on Temporary Difference (Rs.)
Temporary Difference on PPE	346,591,951	41,591,034	341,467,918	47,805,509
Temporary Difference on Gratuity Provision	(16,509,185)	(1,981,102)	(99,652,121)	(13,951,297)
Temporary Difference on Stock Provision	(3,679,957)	(441,595)	(6,646,381)	(930,494)
Temporary Difference on Tax Losses	(326,402,809)	(39,168,337)	(3,924,465,394)	(549,425,155)
	-	-	(3,689,295,978)	(516,501,437)

12.3 Movement in Tax Effect of Temporary Differences

	As at 31st December 2021 (Rs.)	Recognized in Income Statement (Rs.)	As at 31st December 2020 (Rs.)	Recognized in Income Statement (Rs.)	As at 31st December 2020 (Rs.)
Deferred tax on PPE	41,591,034	6,214,475	47,805,509	3,456,179	51,261,688
Deferred tax on Gratuity Provision	(1,981,102)	(11,970,195)	(13,951,297)	(33,006,000)	(46,957,297)
Deferred tax on Stock general Provision	(441,595)	(488,899)	(930,494)	(2,884,619)	(3,815,113)
Temporary Difference on Tax Losses	(39,168,337)	(510,256,818)	(549,425,155)	(152,377,970)	(701,803,125)
	-	(516,501,437)	(516,501,437)	(184,812,410)	(701,313,847)

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.

	31.12.2021 (Rs.)	31.12.2020 (Rs.)

13. INVENTORIES

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
Raw Materials	452,508,781	333,829,099
Finished Goods	233,494,628	223,187,024
	686,003,409	557,016,124
Less: Provision for Impairment (Note:13.1)	(43,996,904)	(40,316,947)
Provision for Stock Loss	(5,126,733)	(5,126,733)
	636,879,772	511,572,444

13.1 Movement in Provision for Impairment

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
Balance at the beginning of the year	40,316,947	33,670,566
Provision/(Reversal) made during the period	3,679,957	6,646,381
Balance at the end of the period	43,996,904	40,316,947

14. TRADE AND OTHER RECEIVABLES

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
Trade Receivables	2,775,538,410	3,150,218,077
Less: GST/VAT	(909,633,545)	(946,293,751)
Provision for impairment (14.1)	(848,679,437)	(801,902,472)
	1,017,225,428	1,402,021,854
Amount Due from Customers	4,179,209,000	3,589,519,168
Deposits , Prepayments and Advances	1,438,856,246	1,012,399,590
Withholding Tax Receivables	3,590,125	3,482,946
Other Receivables	199,360,241	214,663,707
	6,838,241,040	6,222,087,266

14.1 Movement in Provision for Impairment

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
Balance at the beginning of the year	801,902,472	775,645,565
Provision/(Reversal) made during the period	46,776,965	26,256,907
Balance at the end of the period	848,679,437	801,902,471

Impairment provision was reviewed and identified debtors to be impaired for the year ended 31st December 2021, which include all the impaired debtors recognized in 2020.

15. Other Financial Assets Including Derivatives

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
Non Current		
Loans given to employees	4,681,470	4,622,132
	4,681,470	4,622,132
Current		
Retention and T C Receivable	1,196,332,193	1,342,411,399
Loans given to employees	1,094,428	1,889,421
	1,197,426,621	1,344,300,820
	1,202,108,091	1,348,922,952

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
15.1. Loans given to employees		
Balance at the beginning of the year	6,511,554	8,962,541
Loans Granted during the period	500,000	900,000
Loans Recovered during the period	(1,235,655)	(3,350,987)
Balance at the end of the period	5,775,899	6,511,554
Non Current	4,681,470	4,622,132
Current	1,094,429	1,889,421

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

16. CASH AND CASH EQUIVALENTS	31.12.2021 (Rs.)	31.12.2020 (Rs.)
16.1 Favorable Balances		
Fixed Deposits	136,700,072	248,634,684
Saving/Call Deposits	35,737,062	33,723,544
Cash at Bank	240,215,305	240,943,210
Cash in Hand	48,715,931	52,707,726
	461,368,370	576,009,165
16.2 Unfavorable Balances		
Bank Overdraft	(397,912,256)	(554,740,966)
Cash and Cash Equivalents for the purpose of the Cash Flow Statement	63,456,114	21,268,199

17. STATED CAPITAL

Issued and Fully paid		
At the beginning of the year	70,000,000	70,000,000
Capital Contributed by Government	228,000,000	-
At the end of the period	298,000,000	70,000,000

18. INTEREST BEARING BORROWINGS

Payable after one year		
Treasury Loan	30,800,000	30,800,000
Term Loan	2,370,517,726	2,370,517,725
	2,401,317,726	2,401,317,725
Payable within one year		
Bill Discounting	100,000,000	100,000,000
Term Loan	98,284,562	98,284,562
	198,284,562	198,284,562

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 depicted as lot no 1& 2 in plan no 3237 dated 17.06.2015 made by Mr I.A.Wijethilaka,LS
Interest Rate	- 17% P.A
Repayments	- 120 Days

18.2 Details of Securities and Repayment

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

18.3 Term Loan

	Bank of Ceylon	HDFC	Peoples' Bank	Total
Balance at the beginning of the year	2,399,113,153	39,255,246	30,433,889	2,468,802,287
Obtained During the period	-	-	-	-
Repayment during the period	-	-	-	-
Balance at the end of the period	2,399,113,153	39,255,246	30,433,889	2,468,802,287
Loan Payable within One Year	53,000,000	14,850,673	30,433,889	98,284,562
Loan Payable after One Year	2,346,113,153	24,404,573	-	2,370,517,726

19. EMPLOYEE BENEFIT

	31.12.2021 (Rs.)	31.12.2020 (Rs.) Restated
Balance at the beginning of the year	470,656,853	421,114,429
Provision made in Profit and Loss Account	71,618,901	65,579,588
Payments made during the period	(52,064,099)	(23,623,582)
Actuarial (Gain) / Loss recognized in Other Comprehensive Income	(1,721,805)	62,647,129
Recognition of Adjustment in other comprehensive Income	60,912,126	(55,060,710)
Balance at the end of the period	549,401,976	470,656,853

An independent actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2021 by professional actuaries, Actuarial & Management Consultants (Pvt) Limited.

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

The Key Assumptions used by Actuary include the following;	31.12.2021	31.12.2020
Discount Rate	15% p.a	8.00% p.a
Expected annual Rate of Salary Increment	8% p.a	1.30% p.a
Staff Turnover Rate		
Permanent Staff	4.00%	4.00%
Contract Staff	25.00%	25.00%
Wage Staff	20.00%	20.00%
Retiring Age (Years)	60 years	60 years

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

	31.12.2021 (Rs.)	31.12.2020 (Rs.) Restated
Present value of unfunded obligations	549,401,976	470,656,855
Present value of funded obligations	-	-
Total present value of obligations	549,401,976	470,656,855
Fair value of plan assets	-	-
Present value of net obligations	549,401,976	470,656,855
Unrecognized net actuarial gains/ (losses)	-	-
Recognized liability for defined benefit obligations	549,401,976	470,656,855

19.2 Movement in the present value of defined benefit obligations

		Restated
Liability for defined benefit obligations as at 1st January	470,656,855	421,114,430
Actuarial (gains)/ losses	(1,721,805)	62,647,129
Actuarial Adjustment	60,912,125	(55,060,710)
Benefit paid by the plan	(52,064,099)	(23,623,582)
Current service costs/Provision	29,093,383	31,200,139
Interest Cost	42,525,518	34,379,449
Liability for defined benefit obligations as at 31st December	549,401,977	470,656,855

20. Other Financial Liabilities Including Derivatives

Non Current		
Deferred Income	-	
	-	-
Current		
Deferred Income	-	-
Mobilization Advance	4,277,144,536	3,397,928,779
	4,277,144,536	3,397,928,779

21. TRADE AND OTHER PAYABLES

		Restated
Trade Payables	1,163,628,766	1,187,511,566
Subcontract Payables	1,532,857,255	1,575,171,267
Accrued Sub Contract	131,601,666	131,601,666
Labour Contract Advances Payable	50,592,100	50,592,100
Accrued Expenses and Other Provisions	2,825,550,499	2,344,170,548
Amount Due to Customer	1,874,746,791	1,725,681,638
VAT Payable	1,333,088,760	1,178,153,536
ESC Payable	97,754,395	97,754,395
Inter Company Current Account	-	-
Compensation Payable	539,186	7,137,046
Other Taxes Payable	106,657,542	106,131,967
	9,117,016,960	8,403,905,728

	31.12.2021 (Rs.)	31.12.2020 (Rs.)
22. INCOME TAX PAYABLE		
Balance at the beginning of the year	10,564,395	10,564,395
Provision for Income Tax on current year's Profits	-	-
Under/(Over) provision of Income Tax in respect of prior years	-	-
Unrecorded W H T	-	-
Tax paid during the year - Income Tax	-	-
- Withholding Tax	-	-
- Other	-	-
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 recognize in the Statement of Financial Position are as follows;

	Note	31.12.2021 (Rs.)	31.12.2020 (Rs.)
Financial Assets			
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	136,700,072	248,634,684
Total		136,700,072	248,634,684
Loans and Receivables			
SOFP Line Item:			
Other financial assets including derivatives - Non Current	15	4,681,470	4,622,132
Trade and other receivables	14	6,838,241,040	6,222,087,266
Cash and cash equivalents	16	324,668,298	327,374,480
Other financial assets including derivatives - Current	15	1,197,426,621	1,344,300,820
Total		8,365,017,429	7,898,384,698
Available-for-sale			
SOFP Line Item:			
Other Investments	11	4,104,000	4,212,000
Total		4,104,000	4,212,000
		8,505,821,501	8,151,231,382

23 FINANCIAL INSTRUMENTS. (Cont..)
Financial Liabilities

Fair value through profit and loss
SOFP Line Item:

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

Other Financial Liabilities
SOFP Line Item:

Interest Bearing Borrowings- Non Current	**2,401,317,726**	2,401,317,726
Interest Bearing borrowings- Current	**198,284,562**	198,284,562
Trade and Other Payables	**9,117,016,960**	8,399,709,767
Other Financial Liabilities including Derivatives - Current	**4,277,144,536**	3,397,928,779
Income Tax Payable	**10,564,395**	10,564,395
Bank Overdrafts	**397,912,256**	554,740,966
Total	**16,402,240,435**	14,962,546,194
	16,402,240,435	14,962,546,194

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	31.12.2021	31.12.2020
		(Rs.)	(Rs.)
Trade Receivables		**2,775,538,410**	**3,150,218,077**
		2,775,538,410	3,150,218,077

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

	Gross 31.12.2021	Impairment 31.12.2021	Gross 31.12.2020	Impairment 31.12.2020
Past due 0-365 days	**1,213,270,693**	-	1,213,270,693	-
More than one year	**1,562,267,717**	**848,679,437**	1,936,947,384	801,902,472
	2,775,538,410	**848,679,437**	3,150,218,077	801,902,472

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

FINANCIAL INSTRUMENTS, (Cont..)

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.461,368,370/- as at 31st December 2021.

As at 31st December 2021, Rs.240,215,304/- (2020-Rs.240,943,211/-) of the Favorable balance of bank and financial institution was rated "AA-" or better for the Corporation.

Fitch Rating Company	**31.12.2021**		**31.12.220**	
	(Rs.)	**%**	**(Rs.)**	**%**
AAA	-	-	-	
AA+	-	98	235,571,471	98%
AA		-	-	-
AA-	238,305,469	99%	3,491,564	1%
A	-	-	-	-
BBB+	-	-	-	-
	238,305,468	99%	239,063,035	99%
Others	1,909,835	1%	1,880,176	1%
	240,215,304	100%	240,943,211	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 2021	**Carrying amount**	**Less than one year**	**More than one year**
Non-derivative financial liabilities			
Interest bearing borrowings	2,599,602,288	198,284,562	2,401,317,726
Income tax payable	10,564,395	-	10,564,395
Bank Overdrafts	397,912,256	397,912,256	-
Total	3,008,078,939	596,196,818	2,411,882,121

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.

FINANCIAL INSTRUMENTS, (Cont..)

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 optimizing the return.

23.2.3.1 Interest Rate Risk

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

	31.12.2021	31.12.2020
Fixed rate instruments		
Financial Assets	8%	12%
Financial Liabilities	AWPLR+2.5%	18.50%
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

23.2.3.2 Currency risk

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

This risk is minimized 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, minimizing the potential risks.

The principal exchange rates used by the Corporation for conversion of foreign currency balances and transactions, for the year ended 31.12.2021 are as follows;

	Average	Closing Rate	
		buying	Selling
US Dollars	186.65	184.12	189.18

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 maximize shareholder value.

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

	31.12.2021	31.12.2020
Debt to Equity Ratio	**5348%**	**820%**
Debt Ratio	**98%**	**89%**

24. CONTINGENT LIABILITIES

24.1 On behalf of State Engineering Corporation, banks have given Bank Guarantees to the Corporation's customers amounting to Rs.1,100 Mn /- as at 31st December 2021.

Bank	Letter of Credit (Rs.)	Performance , Advance & Bid bonds	Total (Rs.)
Peoples Bank	**100**	**1,000**	**1,100**
	100	**1,000**	**1,100**

24.2 Following legal cases are pending as at 31st December 2021.

High Court Cases

Case	Case No & Court	Amount (Rs)	Liability
DIMO vs SEC	HC/ARB/171/16 - Commercial High Court , Colombo	2,394,089	Liable
DIMO vs SEC	HC/ARB/136/2016 - Commercial High Court , Colombo	9,836,278	Liable
DIMO vs SEC	CHC/98/2017/MR - Commercial High Court , Colombo	97,000,000	May be Liable
Eagle Wings (Pvt) Ltd vs SEC	CHC/537/2016/MR - Commercial High Court , Colombo	37,412,181	Liable
HDFC Bank vs SEC	CHC/08/2021/MR - Commercial High Court , Colombo	52,158,421	Liable
G.A.D Manjula Susantha ,Araliya construction vs SEC	CHC/01/2021/ARB - Commercial High Court , Colombo	5,024,197	Liable
Atthanayake Construction (Pvt) Ltd vs SEC	CHC/501/2021/ARB - Commercial High Court, Colombo	9,297,740	Liable
Singer Sri Lanka (Pvt) Ltd vs SEC	CHC/775/220/ARB - Commercial High Court , Colombo	23,787,893	Liable

District Court Cases

Case	Case No & Court	Amount (Rs)	Liability
Keerthi Gamage vs Ajith & Manoj (Senior Business Management) SEC	DSP00157/08 - District Court, Kandy	1,000,000	May be Liable
Bluescope lysaght (Pvt) Ltd vs SEC	DMR 116/2019	2,295,000	Liable
Prime Lands (Pvt) Ltd vs SEC	DMR 3085/19	1,470,000	Liable
Dinapala (Pvt) Ltd vs SEC	1108/MR	687,015	Liable
Mirantha Heavy Fab vs SEC	DMR/429/20	11,608,333	Liable
Mirantha Heavy Fab vs SEC	DMR/430/20	8,278,891	Liable
Tokyo Cement (Pvt) Ltd vs SEC	DMR/1963/20	6,000,000	May be Liable
B.K Deepani Mallika vs SEC	M525/20	500,000	May be Liable
SMS Holdings (Pvt) Ltd vs SEC	DMR /3120/2020	13,000,000	May be Liable

Arbitration

Case	Case No & Court	Amount (Rs)	
Ratna Engineers and Contractors vs SEC	Arbitration Center	17,439,237	Liable
Mary Construction vs SEC	Arbitration Center	12,193,965	Liable
Basnayake Construction vs SEC	Arbitration Center	8,542,917	Liable
Luxman Metal Crushers vs SEC	Arbitration Center	7,282,470	Liable
S.K.S Construction vs SEC	Arbitration Center	Amount not Certif	May be Liable
Weerasooriya Builders vs SEC	Arbitration Center	17,539,216	Liable

NEMO

Supreme Court

Case	Case No & Court	Amount (Rs)	
The case filed by 132 employees is still pending and according to the order of the case ,reemployeeement and payment of compansation or not will be decided	SC FR A/298/2020	-	may be liable

District Court Case

in connection with.Access Engineering PLC	DMR/01845/2021	872,877	Liable

Labour Tribunal

Regarding the unpaid grativity of Mr N S Siwanadhan	28/2632/2021	656,264	liable

25. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors at the end 31st December 2021.

26. RELATED PARTY DISCLOSURES

26.1 TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

According to Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures, Key Management

(i) Loans to the Directors

No loans have been granted to the Directors of the Corporation

(ii) Key Management Personnel Compensation

	2021 Rs.	2020 Rs.
Directors Remuneration	411,239	923,430
	411,239	923,430

26.2 Transactions with Related Companies

	Relationship	2021 Rs.	2020 Rs.
		-	-

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

27 PRIOR YEAR ADJUSTMENT

27.1 Identified the amounts to be paid to Access Projects (Pvt) Ltd in 2021 and corrected the reversal entry for the year 2020. Financial Statement has been restated as follows;

	31.12.2020 (Rs.)
TRADE AND OTHER PAYABLES	
Accrued Expenses and Other Provisions	
Accrued Expenses and Other Provisions as previously reported	2,339,974,588
Adjustment on Accrual Expenses	4,195,960
Accrued Expenses and Other Provisions as restated	2,344,170,548
CHANGES IN EQUITY	
Retained Earnings	
Retained Earnings as previously reported	(5,712,208,103)
Accrued Expenses and Other Provisions as restated	(4,195,960)
Retained Earnings as restated	(5,716,404,063)

27.2 Rs.146,090,323.91 compamsation paid to employee, the funds received from gavernment as a Grant and this accounting error identified and and Fannancial Statement has been restated as follows,

	31.12.2020 (Rs.)
Retained earnings as previously reported (27.1)	(5,716,404,063)
Adjustment for Income Statement	(146,090,324)
Retained Earnings as restated	(5,862,494,387)
Gavernment Grant NEMO	
Gavernment Grant as previously reported	124,792,879
Adjustment for Gavernment Grant	146,090,324
Gavernment Grant as restated	270,883,203

27.3 The Incorrect entry of Grativity in previous year is corrected as follows,

Provision for grativity previously reported	525,717,564
Adjustment for Grativity	(55,090,710)
Balance as at 31.12.2020 as restated	470,626,854
Gavernment Grant as previously reported (27.2)	270,883,203
Adjustment for Gavernment Grant	55,090,710
Gavernment Grant as restated	325,973,913

STATE ENGINEERING CORPORATION OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2021

SEGMENT INFORMATION

	Construction		Construction Component		Road and Bridges		Mechanical & Electrical		SPU		NEMO		Consultancy		Total	
	31.12.2021 Rs.	2020 Rs.	31.12.2021 Rs.	2020 Rs.	31.12.2021 Rs.	2020 Rs.	31.12.2021 Rs.	2020 Rs.	31.12.2021 Rs.	12.20 Rs.	31.12.2021 Rs.	2020 Rs.	31.12.2021 Rs.	2020 Rs.	31.12.2021 Rs.	2020 Rs.
Segment Gross Revenue	1,001,647,420	871,634,109	877,768,062	556,267,344	329,844,406	40,899,156	324,216,031	228,009,805	267,757,274		198,858,300	90,417,899	342,396,967	174,575,946	3,342,488,460	1,3[illegible]1,804,253
Less: Inter segment Revenue	-	(19,874,499)	(22,980,012)	(18,821,198)	-	-	(184,204,643)	(50,608,468)	-		-	-	(4,307,220)	(18,632,246)	(211,491,875)	(1[illegible]7,936,410)
Segment Net Revenue	1,001,647,420	851,759,610	854,788,050	537,446,146	329,844,406	40,899,156	140,011,388	177,401,336	267,757,274	-	198,858,300	90,417,899	338,089,747	155,943,700	3,130,996,585	1,3[illegible]3,867,847
Segment Cost of Sales	(1,154,206,123)	(1,021,713,318)	(986,617,013)	(671,022,523)	(306,324,629)	(36,400,249)	(246,272,292)	(277,404,375)	(240,995,763)		(211,914,861)	(272,337,644)	-		(3,146,330,682)	(2,2[illegible]8,378,109)
Segment Operation Profit	(152,558,703)	(169,953,709)	(131,828,963)	(133,576,377)	23,519,777	4,498,907	(106,260,904)	(100,003,039)	26,761,511	-	(13,056,561)	(181,919,745)	338,089,747	155,943,700	(15,334,098)	(4[illegible]5,010,262)
Less: Segment Overhead	(114,355,530)	(112,833,694)	(63,913,383)	(78,833,709)	(30,102,665)	(6,211,160)	(47,840,291)	(62,553,667)	(11,862,879)		-		(287,097,001)	(241,805,556)	(555,171,747)	([illegible]237,787)
Segment Gross Profit	(266,914,233)	(282,787,403)	(195,742,346)	(212,410,086)	(6,582,888)	(1,712,253)	(154,101,195)	(162,556,706)	14,898,632	-	(13,056,561)	(181,919,745)	50,992,746	(85,861,856)	(570,505,845)	([illegible]248,048)
Other Income	3,500,945	143,642,400	4,131,203	84,269,201	1,991,244	-	3,091,927	40,267,332 10	1,745,704		1,983,900	856,206	8,710,751	131,671,500	25,155,674	[illegible]706,339
Administrative Expenses	(78,337,578)	(112,934,185)	(48,960,986)	(65,878,274)	(26,112,526)	-	(35,904,723)	(31,370,607)	(22,848,460)		(72,718,217)	(25,399,447)	(114,242,301)	(103,523,003)	(399,124,791)	([illegible]05,516)
Net Finance Income/(Exps)	(95,703,527)	(164,509,697)	(66,652,597)	(98,984,591)	(4,901,669)	(58,905,961)	(25,270,184)	(44,390,107)	(2,062,005)		(58,571,831)	(104,545,887)	(25,407,429)	(39,616,226)	(278,569,242)	([illegible]952,469)
Profit before Tax	(437,454,393)	(416,588,885)	(307,224,727)	(293,003,750)	(35,605,839)	(60,618,214)	(212,184,175)	(198,050,088)	(8,266,129)	-	(142,362,709)	(311,008,873)	(79,946,233)	(97,329,585)	(1,223,044,204)	(1,[illegible]5,599,394)
Income Tax Expense	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-
Deferred Tax Expenses	-	-	-	-	-	-	-	-	-		-	-	-	-	(516,501,437)	(1[illegible]4,812,410)
Profit for the Year	(437,454,393)	(416,588,885)	(307,224,727)	(293,003,750)	(35,605,839)	(60,618,214)	(212,184,175)	(198,050,088)	(8,266,129)		(142,362,709)	(311,008,873)	(79,946,233)	(97,329,585)	(1,739,545,641)	(1,5[illegible]411,807)
Other Comprehensive Income	(2,207,608)		(1,628,225)		(677,938)		(1,280,204)		(852,528)		9,593,190		(1,224,880)		1,721,805	([illegible]647,[illegible]29)
Surplus on revaluation	-	-		-	-	-	-	-	-		-	-	-	-	-	-
Fair Value Change		-		-	-	-		-	-		-	-		-	(108,000)	384,000
Total Comprehensive Income for the Year	(439,662,001)	(416,588,885)	(308,852,952)	(293,003,750)	(36,283,776)	(60,618,214)	(213,464,379)	(198,050,088)	(9,118,657)		(132,769,519)	(311,008,873)	(81,171,113)	(97,329,585)	(1,737,931,834)	(1,6[illegible]374,632)