

**SERENDIB ENGINEERING GROUP PLC**

Annual Report  
**2022/23**



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## ABOUT US

*Serendib Engineering Group PLC (SEG) is a Multifaceted Engineering company listed on the Colombo Stock Exchange (CSE) with over 20 years Multidisciplinary Engineering experience. The company was incorporated as a Public Limited Liability Company on 07th September 1992 and re-registered under the Companies Act No 07 of 2007 and obtained a listing on the Colombo Stock Exchange in 2002 under Land and Property sector which traded as “IDL. N0000”. The Company formerly Operated as “Infrastructure Developers PLC” and Navara Capital Limited acquired the controlling interest of Infrastructure Developers PLC in October 2011. The Company renamed as Serendib Engineering Group PLC with effect from February 2013. In March 2018, Serendib Engineering Group PLC was acquired by Serendib Holdings Pte Ltd, with a view of expanding current operations and diversifying in to new business ventures.*

*SEG serves as the holding company of Serendib Engineering & Agencies (Pvt) Limited and Serendib Investment Holdings Limited. The Company is mainly focused on telecom infrastructure engineering, civil engineering, In order to succeed in all these aforementioned areas we are strengthened with professionals who have complementary skills, a depth of expertise and a commitment to excellence covering diverse disciplines which allows SEG to meet its corporate objectives.*

*In the telecom infrastructure engineering sector SEG provides a range of telecom solutions for Sri Lanka Telecom and Dialog. SEG diversified its business by building capacity in the Civil engineering sector and has strategically positioned the company to take advantage of the expanding construction industry of the country. During the year underreview company has undertaken civil engineering projects in diversified sectors such as construction of showrooms culverts and retaining walls.*

### VISION

**“To be the premier multi-disciplinary engineering organization in Sri Lanka.”**

### MISSION

**“To be the most sought after engineering organization dedicated to innovation, quality and customer satisfaction manned by a dynamic and motivated team of professionals leading to sustainable shareholder returns.”**

### CORPORATE OBJECTIVES

- **Achieving diverse requirements of our stakeholders**
  - **Quality and customer satisfaction**
  - **Ethics, integrity and accountability in our conduct**
  - **Innovation and best industry practices**
  - **Attracting and developing a dynamic and motivated team of professionals**
  - **Health and safety in the work place**
  - **Sustainable shareholder returns**
- Presentation**

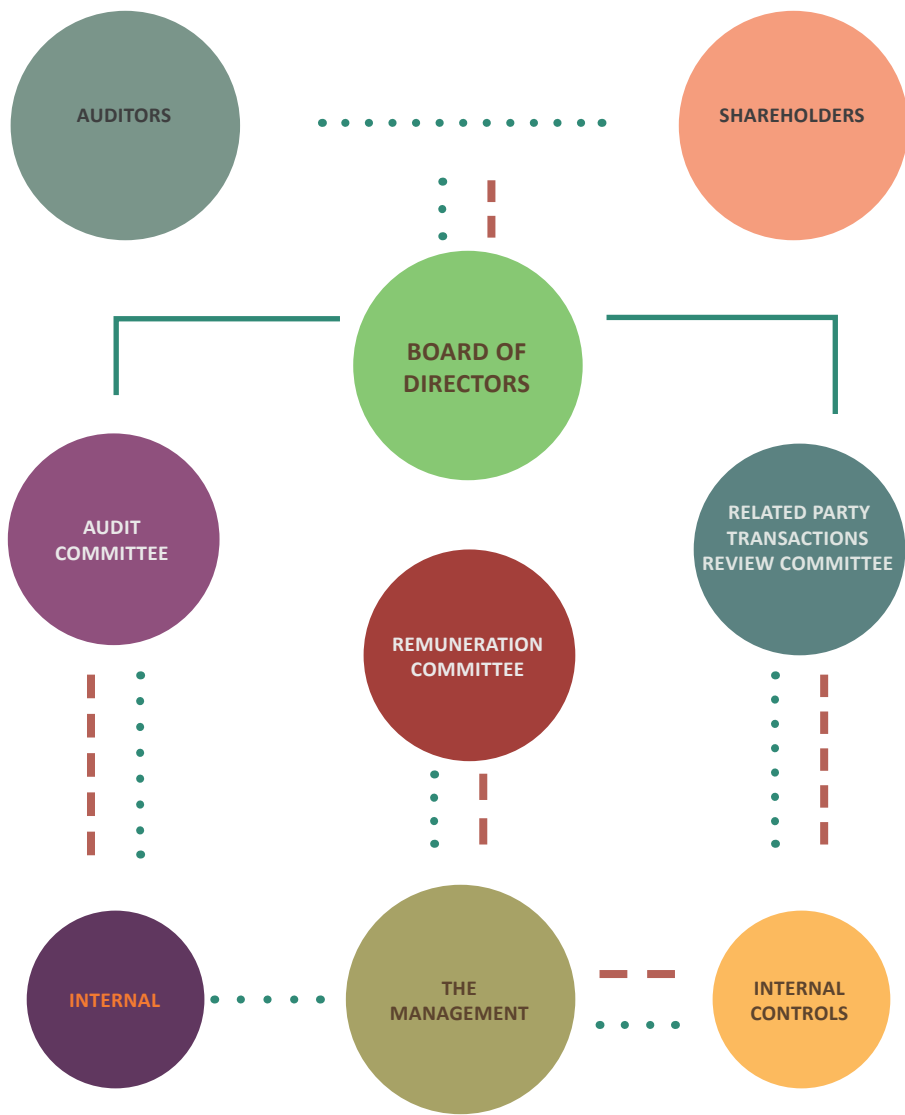
# PERFORMANCE HIGHLIGHTS OF THE YEAR

31 <sup>st</sup> March	Company			Group		
	2023	2022	Increased/ (Decreased)	2023	2022	Increased/ (Decreased)
Revenue	4,800,000	4,000,000	800,000	71,679,188	56,675,964	15,003,224
Net Finance Cost	140	184	(44)	(18,864,075)	(23,262,719)	4,398,644
Profit/loss Before Tax	197,604	(570,278)	767,882	(59,322,099)	(76,896,783)	17,574,684
Profit/loss For the Period	197,830	(566,384)	764,214	(59,321,873)	(77,213,780)	17,891,907
Total Comprehensive Income for the Period	197,830	(566,384)	764,214	(57,332,536)	(76,415,272)	19,082,736
Financial Position						
Stated Capital	178,107,910	178,107,910	-	178,107,910	178,107,910	-
Revenue Reserves	(216,865,165)	(217,062,995)	197,830	(418,288,499)	(364,312,841)	(53,975,658)
Non-Controlling Interest	-	-	-	(21,086,086)	(17,729,209)	(3,356,877)
Total Equity	(38,757,255)	(38,955,085)	197,830	(261,266,676)	(203,934,140)	465,200,816
Plant & Equipment	-	1,617	(1,617)	5,226,277	6,858,184	(1,631,907)
Net-Current Assets	(38,757,255)	(38,956,476)	199,221	(211,373,869)	(160,590,533)	(50,783,336)
Total Assets	123,883	125,360	(1,477)	142,837,284	118,952,532	23,884,752
Financial Analysis						
Earnings per Share	0.01	(0.02)	0.02	(1.72)	(2.25)	0.53
Price Earnings Ratio	-	-	-	N/M	N/M	N/M
Net Assets per Share	(1.20)	(1.20)	0.01	(7.42)	(6.30)	1.12
Market Price per Share	-	-	-	*3.80	6.10	(2.30)
Interest Cover (Times)	-	-	-	(0.51)	2.27	(2.78)
Current Ratio (Times)	0.00	0.00	0.00	0.39	0.41	(0.02)
Acid Ratio (Times)	-	-	-	0.29	0.30	-
Other						
Number of shares	32,383,250	32,383,250	-	32,383,250	32,383,250	-

\* Trading of shares of the Company has been suspended on 07<sup>th</sup> December 2022. The last traded price as at 07<sup>th</sup> December 2022 was Rs. 3.80.

# CORPORATE GOVERNANCE

The Board of Directors of Serendib Engineering Group PLC approach Corporate Governance as fundamental to the creation, protection and enhancement of the value of the Company. The objective is to encourage a good governance culture that safeguards the sustainable interests of our stakeholders. This Corporate Governance report details the Company’s Corporate Governance processes and activities for the financial year ended 31<sup>st</sup> March 2023 with reference to the Code of Best Practice of the Institute of Chartered Accountants, Sri Lanka, the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.



### External Framework

- Companies Act No. 07 of 2007
- Listing Rules of the Colombo Stock Exchange
- The Code of Best Practice on Corporate

### Internal Framework

- Articles of Association
- Policies and Procedures
- Corporate Values
- Corporate social responsibility



Governance jointly issued by SEC and ICASL

## CORPORATE GOVERNANCE

The Board of the Company has been continuously committed towards improving the internal control systems with the view to provide transparency and accountability to ensure best practices of Corporate Governance principles. The internal governance structure of the Company encompasses the Board of Directors and Board sub-committees such as the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee. As depicted above, the corporate governance framework shows how the above internal governance components are managed through internal policies, processes and procedures.

### ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Corporate governance impacts all aspects of an organization, from communication to leadership and strategic decision making, but it primarily involves the Board of Directors, how the Board conducts itself and how it governs the Company. The core responsibility of the Directors is to exercise their judgment to act in what they reasonably believe to be in the best interest of the Company and for the creation of longterm value and return for shareholders. In order to ensure that the Board is able to fulfil its responsibilities, directors have unrestricted access to information.

Further, the Board seeks independent professional advice when deemed necessary.

The Board is responsible for the achievement of the Group's overall performance objectives, accurate and efficient financial plans and annual budgets, major investments, divestment and evaluation and assessment of funding proposals, risk management and ensuring corporate governance practices are adhered to.

The Board has established a number of Board Sub-Committees to ensure the efficiency and effectiveness of the delegation of responsibilities and to provide an independent oversight of Management, including the Executive Committee,

which helps in terms of operational decision-making on behalf of the Board of Directors and guides the Senior Management to perform their duties effectively and efficiently. The Audit Committee, Remuneration Committee and Related Party Transactions Review Committee primarily consist of NonExecutive Directors. The respective roles and responsibilities of each Board Sub-Committee are included in this report.

### BOARD COMPOSITION

The Board members of the Company are drawn from diverse backgrounds and qualifications, and bring a wide range of commercial and financial experience to the Board. The group policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors with vast range of experience and expertise in the industry including fields of Management, Business, Administration, Construction, Law, Banking, Finance and Accounting, Economics, Marketing, Human Resource Management and People Management, Project Management and Logistics etc. The Board as a whole annually assesses the Board composition to ascertain whether the overall expertise expected from the Board matches the corporate strategic requirements in order to achieve stipulated corporate objectives and collectively and individually acts in accordance with the laws of the country. As at 31<sup>st</sup> March 2023, the Board comprised of four Non-Executive Directors. Also three out of four Non-Executives Directors are Independent.

### BOARD APPOINTMENTS

The Board evaluates proposals for the appointment of new Directors by taking into account the competencies required. The group practices a formal and transparent procedure for the new appointments to the Board. When directors are newly appointed to the Board, they undergo induction about the Group direction, values, culture, policies, governing framework, procedures and operating environment etc.

## CORPORATE GOVERNANCE

Details of the new appointments including a brief resume, the nature of expertise in relevant functional areas, other directorships and their independence will be disclosed to the Company's shareholders and regulatory authorities at the time of their appointment as per the CSE Listing Rules and Code of Best Practice on Corporate Governance.

### RETIREMENT OF DIRECTORS AND RE-ELECTION

All Directors of the Board are required to submit themselves for re-election at regular intervals. The Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-election by the shareholders at that meeting and for one-fourth of the Directors in office to retire at the Annual General Meeting.

The Directors who retire are those who have served for the longest period after their appoint/re-appointment. Retiring Directors are eligible for re-election. The provisions of the Articles do not require the Chairman and the Deputy Chairman to retire by rotation

### BOARD MEETINGS

The Board meets during the year to review the business performance and key activities of the Company and to discuss and debate business proposals put forward by the Management. During the financial year under review, there were three (03) Board Meetings. The number of Board Meetings attended by the Board of Directors are disclosed below.

Also, the Board of Directors was provided with the necessary information well in advance by sending them the Board Papers, proposals and discussion topics in order to ensure deliberation and effective decision making at the time of the Board Meeting.

Attendance of the Board Meetings for the year 2022/2023

Name of the Director	Date of meeting Attendance		
	25/05/2022	09/09/2022	10/11/2022
<b>Mr. G.T. Jeyaseelan</b> (Chairman /Member)	✓	✓	✓
<b>Mr. D. Rathnayaka</b> (Member / Independent Non - Executive Director)	✓	✓	✓
<b>Mr. K. Sivaskantharajah</b> (Member/ Independent Non - Executive Director)	✓	x	✓
<b>Mr. V. Rajarajan</b> (Member/ Independent Non - Executive Director)	✓	✓	✓

### BOARD EVALUATION

The Board of Directors has adopted an annual process for evaluating the effectiveness of the Board. The Board conducted its annual performance evaluation of the Board and individual directors by the end of the financial year 2022/23 on a self-appraisal basis. This performance evaluation is carried out based on the contribution and commitment towards achieving corporate goals and objectives.

### INDEPENDENCE

Independence of the Directors has been determined in accordance with the CSE Listing Rules and each Non-Executive Director submits an annual declaration of independence/non-independence in the prescribed format and the Board has determined the independence of Directors based on the same.

Messrs N.D. Rathnayaka, V. Rajarajan and K. Sivaskantharajah qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Directors has determined that they are Independent Directors.



## CORPORATE GOVERNANCE

### BOARD SECRETARY

S.S.P Corporate Services (Pvt) Ltd has been serving as the Company Secretaries with effect from 10<sup>th</sup> February 2020. In addition to maintaining board minutes and records, the Board Secretary has provided support in ensuring that the Board receives timely and accurate information, advice related to corporate governance matters, Board procedures and regulatory requirements during the year under review.

### BOARD SUB-COMMITTEES

The Board has delegated some of its functions to Board Subcommittees, while retaining the final decision rights. There are three Board Sub-Committees as follows;

#### (a) Audit Committee

The Audit Committee comprises of four (04) Non-Executive Directors.

Principally, the Audit Committee monitors and supervises management's financial reporting process to ensure accuracy and timely disclosure, transparency, integrity and quality of financial reporting within the Group.

The Committee ensures the independence of the external auditors and confirms the compliance with the requirements under the Companies Act, No. 07. of 2007 in relation to appointments, re- appointments and removal of the External Auditors. The Committee makes recommendations to the Board as appropriate. The External Auditors are duly appointed by the shareholders at the Annual General Meeting.

The Committee confirms to the best of their knowledge that the functions of the Audit Committee are in accordance with the requirements under the Listing Rules of the Colombo Stock Exchange.

The Audit Committee met 03 times for the year ended 31<sup>st</sup> March 2023 and the detailed Audit Committee report is presented on page 11 of this Annual Report.

#### (b) Remuneration Committee

The functions of the Committee encompass determination of compensation and benefits of the CEO and Executive Directors. The committee simultaneously ensures that no Director is involved in setting his own remuneration. The salient responsibility of the Remuneration Committee includes formulation, establishment of remuneration policies, reviewing, approving and recommending to the board, as well as remunerations of Directors including the key position of the Company and employees of the Company. The Committee comprises of four Non-Executive Directors. The Remuneration Committee report is presented on page 13 of this Annual Report.

#### (C) Related Party Transactions Review Committee

The key objective of the Related Party Transactions Review Committee is to ensure that the interests of shareholders as a whole are taken into account by the company when entering into Related Party Transactions. Further, the Committee provides an independent review, approval and oversight of all the proposed related party transactions to maintain the key principles of the company "accountability and the transparency". The detailed Related Party Transactions Review Committee report is presented on page no 15.

### ACCOUNTABILITY AND FINANCIAL REPORTING

The Board of Directors are directly responsible for the company's overall activities to shareholders of the Company.

## CORPORATE GOVERNANCE

Therefore, the Board of Directors and the Management make it their priority to provide complete disclosure of financial and non-financial information in accordance with commercial practices. The Board has presented a balanced and understandable assessment of the Company's financial position, performance and prospects during 2022/23. The Board of Directors pay broader attention to the adoption of sound and accurate reporting practices to ensure that an honest and balanced assessment is presented at all times.

### INTERNAL CONTROLS

The Board of Directors ensures to maintain a strong internal control system to safeguard shareholders wealth.

The Board periodically reviews and assesses the internal control system with a view to increase the efficiency and productivity of the Company's wealth.

The Board ensures the timely reporting to shareholders and compliance with the statutory requirements and provisions.

Further the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risk faced by the organization.

The framework is designed to provide reasonable care of;

- Efficiency and effectiveness of operations
- Reliability of financial and other management information
- The prevention of frauds
- Compliance with relevant national laws and Company regulations

The board has delegated the process of reviewing the effectiveness of the internal controls to the Audit Committee.

### CODE OF BUSINESS CONDUCT AND ETHICS

Although there is no written code of conduct of the Directors, they are conscious of the duties required of them. The transactions and activities which were associated with the Company are disclosed under related party transactions on pages 50 under Note 1.6 of the Financial Statements.

The Company complies with the Code of Best Practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) .

### DISCLOSURES TO THE PUBLIC, SEC AND CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information. The quarterly Financial Statements along with the explanatory notes are disclosed and published to all company's stakeholders by the Company in accordance with the SLFRS, Listing Rules of the Colombo Stock Exchange and Securities and Exchange Commission of Sri Lanka.

Furthermore, any other material financial and non-financial information which are price sensitive information about the Company is promptly communicated to the CSE and such information is also released to all stakeholders including employees, shareholders and regulatory authorities and the press.

# CORPORATE GOVERNANCE

## INVESTOR RELATIONS

The Company continuously focuses on maintaining an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties in ensuring effective investor communications.

The primary mode of communication between the Company and the shareholders are through the Annual Report, Interim Reports and Annual General Meeting.

In order to achieve this objective, there is an Investor Relations team which focuses on the followings;

- Maintaining and building healthy relationships
- Keep investors informed about group's performance and obtain constructive feedback
- Responding to queries and clarifying on concerns of investors

Further, individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times. Individual shareholders are encouraged to participate at General Meetings and exercise their voting rights.

# AUDIT COMMITTEE REPORT

I am pleased to present the report of the Audit Committee for the financial year ended 31<sup>st</sup> March 2023. During the year under review, the committee has successfully reviewed and reported to the board on its functions in order to ensure accurate and timely disclosure and transparency, integrity and quality of financial reporting. Further, the Audit Committee also assesses the effectiveness of the risk review process and systems of internal control on a regular basis and this report describes its key functions and performance during the year ended 31<sup>st</sup> March 2023.

## COMPOSITION OF THE COMMITTEE

The Audit Committee comprises of the following members;

**Mr. G. T. Jeyaseelan (Chairman) –**

Non-Executive Director

(Appointed w.e.f. 10<sup>th</sup> May 2021)

**Mr. N.D. Rathnayaka –**

Independent Non-Executive Director

(Resigned w.e.f. 5<sup>th</sup> January 2024)

**Mr. K. Sivaskantharajah –**

Independent Non- Executive Director

(Resigned w.e.f. 6<sup>th</sup> May 2023)

**Mr. V. Rajarajan –** Independent Non-Executive Director (Appointed w.e.f. 10<sup>th</sup> May 2021)

## ROLE OF THE COMMITTEE

The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its internal and external audits.

Its duties include reviews of financial statements, internal control procedures and risk management, accounting policies and compliance with Sri Lanka Accounting standards. It also reviews the adequacy of systems for compliance with the Companies Act No. 07 of 2007, other relevant legal, regulatory and ethical requirements and company policies.

The Committee endeavors to assist the Directors to discharge their duties and responsibilities in respect to regulatory compliance and risk management as well as performance of the Company's External Auditors.

## MEETING ATTENDANCE

The attendance of the Directors at the Audit Committee meeting during the year is tabulated below:

Attendance of the Audit Committee Meetings for the year 2022/2023

Name of the Director	Date of meeting Attendance		
	25/05/2022	09/09/2022	10/11/2022
<b>Mr. G.T. Jeyaseelan</b> (Chairman /Member)	✓	✓	✓
<b>Mr. D. Rathnayaka</b> (Member / Independent Non - Executive Director)	✓	✓	✓
<b>Mr. K. Sivaskantharajah</b> (Member/ Independent Non - Executive Director)	✓	✗	✓
<b>Mr. V. Rajarajan</b> (Member/ Independent Non - Executive Director)	✓	✓	✓

The Finance Manager attends all Committee Meetings by invitation unless the Finance Manager's remuneration is under discussion. Representatives of External Auditors are invited on need basis. The results of the review have been communicated to the Board of Director on a quarterly basis.

## FINANCIAL REPORTING

The Committee has reviewed and deliberated on the Interim and Annual Financial Statements of the Company prior to publication and has recommended the same to the Board for approval and publication.



## AUDIT COMMITTEE REPORT

Review of the preparation of the Annual report to ensure the reliability of the process, consistency of the accounting policies and methods and compliance with Sri Lanka Accounting Standards

### INTERNAL CONTROL SYSTEM

The Committee is satisfied that the control environment prevailing in the Company provides reasonable but not absolute assurance that the financial position of the Company is adequately monitored and that the systems are in place to minimize the impact of identifiable risks.

The Committee also monitors the timely payments of all statutory obligations.

The Committee also monitors the effectiveness of the internal and financial control procedures on the basis of the reports and findings submitted by the Internal and External Auditors of the Company.

### EXTERNAL AUDIT

The Committee has reviewed the services provided by the External Auditors to the Company to ensure their independence as Auditors has not been compromised. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than disclosed above. For the said reasons the Committee determined that the Auditors are Independent.

The performance of the External Auditors has been evaluated and the Audit Committee has recommended to the Board of Directors that V.S & Associates, (Chartered Accountants) to be appointed as Auditor for the financial years ending 31<sup>st</sup> March 2024 at a remuneration to be determined by the Board, subject to the approval of the Shareholders at the Annual General meeting.



**Mr. Govindasamy Thuraiappah Jeyaseelan**  
Chairman of the Audit Committee

16<sup>th</sup> January 2024  
Colombo

# REMUNERATION COMMITTEE REPORT

I am pleased to present the report of the Remuneration Committee which describes its key functions and performance during the year ended 31<sup>st</sup> March 2023

## THE COMPOSITION

The Remuneration Committee comprises of the following Non - Executive Directors;

- **Mr. G.T. Jeyaseelan**  
(Chairman) – Non-Executive Director  
(Appointed w.e.f. 24<sup>th</sup> May 2020)
- **Mr. N.D. Rathnayaka**  
Independent Non-Executive Director  
(Resigned w.e.f 5<sup>th</sup> January 2024)
- **Mr. K. Sivaskantharajah**  
Independent Non- Executive Director  
(Resigned w.e.f 6<sup>th</sup> May 2023)
- **Mr. V. Rajarajan** – Independent  
Non-Executive Director  
(Appointed w.e.f 24<sup>th</sup> May 2021)

## ROLE OF THE COMMITTEE

The Remuneration Committee is responsible for recommending remuneration payable to Executive Directors, Non-executive Directors and Key managerial personnel including the Chief Executive Officer based on performance parameters which are evaluated on an annual basis. Also, the Committee is responsible for the remuneration structure of the employees of the Company.

Responsibilities of the Committee include the following which are recommended to the Board;

- Remuneration policy and frame work of the company
- Senior executives' remuneration and incentives schemes.

## MEETING ATTENDANCE

The attendance of the Committee members of the Remuneration Committee during the year under reviewed is tabulated below;

Name of the Director	Date of meeting Attendance		
	25/05/2022	09/09/2022	10/11/2022
<b>Mr. G.T. Jeyaseelan</b> (Chairman /Member)	✓	✓	✓
<b>Mr. D. Rathnayaka</b> (Member / Independent Non- Executive Director)	✓	✓	x
<b>Mr. K. Sivaskantharajah</b> (Member/ Independent Non- Executive Director)	✓	x	✓
<b>Mr. V. Rajarajan</b> (Member/ Independent Non- Executive Director)	✓	✓	✓

The Finance Manager attended meetings by invitation.

## REMUNERATION POLICY

The Remuneration Committee strongly believes that the remuneration policy should be on par with the industry standards in order to motivate, attract and retain the best professional and managerial talent and expertise. The recommendations of the Committee are implemented with the approval of the Board of Directors.

# REMUNERATION COMMITTEE REPORT

## PROCEDURE

The Committee is fulfilling the above tasks by reviewing the information relating to retirement and remuneration of employees. Extension of services not exceeding one year is considered on a case by case basis over the retirement age of 55 years. The Remuneration packages are decided on par with market rates and practices of other establishments. The Committee determines the revision/increments based on individual performance of the employee, their contribution and commitments towards achieving corporate goals and objectives. After bi-annual performance evaluations, the committee makes recommendation to the Board of Directors and upon consideration of such recommendations the Board makes the final determination.



**Mr. Govindasamy Thuraiappah Jeyaseelan**

Chairman of the Remuneration Committee

16<sup>th</sup> January 2024

Colombo

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## THE COMPOSITION

The Related Party Transactions Review Committee comprises of the following members;

- **Mr. G. T. Jeyaseelan**  
(Chairman) – Non-Executive Director  
(Appointed w.e.f. 24<sup>th</sup> May 2021)
- **Mr. N. D. Rathnayaka**  
Independent Non- Executive Director  
(Resigned w.e.f. 5<sup>th</sup> January 2024)
- **Mr. Mr. K Sivaskantharajah**  
Independent Non- Executive Director  
(Resigned w.e.f. 6<sup>th</sup> May 2023)
- **Mr. V. Rajarajan**  
Independent Non-Executive Director  
(Appointed w.e.f. 24<sup>th</sup> May 2021)

Name of the Director	Date of meeting Attendance		
	25/05/2022	09/09/2022	10/11/2022
<b>Mr. G.T. Jeyaseelan</b> (Chairman /Member)	✓	✓	✓
<b>Mr. D. Rathnayaka</b> (Member / Independent Non - Executive Director)	✓	✓	✗
<b>Mr. K. Sivaskantharajah</b> (Member/ Independent Non - Executive Director)	✓	✗	✓
<b>Mr. V. Rajarajan</b> (Member/ Independent Non - Executive Director)	✓	✓	✓

The Finance Manager is a permanent invitee for all Committee meetings.

## ROLE OF THE COMMITTEE

The role of the Related Party Transactions Review Committee is to ensure that the interests of shareholders as a whole are taken into account by a listed entity when entering into related party transactions.

## MEETING ATTENDANCE

The attendance of the Committee members of the Related Party Transactions Review Committee during the year under reviewed is tabulated below; Attendance of the RPTC Committee Meetings for the year 2022/2023

## POLICIES AND PROCEDURES

All related party transactions must be reported to the Related Party Transactions Committee and referred for approval by the Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. LKAS 24–“Related Party Disclosures’ defines the “related party transactions’ as follows;

“A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged”.

Such transactions are also disclosed to stakeholders through the Company’s Financial Statements



# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## DUTIES OF THE COMMITTEE

- Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted by the terms of Rule 9.5 of the Listing Rules of the Colombo Stock Exchange
- Reviewing if there are any proposed material changes of previously reviewed related party transactions before the completion of the transaction
- To determine whether related party transactions that are to be entered into by the Company require the approval of the Board or shareholders of the Company.
- Review, revise, formulate and approve policies and procedures on related party transactions.
- Establishing guidelines for the Senior Management to follow regarding dealings with recurrent related party transactions
- To ensure that immediate market disclosures and disclosures in the Annual Report are made as required by the applicable rules/regulations in a timely and detailed manner.

## DECLARATION

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page 69 of the Annual Report.



**Mr. Govindasamy Thuraiappah Jeyaseelan**

Chairman of the Related Party Transactions  
Review Committee

16<sup>th</sup> January 2024

Colombo

# DIRECTORS' STATEMENT ON INTERNAL CONTROLS

## RESPONSIBILITY

In line with Section D.1.3 of Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this report on Internal Control.

The Board of Directors are responsible for the adequacy and effectiveness of the Serendib Engineering Group PLC systems of Internal Controls. However, the Board recognizes that such systems are designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the strategies and corporate objectives of the Company. Accordingly, the systems implemented can provide only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses of fraud.

Whilst the Board has overall responsibility for the company's system of internal controls, it has delegated the implementation of these internal control systems to the management. The Board has established an ongoing process for identifying, evaluating and managing the risks faced by the Company as stated in the section of Integrated Risk Management in this annual report. Moreover, the monitoring process includes enhancing the systems of internal controls as and when there are changes to business environment or regulatory guidelines. The Management assists the Board in the implementation of the Board's policies and procedures to mitigate and control risks. Further to implement the recommendation, the internal control systems are subject to the Board's regular review towards appraising the effectiveness of these systems within the Company.

Key features of the process adopted in applying and reviewing the design and effectiveness of the

Internal Control System on Financial Reporting  
The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- The Board Committee established by the Board of the Company assists the Board in ensuring the effectiveness of the Group's daily operations and that Group operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Group checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational basis and highlights significant findings in respect of any non-compliance. These audits are carried out on all subsidiaries within the Group in accordance with the annual audit plan which is approved by the Board. The internal audit plan that covers internal audit coverage and scope of work is presented to the Audit Committee and the Board. Further, the annual audit plan is reviewed and approved by the Board of Audit Committee.
- Internal audit reports are submitted to the Audit Committee during its quarterly meetings which encompasses the audit findings together with recommendations thereon. The senior and functional line management are tasked to ensure management action plans are carried out effectively and regular follow up audits are performed to monitor the continued compliance.
- In addition to this internal control mechanism, the Company also received extensive and detailed reports, management letters from its external Auditors that primarily focuses on financial controls. The management letters were also presented to the Audit Committee for deliberations. In the event of non-compliance, appropriate corrective actions have been taken in addition to amendments to the relevant procedures, if required.

## DIRECTORS' STATEMENT ON INTERNAL CONTROLS

- The Board and employees of the Company are committed to adhere to the best practice in corporate governance and observe the highest standards of integrity and behaviour in all activities conducted by the Company, including relationships with its customers, suppliers, shareholders, employees, business partners and within the community and environment in which company operates.
- Risk Management is vital for continued profitability and enhancement of shareholder value; hence Risk Management is practiced within the Group on an interactive basis. The Board regards risk management as an integral part of its business operation and which oversee the implementation of the risk management framework, periodically review the risk management processes and ensure that on-going measures taken were adequate to manage, address or mitigate the identified risks. All new and major investments have to observe a process of approval that includes an evaluation of the associated risks. A Corporate risk Management Framework was developed and documented via a Corporate Risk Management Manual which sets out in a comprehensive manner the process adopted by the Company towards risk identification, evaluation and control and monitoring.

### CONFIRMATION

Based on the above processes, the Board of Directors confirm that the financial reporting system of the Group has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory requirements

### REVIEW BY THE EXTERNAL AUDITORS

The External Auditors have reviewed the Internal Control System of the Group and reported to the Board of Directors that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in review of the design and effectiveness of the internal control system over financial reporting of the Company.

By order of the Board of Directors of Serendib Engineering Group PLC,



**Mr. G. T. Jeyaseelan**

Director/Chairman of the Audit Committee

16<sup>th</sup> January 2024  
Colombo

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Serendib Engineering Group PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31<sup>st</sup> March 2023.

The Report contains pertinent information and disclosures required under the Companies Act, No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange, recommended Best Practices of Corporate Governance and the requirements of the Sri Lanka Accounting Standards.

## PRINCIPAL ACTIVITIES

Acting as the Holding Company for subsidiaries engaged in a range of Engineering Services.

The Principal activities of the subsidiary companies are referred to in Note 11 to the Financial Statements on page 61.

## RESULTS AND APPROPRIATIONS

The Financial Statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No. 7 of 2007.

The aforesaid Financial Statements, duly signed by the Finance Manager and two Directors on behalf of the Board and the Auditors are included in this Annual Report and form an integral part of this Annual Report of the Board of Directors.

## RETIREMENT OF DIRECTORS AND THEIR RE-ELECTION

In terms of Article 118 of the Articles of Association of the Company, Messrs G.T. Jeyaseelan, and V. Rajarajan will hold office until the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for Re-election.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors Responsibilities in compliance with the requirements in preparation of financial statements are set out on pages 17 and 18.

## INFORMATION ON THE DIRECTORS OF THE COMPANY AND THE GROUP DIRECTORS OF THE COMPANY AS AT 31<sup>ST</sup> MARCH 2023

The names of the Directors who held office as at the end of the accounting period are given below:

### Mr. V. Rajarajan

Independent Non-Executive Director  
(Appointed w.e.f 24<sup>th</sup> May 2021)

### Mr. K Sivaskantharajah

Independent Non- Executive Director  
(Resigned w.e.f. 6<sup>th</sup> May 2023)

### Mr. N. D. Rathnayaka

Independent Non-Executive Director  
(Resigned w.e.f. 5<sup>th</sup> January 2024)

### Mr. G. T. Jeyaseelan

Non-Executive Director  
(Appointed w.e.f. 4<sup>th</sup> January 2020)



# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## DIRECTORS OF SUBSIDIARY COMPANIES AS AT 31<sup>ST</sup> MARCH 2023

Serendib Engineering & Agencies (Private) Limited	N. D. Rathnayaka G. T. Jeyaseelan
Serendib Investment Holdings Limited	G. T. Jeyaseelan D. Ihalagedera (Appointed w.e.f 11 <sup>th</sup> February 2021)
CCC Plantation Engineering Limited (Wound up on 25 <sup>th</sup> October 2022)	G. T. Jeyaseelan D. Ihalagedera (Appointed w.e.f 10 <sup>th</sup> February 2021)

Name of the Director	2022/ 2023 No of Shares	2021/ 2022 No of Shares
Mr. G.T. Jeyaseelan (Appointed w.e.f. 4 <sup>th</sup> January 2020)	Nil	Nil
Mr. N. D. Rathnayaka (Resigned w.e.f 5 <sup>th</sup> January 2024)	Nil	Nil
Mr. V. Rajarajan – Director (Appointed w.e.f. 24 <sup>th</sup> May 2021)	Nil	Nil
Mr. K. Sivaskantharajah – Director (Resigned w.e.f 6 <sup>th</sup> May 2023)	Nil	Nil

## MAJOR SHAREHOLDINGS

The 20 major shareholders of the Company as at 31<sup>st</sup> March 2023 are listed on page 84 in the “Shareholder Information”.

Serendib Holdings Pte Ltd. (The Parent Company of Serendib Engineering Group PLC) which held 27,241,287 shares as at 31<sup>st</sup> March 2023 with a holding of 84.12%.

## SHAREHOLDING

As at 31/03/2023 there were 939 Registered Shareholders.

Information on the distribution of shareholding and the respective percentages are given on page 84 under “Shareholder information”.

## STOCK MARKET INFORMATION

Information relating to share trading and Public Holding are given on pages 84.

## STATED CAPITAL

The Stated Capital of the Company as at 31<sup>st</sup> March 2023, was Rupees One Hundred & Seventy Eight Million One Hundred & Seven Thousand Nine Hundred & Ten (Rs. 178,107,910/-) representing 32,383,250 Ordinary Shares. The structure of the Stated Capital is given in pages 84 to the Accounts.

## DIRECTORS' REMUNERATION

Director's Remuneration for the Financial year ended 2022/23 is Rupees 3,600,000

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the Financial year under review

## REVENUE

The revenue of the group for the year was Rs. 71,679,188.

## TAXATION

The Tax position of the Company is given in Note 07 to the Financial Statements

## PROPERTY, PLANT AND EQUIPMENT

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 09 on pages 58 and 59 of the Financial Statements

## GOING CONCERN

The Board of Directors of the Company are aware that the Company has adequate support from the parent company to continue its operations in the foreseeable future.

Therefore, the Company continues to adopt a going concern concept while preparing the accounts of the Company.

## INTERNAL CONTROL SYSTEM

The Board has overall responsibility for the Company's Systems of Internal Control. The Company's internal control and check systems have been designed to provide the Directors with reasonable assurance that the assets are protected, safeguarded and transactions are authorized, thereby ensuring that errors and irregularities are either prevented or detected within a timely period, whilst ensuring that Corporate Governance is properly practiced and adhered to.

## INTERESTS REGISTER

An Interests Register is maintained, in compliance with the Companies Act No. 07 of 2007.

The particulars of the entries made in connection with the General Disclosure in terms of Section 192(2) of the Companies Act No. 07 of 2007 are given in Note 22 under Related Party transactions.

## AUDIT COMMITTEE

The Audit Committee comprises of 4 Directors whom Mr. G.T. Jeyaseelan functions as the Chairman of the committee. The report of the audit committee is given on page 11 and 12.

## REMUNERATION COMMITTEE

The Remuneration committee comprises of 4 Directors whom Mr. G.T. Jeyaseelan functions as the Chairman of the committee. The report of the remuneration committee is given on page 13 and 14.

## THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Related Party Transactions Review Committee comprises of 4 directors whom Mr. G.T. Jeyaseelan functions as the Chairman of the Committee. The Report of the said Committee is given on page 15 and 16.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## BOARD SUB COMMITTEES

The Board of Directors have formed three Mandatory Board Sub Committees in terms of the Listing Rules of the Colombo Stock Exchange, namely, Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee.

The composition of the said Board Sub Committees appear on page 8 as required by the Listing Rules, the Reports of the Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee are on pages 11 and 16 respectively.

## DECLARATION

The Directors declare that the company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertainin to Related Party Transaction during the Financial Year ended 31<sup>st</sup> March 2023.

## STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments have been made or provided for same.

## ENVIRONMENTAL PROTECTION

The Board of Directors has taken adequate precautions when diversifying the business activities to ensure that the Company does not engage in any activities which could be detrimental to the environment.

## RISK MANAGEMENT

The Board of Directors has structured proper systems and controls to identify probable risk. These systems are periodically evaluated and reviewed by the Board to ensure smooth functioning. Remedial measures also have been implemented to mitigate risk.

## CONTRIBUTIONS TO CHARITIES

The Company has not contributed to charities during the financial year under review.

## ACCOUNTING POLICIES

There has been no change in the Accounting Policies adopted by the Company in preparation of Financial Statements during the Financial Year under review.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to the date of the Statement of the Financial Position, no circumstance has arisen which require adjustments to the accounts.

## MATERIAL ISSUES PERTAINING TO EMPLOYEE AND INDUSTRIAL RELATIONS

There were no material issues relating to the Employees and Industrial Relations during the year ended 31<sup>st</sup> March 2023.

## EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all Shareholders are treated equitably.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## AUDITOR'S REPORT

The Auditor's Report on the Financial Statements is given on Pages 25 to 29.

## INDEPENDENT AUDITORS

### Company

Messrs V.S . & Associates, Chartered Accountants served as the Auditors of the Company and also provided other permitted non audit services. The Accounts for the year have been audited by V. S. & Associates, Chartered Accountants, who retire and are eligible for re-appointment.

The Directors recombined their re-appointment.

The total amount of Rs. 395,000/- was paid by the company to the auditors of the year under review comprising of Rs. 200,000/- as Audit Fees and Rs. 195,000/- as Non-Audit Fees.

The retiring auditors have expressed willingness to continue in office. A resolution to appoint the incoming auditor and their remuneration will be proposed at the forthcoming Annual General Meeting.

### Group

The Audits of subsidiary companies are handled by Messrs B.R. De Silva (Chartered Accountants) Details of payments to such audit firms on account of audit fees and for permitted non audit services, are set out in Note 06 to the Financial Statements on page 55.

This Annual Report is signed for and on behalf of the Board of Directors By order of the Board of Serendib Engineering Group PLC



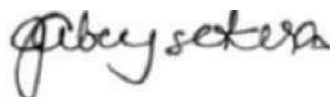
**Mr. V. Rajarajan**

Director



**Mr. G. T. Jeyaseelan**

Director



**S. S. P. Corporate Services (Private) Limited**

Secretaries Colombo

16<sup>th</sup> January 2024

Colombo



# **FINANCIAL STATEMENTS**

# INDEPENDENT AUDITOR'S REPORT



Partners  
Mrs. L.R. SHAH F.C.A.  
L.J. SELVANAYAGAM F.C.A.

20/62, Fairfield Gardens,  
Colombo 8,  
Sri Lanka.

Tel : (94-11) 2699606, 2699917, 2691281  
Fax : (94-11) 2699918.  
E-mail : vsa@stt.lk

## TO THE SHAREHOLDERS OF SERENDIB ENGINEERING GROUP PLC

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Serendib Engineering Group PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31<sup>st</sup> March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph of our report, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31<sup>st</sup> March 2023, and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Qualified Opinion

The Group has recorded a loss of Rs. 59,321,873 during the year ended 31<sup>st</sup> March 2023 and the accumulated losses as at that date was Rs. 418,288,499. The current liabilities exceed the current assets by Rs. 211,373,869 and the

Group's net assets reflect a negative balance of Rs. 261,266,676 which is a serious loss of capital as per section 220 of the Companies Act, No. 07 of 2007.

The Group could not generate sufficient income during past years and we draw attention to Note 27 to the financial statements regarding the events and conditions that may cast significant doubt that all the companies in the group will be able to continue as a going concern. Further, the Group's financing arrangements depends on funding from parent Company, Serendib Holdings Pte. Ltd, Singapore. The Group has been unable to conclude re-negotiations or obtain replacement financing.

These events indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Further, we draw attention to Note 28 to the financial statements, which describe the non-availability of direct confirmations related to Interest Bearing Borrowings and Bank Overdraft of subsidiary company.

## INDEPENDENT AUDITOR'S REPORT

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

#### (a) Revenue Recognition

Refer to the accounting policies in "Note 1.3.14.1 b to the Financial Statements: Revenue - Rendering of Services", "Note 2 to the Financial Statements: Revenue"

#### Risk Description

The Group has recognised revenue of Rs. 71,679,188/- for the year ended 31 March 2023. The Group's revenue comprise of providing services towards Public Infrastructure Development in the fields of Engineering, Telecommunication, Power & Energy and Railway.

Revenue Recognition was a key audit matter due to the significance of the account balance coupled with the significant increase in revenue recorded by the Group during the year and considerations to be made on terms relating to the services provided.

#### *Our audit procedures included;*

- Obtaining an understanding of the design of controls relating to the recognition of revenue.
- Testing controls relating to revenue and trade account receivables over the accuracy and timing of revenue accounted in the financial statements.
- Assessing the revenue recognition policy applied by the Group over its compliance with Sri Lanka Accounting Standards.
- Performing inquiries and substantive analytical procedures to understand the nature of business activities and understanding reasons contributing to the significant increase in revenue recognised during the year. and
- Testing transactions recorded at year-end, assessing whether revenue was recognised in the correct accounting period, particularly testing how terms of revenue arrangements were considered within the revenue recognition process.

#### (b) Impairment Assessment of Investments in Subsidiaries

Refer Accounting Policies in Note 1.3.10 and explanatory Note 11 to the financial statements.

#### Risk Description

The Company has recognised an impairment provision of Rs. 146,737,890 for the investments in subsidiaries in previous years. Investments that do not generate adequate returns may be an indication of impairment. Management performed the impairment assessment for subsidiaries with indications of impairment based on the uncertainty in recovering the investment value due to the recent performance of the subsidiaries.

## INDEPENDENT AUDITOR'S REPORT

We considered the impairment assessment of investments in subsidiaries to be a key audit matter due to the magnitude of the carrying value of investment in subsidiaries in the financial statements as at the reporting date.

### ***Our audit procedures included;***

- Assessing the recoverability of investments made in subsidiaries.
- Evaluate investee companies audited financial statements and management's information as applicable.
- Discussions with management with regard to recoverability of the investments.

### **(c) Liability on Value Added Tax**

Refer Note 20 to the financial statements.

### ***Risk Description***

The Company's Trade and Other Payables include un-settled liability relating to Value Added Tax of Rs. 5,343,675.

We were made to understand that the Company's Value Added Tax registration file had been inactivated by the Department of Inland Revenue since 2002.

We identified the liability on Value Added Tax as a key audit matter due to the significance of the amount.

### ***Our audit procedures included;***

- Discussions with management to understand the nature and status of Value Added Tax Liability.
- Discussions with management with regard to settlement of liability.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **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 determines 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 Group'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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1638.



**V.S. & ASSOCIATES**

**CHARTERED ACCOUNTANTS**

16<sup>th</sup> January 2024

Colombo



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH 2023	NOTES	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Revenue</b>	2	71,679,188	56,675,964	4,800,000	4,000,000
Cost of Sales		(53,740,160)	(48,489,034)	-	-
<b>Gross Profit</b>		17,939,028	8,186,930	4,800,000	4,000,000
Other Income	3	215,398	86,396	-	-
		18,154,426	8,273,326	4,800,000	4,000,000
<b>Administrative Expenses</b>		(58,612,450)	(61,781,635)	(4,602,536)	(4,444,707)
Other Expenses	3	-	(125,755)	-	(125,755)
<b>Results from Operating Activities</b>		(40,458,024)	(53,634,064)	197,464	(570,462)
Finance Income	4	938,573	312,795	140	184
Finance Costs	5	(19,802,648)	(23,575,514)	-	-
<b>Net Finance Income / (Costs)</b>		(18,864,075)	(23,262,719)	140	184
<b>Profit / (Loss) before Tax</b>	6	(59,322,099)	(76,896,783)	197,604	(570,278)
Income Tax Expense	7	226	(316,997)	226	3,894
<b>Profit / (Loss) for the year</b>		(59,321,873)	(77,213,780)	197,830	(566,384)
<b>Other Comprehensive Income / (Expense)</b>					
Items that will not to be reclassified to Profit or Loss-					
Actuarial Gain / (Loss) on Employee Benefit Obligation		1,989,337	798,508	-	-
<b>Total Other Comprehensive Income / (Expense) for the year</b>		1,989,337	798,508	-	-
<b>Total Comprehensive Income / (Expense) for the year</b>		(57,332,536)	(76,415,272)	197,830	(566,384)
<b>Profit / (Loss) attributable to:</b>					
Equity Holders of the Parent		(55,850,091)	(72,774,334)	197,830	(566,384)
Non-Controlling Interest		(3,471,782)	(4,439,446)	-	-
<b>Profit / (Loss) for the year</b>		(59,321,873)	(77,213,780)	197,830	(566,384)
<b>Total Comprehensive Income / (Expense) attributable to:</b>					
Equity Holders of the Parent		(53,975,658)	(72,021,900)	197,830	(566,384)
Non-Controlling Interest		(3,356,877)	(4,393,372)	-	-
<b>Total Comprehensive Income / (Expense) for the year</b>		(57,332,536)	(76,415,272)	197,830	(566,384)
<b>Earnings / (Loss) per Share</b>	8	(1.72)	(2.25)		

# STATEMENT OF FINANCIAL POSITION

AS AT 31 <sup>ST</sup> MARCH 2023	NOTES	GROUP	COMPANY		
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
ASSETS					
Non - Current Assets					
Plant & Equipment	9	5,226,277	6,858,184	-	1,617
Intangible Assets	10	132,994	282,571	-	-
Investments in Subsidiaries	11	-	-	-	-
Other Financial Assets	12	-	-	-	-
Total Non - Current Assets		5,359,271	7,140,755	-	1,617
Current Assets					
Inventories	13	36,286,370	30,032,780	-	-
Trade and Other Receivables	14	91,727,477	73,406,215	63	63
Amounts due from Related Parties	22	-	-	-	-
Other Financial Assets	12	7,338,357	6,575,024	-	-
Cash and Cash Equivalents	15	2,125,809	1,797,758	123,820	123,680
Total Current Assets		137,478,013	111,811,777	123,883	123,743
Total Assets		142,837,284	118,952,532	123,883	125,360
EQUITY AND LIABILITIES					
Equity					
Stated Capital	16	178,107,910	178,107,910	178,107,910	178,107,910
Revenue Reserves		(418,288,499)	(364,312,841)	(216,865,165)	(217,062,995)
Total Equity attributable to					
Equity Holders of the Parent		(240,180,589)	(186,204,931)	(38,757,255)	(38,955,085)
Non-Controlling Interest		(21,086,086)	(17,729,209)	-	-
Total Equity		(261,266,676)	(203,934,140)	(38,757,255)	(38,955,085)

# STATEMENT OF FINANCIAL POSITION

AS AT 31 <sup>ST</sup> MARCH 2023	NOTES	GROUP	COMPANY		
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Non - Current Liabilities					
Employee Benefits	17	4,850,232	5,634,766	-	-
Deferred Tax Liability	18	-	226	-	226
Interest Bearing Borrowings	19	50,401,845	44,849,370	-	-
Total Non - Current Liabilities					
		55,252,077	50,484,362	-	226
Current Liabilities					
Trade and Other Payables	20	196,965,383	146,041,239	10,975,152	8,867,956
Amounts due to Related Parties	22	93,542,423	56,241,938	27,905,986	30,212,263
Interest Bearing Borrowings	19	27,442,336	41,562,979	-	-
Income Tax Liability	21	129,108	129,108	-	-
Bank Overdrafts	15	30,772,632	28,427,046	-	-
Total Current Liabilities					
		348,851,882	272,402,310	38,881,138	39,080,219
Total Liabilities					
		404,103,959	322,886,672	38,881,138	39,080,445
Total Equity and Liabilities					
		142,837,284	118,952,532	123,883	125,360

I certify that these financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Deputy Finance Manager

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board by,



Director



Director

# STATEMENT OF CHANGES IN EQUITY - GROUP

	Attributable to Equity Holders of the Parent			Non-Controlling	Total
	Stated Capital Rs	Revenue Reserve Rs	Total Rs	Interest Rs	Equity Rs
<b>Balance as at 31<sup>st</sup> March 2021</b>	178,107,910	(292,290,941)	(114,183,031)	(13,335,837)	(127,518,868)
Loss for the year	-	(72,774,334)	(72,774,334)	(4,439,446)	(77,213,780)
Other Comprehensive Income / (Expense)	-	752,434	752,434	46,074	798,508
<b>Total Comprehensive Income / (Expense) for the year</b>	-	(72,021,900)	(72,021,900)	(4,393,372)	(76,415,272)
Total transaction with owners of the Company	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>178,107,910</b>	<b>(364,312,841)</b>	<b>(186,204,931)</b>	<b>(17,729,209)</b>	<b>(203,934,140)</b>
Loss for the year	-	(55,850,091)	(55,850,091)	(3,471,782)	(59,321,873)
Other Comprehensive Income / (Expense)	-	1,874,433	1,874,433	114,904	1,989,337
<b>Total Comprehensive Income / (Expense) for the year</b>	-	(53,975,658)	(53,975,658)	(3,356,877)	(57,332,536)
<b>Total transaction with owners of the Company</b>	-	-	-	-	-
<b>Balance as at 31<sup>st</sup> March 2023</b>	178,107,910	(418,288,499)	(240,180,589)	(21,086,086)	(261,266,676)

Revenue Reserve comprises of Retained Earnings and Revenue Reserve represents the amounts set aside by the Directors for General Application.

# STATEMENT OF CHANGES IN EQUITY - COMPANY

	Stated Capital Rs.	Revenue Reserve Rs.	Total Rs.
<b>Balance as at 31<sup>st</sup> March 2021</b>	178,107,910	(216,496,611)	(38,388,701)
Loss for the year	-	(566,384)	(566,384)
Other Comprehensive Income / (Expense)	-	-	-
<b>Total Comprehensive Income / (Expense) for the year</b>	-	(566,384)	(566,384)
<b>Total transaction with owners of the Company</b>	-	-	-
<b>Balance as at 31<sup>st</sup> March 2022</b>	178,107,910	(217,062,995)	(38,955,085)
Loss for the year	-	197,830	197,830
Other Comprehensive Income / (Expense)	-	-	-
<b>Total Comprehensive Income / (Expense) for the year</b>	-	197,830	197,830
<b>Total transaction with owners of the Company</b>	-	-	-
<b>Balance as at 31<sup>st</sup> March 2023</b>	178,107,910	(216,865,165)	(38,757,255)

Revenue Reserve comprises of Retained Earnings and Revenue Reserve represents the amounts set aside by the Directors for General Application.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH 2023	GROUP			COMPANY	
	NOTES	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before Interest & Tax		(46,349,685)	(69,905,855)	197,464	(570,462)
Adjustment for;					
Depreciation on Plant & Equipment	9	1,689,205	1,987,162	1,617	15,548
Amortisation of Intangible Assets	10.2	212,680	384,728	-	-
Gratuity Provision	17	1,204,803	819,102	-	-
Provision for Inventory Obsolescence	13.1	-	125,755	-	125,755
Exchange Fluctuation on Interest Bearing Borrowings	5	5,552,475	14,543,370	-	-
Loss before Working Capital Changes		(37,690,522)	(52,045,738)	199,081	(429,159)
Changes in Working Capital					
(Increase) / Decrease in Inventories		(6,253,590)	(8,150,572)	-	-
(Increase) / Decrease in Trade and Other Receivables		(18,321,262)	(8,786,173)	-	-
(Increase) / Decrease in Amounts due from Related Parties		37,300,485	56,241,938	(2,306,277)	(998,391)
Increase / (Decrease) in Trade and Other Payables		50,924,144	24,988,257	2,107,196	1,427,550
Cash Generated from / (used in) Operating Activities		25,959,256	12,247,712	-	-
Tax Paid		-	(320,891)	-	-
Interest Paid	5	(13,747,755)	(7,303,723)	-	-
Gratuity Paid	17	-	(439,775)	-	-
Net Cash Flows from / (used in) Operating Activities		12,211,501	4,183,323	-	-



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH 2023	GROUP			COMPANY	
	NOTES	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Plant & Equipment	9	(57,298)	(673,639)	-	-
Purchase of Intangible Assets	10.2	(63,103)	-	-	-
Investment in Fixed Deposits		(763,333)	(2,300,258)	-	-
Interest Received	4	775,341	312,795	140	184
Net Cash Flows from / (used in) Investing Activities		(108,393)	(2,661,102)	140	184
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds form Interest Bearing Borrowings	19	88,852,847	27,205,795	-	-
Repayment of Interest Bearing Borrowings	19	(102,973,489)	(35,561,821)	-	-
Net Cash Flows from / (used in) Financing Activities		(14,120,642)	(8,356,026)	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents		(2,017,534)	(6,833,805)	140	184
Cash and Cash Equivalents at the beginning of the year		(26,629,288)	(19,795,483)	123,680	123,496
Cash and Cash Equivalents at the end of the year		(28,646,823)	(26,629,288)	123,820	123,680
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Savings Accounts	15	478,670	573,167	9,460	9,319
Cash in Hand & at Bank	15	1,647,139	1,224,591	114,360	114,361
Un-favourable balances					
Bank Overdrafts	15	(30,772,632)	(28,427,046)	-	-
		(28,646,823)	(26,629,288)	123,820	123,680

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1. Reporting Entity

#### 1.1.1. General

Serendib Engineering Group PLC (“Company”) is a Public Quoted Company with Limited Liability incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at No. 20, Cotta Road, Colombo 08.

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange.

#### 1.1.2. Consolidated Financial Statements

The Consolidated Financial Statements, “the Company” refers to Serendib Engineering Group PLC as the Parent Company and “the Group” refers to the companies whose accounts have been consolidated therein.

Serendib Engineering Group PLC’s Parent Entity is Serendib Holdings Pte. Ltd which is incorporated in Singapore.

#### 1.1.3. Principal Activities and Nature of Operations

The principal activities of the Company were manufacturing of precast Concrete Poles used in Telecommunication and Electricity Industries and acting as a Holding Company for Subsidiaries engaged in a range of Engineering Services. During the year Company received Management Fees for the period 01<sup>st</sup> April 2022 to March 2023 from Serendib Engineering & Agencies (Pvt) Ltd.

The principal activities of the Subsidiaries are disclosed in Note 11 to the Financial Statements.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

#### 1.1.4. Approval of Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31<sup>st</sup> March 2023, were authorised for issue, in accordance with a resolution of the Board of Directors on 16<sup>th</sup> January 2024.

#### 1.1.5. Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company and the Group as per the provisions of the Companies Act No. 07 of 2007 and in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka.

## 1.2. BASIS OF PREPARATION

#### 1.2.1. Statement of Compliance

The Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, and the listing rules of the Colombo Stock Exchange.

#### 1.2.2. Components of Financial Statements

The Consolidated Financial Statements include the following components.

- Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review.
- Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end.
- Statement of Changes in Equity depicting all changes in shareholders’ funds during the year under review for the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS

- The Statement of Cash Flows providing the information to the users, on the ability to generate cash and cash equivalents of the Group and the company during the year under review; and
- Notes to the financial Statements comprising significant accounting policies and other explanatory information.

### 1.2.3. Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for defined benefit plans which are measured at the present value of the Employee Benefits.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

### 1.2.4. Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees (Rs.), which is the Group's functional and presentation Currency.

All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 on 'Presentation of Financial Statements'.

### 1.2.5. Use of Estimates, Judgements and Assumptions

The presentation of the financial statements of the Group and the Company in conformity with Sri Lanka Accounting Standards (SLFRS / LKAS) requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the Note 17 - measurement of Employee Benefits.

### 1.2.6. Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'presentation of financial Statements'.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

### 1.2.7 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 1.2.8 Current versus Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period.

or

Is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period.

or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current liabilities.

The Group classifies deferred tax assets and liabilities under non-current assets and liabilities.

### 1.2.9. Going Concern

The Group has recorded a loss of Rs. 59,321,873 during the year ended 31st March 2023 and the accumulated losses as at that date was Rs. 418,288,499. The current liabilities exceed the current assets by Rs. 211,373,869 and the Group's net assets reflect a negative balance of Rs. 261,266,676 which is a serious loss of capital as per section 220 of the Companies Act, No. 07 of 2007.

The Board of Directors is informed about the conditions which raise doubt whether the Group will be able to continue as a going concern in the future as further explained in Note 27 to the financial statements.

These events indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

### 1.3. SIGNIFICANT ACCOUNTING POLICIES

Group has consistently applied the accounting policies set out below to all periods presented in these Consolidated Financial Statements.

#### 1.3.1. Changes in Accounting Policies

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for the current financial year. These amendments and interpretations did not have any significant impact on the reported financial statements of the Group.

#### 1.3.2. Basis of Consolidation

The Group's financial statements comprise of the consolidation of financial statements of the Company and its Subsidiaries prepared in terms of Sri Lanka Accounting Standard SLFRS 10 - 'Consolidated Financial Statements'. Subsidiaries are disclosed in Note 11 to the Financial Statements.

##### 1.3.2.1. Business Combination and Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the

## NOTES TO THE FINANCIAL STATEMENTS

Group takes into consideration potential voting rights that are currently exercisable.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

### 1.3.2.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

### 1.3.2.3. Transactions with Non-controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Parent, directly or indirectly through subsidiaries, is disclosed separately under the heading "Non-Controlling Interest".

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

The acquisition of an additional ownership interest or a disposal of ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in equity of the parent. No adjustment is made to goodwill as a result of such transactions.

### 1.3.2.4. Loss of Control

On the loss of control, the Group derecognises the assets including goodwill and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of Profit or Loss.

If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## NOTES TO THE FINANCIAL STATEMENTS

### 1.3.2.5. Profits and Losses

The total profits or losses of the Company and its subsidiaries for the period are included in the consolidation. The proportion of the profit or loss after taxation attributable to Non Controlling Interest shareholders of the subsidiaries is shown as a component of profit or loss for the period in the Consolidated Statement of Profit or Loss.

### 1.3.2.6. Assets and Liabilities

All assets and liabilities of the Company and its subsidiaries are included in the Consolidated Statement of Financial Position. Non controlling interest which represents the proportion of interest attributable to non controlling interest of subsidiaries in the net assets employed by the Group is disclosed as a component of equity in the Consolidated Statement of Financial Position, separately from the Parent shareholders' equity.

### 1.3.2.7. Transactions Eliminated on Consolidation

All intra group balances and transactions, income and expenses, profits and losses resulting from intra group transactions that are recognised in assets, liabilities, income and expenses are eliminated in preparing the consolidated financial statements.

### 1.3.2.8. Financial Period

All Subsidiaries of the Group have a common financial year as the Parent Company.

### 1.3.3. Foreign Currency Transactions

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss.

### 1.3.4. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument of another entity.

#### 1.3.4.1 Financial Assets

##### *(a) Initial Recognition and Measurement*

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### *(b) Subsequent Measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).



## NOTES TO THE FINANCIAL STATEMENTS

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The financial assets of the Group comprise financial assets measured at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

### **Financial Assets at Amortised Cost**

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash & cash equivalent and trade & other receivables.

### **Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)**

The Financial Assets categorised as Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) - Equity Investments under SLFRS 9 after assessing the business model that applies to the

financial assets held by the Group. This category only includes the equity instruments, which the Company intends to hold for the foreseeable future. There is no recycling of gains or losses to profit or loss on derecognition and the dividend received as a result of holding this investment will be recognised in the statement of profit or loss.

The Group's Equity Investments in non listed companies classified as Fair Value Through Other Comprehensive Income.

### **Financial Assets at Fair Value through Profit or Loss (FVTPL)**

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group's financial assets at fair value through profit or loss include investments in quoted companies.

### **(c) De-recognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## NOTES TO THE FINANCIAL STATEMENTS

### **(d) Impairment of Financial Assets**

SLFRS 9 establishes a new model for impairment which is a forward looking expected credit loss model.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.

#### **Credit-Impaired Financial Assets**

At each reporting date, the Group assess whether the financial assets carried at amortised cost are credit-impaired. A financial asset is “credit impaired” when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit impaired includes the following observable data,

- Significant financial difficulty of the borrower or the issuer
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- It is probable that the borrower enter bankruptcy or other financial reorganisation or
- The disappearance of the active market for a security because of financial difficulty.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

### **Write off**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovery of financial asset in its entirety or a portion thereof. Write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

### **1.3.4.2. Financial Liabilities**

#### **(a) Initial Recognition and Measurement**

Financial liabilities within the scope of SLFRS 9 remains broadly the same as LKAS 39, are classified as financial liabilities at fair value through profit or loss, or at amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

#### **(b) Subsequent Measurement of Financial Liabilities**

The measurement of financial liabilities depends on their classification, as described below.

#### **Loans and Borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

### **(c) Derecognition**

A Financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **1.3.5. Plant & Equipment**

#### **1.3.5.1. Recognition and Measurement**

Items of Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

#### **1.3.5.2. Owned Assets**

The cost of plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure.

#### **1.3.5.3. Subsequent Costs**

The cost of replacing component of an item of plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of plant & equipment are recognised in statement of profit or loss as incurred.

#### **1.3.5.4. Derecognition**

The carrying amount of an item of plant & equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses arising on derecognition of the assets determined by comparing the proceeds from disposal with the carrying amount of plant & equipment and are recognised net within 'Other Income' in profit or loss.

#### **1.3.5.5. Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant & equipment, since this most closely reflected the expected pattern of consumption of the future economic benefits embodied in the asset.

## NOTES TO THE FINANCIAL STATEMENTS

The estimated useful lives for the current and comparative periods are as follows.

Furniture & Fittings	Over 5 - 10 Years
Office Equipment	Over 5 - 10 Years
Computers	Over 2 Years
Motor Vehicles	Over 5 Years
Tools & Equipment	Over 2 - 5 Years
Plant & Machinery	Over 10 Years

### 1.3.5.5. Depreciation

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

### 1.3.5.6. Finance Leases

Plant & equipment on finance leases, which effectively transfers to the Group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at their cash price and disclosed as plant & equipment and depreciated over the period the Group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability, lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations applicable to each financial year is charged to the statement of profit or loss over the period of the lease.

### 1.3.6. Intangible Assets

An intangible asset is initially recognised at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life, from the date that they are available for use and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least once at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level.

### 1.3.6.1. Intangible Assets recognised by the Group

#### (a) Computer Software

All computer software cost incurred and licensed for use by the Group, which does not form an integral part of related hardware, which can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets. Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic life of 3 years from the date of which it is available for use.

#### (b) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the fair value of net assets acquired. Goodwill is measured at cost less accumulated impairment losses.

Gain from bargain purchase arising on an acquisition represents the excess of the fair value of the net assets acquired over the cost of acquisition. Gain from bargain purchase is recognised immediately in the Statement of Profit or Loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 1.3.6.2. Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit or Loss when the asset is derecognised.

### 1.3.7. Inventories

Inventories are measured at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Accordingly, the costs of inventories are accounted for as follows.

Raw Materials	-	At actual cost on first-in-first-out and weighted average cost
Work-in-Progress	-	At the cost of direct materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity

### 1.3.8. Trade and Other Receivables

Trade and Other Receivables are stated at the amounts estimated to be realised after providing for impairment on trade and other receivables.

Other Receivables and amounts due from related parties are recognised at cost, less provision for impairment.

### 1.3.9. Cash & Cash Equivalents

Cash and Cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash & cash equivalents comprise of savings accounts, cash in hand, cash at banks and bank overdrafts.

### 1.3.10. Impairment of Non Financial Assets

The Group 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 Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use 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 asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased if such indication exists, the Group makes an estimate of the recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates

## NOTES TO THE FINANCIAL STATEMENTS

used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the 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 recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

### 1.3.11. Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

As per the Companies Act No. 07 of 2007, Section 58(1), Stated Capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of calls in arrears.

### 1.3.12. Liabilities & Provisions

#### 1.3.12.1. Liabilities

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances payable after one year from the reporting date.

All known liabilities are accounted for in the statement of financial position.

#### Trade & Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due

within one year or less. If not, they are presented as noncurrent liabilities.

#### 1.3.12.2. Provisions

Provisions are recognised when the Group has a present obligation (legal and 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.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

### Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in respective notes to the Financial Statements.

### 1.3.13. Employee Benefits

#### 1.3.13.1. Defined Benefit Plan – Retirement Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation as at the reporting date. The defined benefit is calculated by independent actuaries annually using Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'.

The provision has been made for retirement gratuities for the first year of service for all employees, in conformity with LKAS 19 - 'Employee



## NOTES TO THE FINANCIAL STATEMENTS

Benefits'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

The key assumptions used in the computation are stated in the Note 17 to the financial statements.

### **1.3.13.2. Defined Contribution Plans - Employees Provident Fund & Employees Trust Fund**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into 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 contribution funds in line with respective statutes and regulations. Contribution plans are recognised as an expense in the statement of profit or loss when incurred

### **1.3.14. Statement of Profit or Loss and Other Comprehensive Income**

#### **1.3.14.1. Revenue Recognition**

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

Services transferred over time under SLFRS 15, the Group determines at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

The following specific criteria are used for the purpose of recognition of revenue.

#### **(a) Sale of Goods**

Revenue is recognised on sale of goods when all significant risks and rewards of ownership have been transferred to the buyer which normally occurs on delivery of goods.

#### **(b) Rendering of Services**

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

#### **(c) Finance Income and Finance Costs**

Finance income comprises interest income on funds invested, dividend income and gains on the disposal of financial assets at fair value through profit or loss.

Interest Income is recognised on an accrual basis. Dividend Income is recognised when the Shareholders right to receive such dividend is established. Profit or Losses on disposal of Financial Assets are accounted for in the statement of profit or loss on the basis of realised net profit or loss.

Finance costs comprises of interest expense on borrowings, loss on the disposal of financial assets at fair value through profit or loss and the changes in the fair value of financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

All borrowing costs are recognised as an expense in the period in which they are incurred. Interest expenses are recognised using the effective interest rate method.

### **(d) Gains and Losses**

Gains and losses on disposal of an item of plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of plant & equipment and are recognised net within “other income” in profit or loss.

### **(e) Other Income**

Other income is recognised on an accrual basis.

### **1.3.14.2. Expenditure Recognition**

All expenditure incurred in the running of the business and in maintaining the plant & equipment in a state of efficiency has been charged to the statement of profit or loss.

Expenditure incurred for the purpose of acquiring and extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

### **(a) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **(b) Income Tax Expense**

Income tax expense comprises current and deferred tax. The income tax expense is recognised in the income statement except to the extent that it relates to the items recognised directly in the statement of other comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

#### ***Current Tax***

The provision for taxation is based on the elements of Income & Expenditure as reported in the Financial Statements & computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, Inland Revenue (Amendment) Act, No.10 of 2021, Inland Revenue (Amendment) Act, No. 45 of 2022 and Inland Revenue (Amendment) Act, No.04 of 2023.

#### ***Deferred Tax***

Deferred Tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit, and difference relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting

## NOTES TO THE FINANCIAL STATEMENTS

date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 1.3.14.3. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 1.4. STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been prepared using 'indirect method'. Interests paid are classified as operating cash flows while dividends paid are classified as financing cash flows. Interests and dividends received are classified as investing cash flows for the purpose of presentation of Statement of Cash Flows.

For the purpose of Statement of Cash Flows, cash & cash equivalents consist of savings accounts, cash in hand, cash at banks net of outstanding bank overdrafts.

## 1.5. EARNINGS PER SHARE (EPS)

The Group presents Earnings per Share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

## 1.6. RELATED PARTY TRANSACTIONS

Disclosures have been made in respect of the transactions between parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS) 24 - "Related Party Disclosures".

Related Party Receivables and Payables are treated as Current Assets and Current Liabilities as they are deemed to be of a temporary nature.

## 1.7. FINANCIAL RISK MANAGEMENT POLICIES

The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management monitors these risks. The Group's senior management is supported by an Audit Committee that advises on financial risks and the appropriate financial risk governance framework for the Group.

The Audit Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

The Group's objectives, policies and processes for measuring and managing risk from financial instruments and the management of capital are reported separately in Note 30 in conformity with Sri Lanka Financial Reporting Standards.

## NOTES TO THE FINANCIAL STATEMENTS

### 1.8. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### Amendments to LKAS 8 – Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

#### Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

#### Amendments to LKAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

## NOTES TO THE FINANCIAL STATEMENTS

### Amendments to LKAS 1 - Classification of Liabilities as Current or Non current

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. REVENUE

### 2.1 Summary

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Net Revenue	71,679,188	56,675,964	4,800,000	4,000,000

### 2.2 Business Segment Analysis

Segmentation has been determined based on the operating activities of the companies, where multiple activities which fall within Group has been based on the core activities of that particular Company.

Trading	-	Manufacturing, Selling & Distribution of Concrete Poles
Projects Income	-	Special Projects in the field of Engineering, Telecommunications, Power & Energy and Railway.
Others	-	Other Services

### 2.3 Segment Revenue

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trading	-	-	-	-
Projects Income	71,679,188	56,675,964	-	-
Others	4,800,000	4,000,000	4,800,000	4,000,000
	76,479,188	60,675,964	4,800,000	4,000,000
Less: Inter Segment Revenue	(4,800,000)	(4,000,000)	-	-
	71,679,188	56,675,964	4,800,000	4,000,000

### 2.4 Segment Profit / (Loss) - Group

	Operating Loss		Loss before Tax	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trading	-	-	-	-
Projects Income	(35,755,797)	(48,911,181)	(54,620,580)	(72,171,666)
Others	(4,702,227)	(4,722,883)	(4,701,519)	(4,725,117)
	(40,458,024)	(53,634,064)	(59,322,099)	(76,896,783)

## NOTES TO THE FINANCIAL STATEMENTS

### 2.5 Assets & Liabilities - Group

	Total Assets		Total Liabilities	
	2023 Rs	2022 Rs	2023 Rs	2022 Rs
<b>Assets &amp; Liabilities - Group</b>				
Trading	-	-	-	-
Projects Income	142,700,217	118,813,808	392,872,810	313,188,695
Others	137,067	138,724	11,231,149	9,697,977
	142,837,284	118,952,532	404,103,959	322,886,672
<b>Additions to Plant &amp; Equipment and Depreciation - Group</b>				
	Additions to Plant & Equipment		Depreciation	
Trading	-	-	-	-
Projects Income	57,298	673,639	1,687,588	1,971,614
Others	-	-	1,617	15,548
	57,298	673,639	1,689,205	1,987,162

### 3. OTHER INCOME / (EXPENSE)

#### 3.1 Other Income

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Commission Income	-	86,396	-	-
Sundry Income	215,398	-	-	-
	215,398	86,396	-	-

#### 3.2 Other Expenses

Provision for Inventory Obsolescence	-	125,755	-	125,755
	-	125,755	-	125,755

### 4. FINANCE INCOME

Interest on Bank Deposits	775,341	312,795	140	184
Gain / (Loss) From Financial Assets	163,232	-	-	-
	938,573	312,795	140	184



## NOTES TO THE FINANCIAL STATEMENTS

### 5. FINANCE COSTS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest on Bank Overdrafts	389,097	3,402,711	-	-
Interest on Borrowings	13,358,658	3,901,012	-	-
Discounting Charges	502,418	1,463,015	-	-
Exchange Fluctuation on				
Interest Bearing Borrowings	5,552,475	14,808,776	-	-
	19,802,648	23,575,514	-	-

### 6. LOSS BEFORE TAX

Loss before Tax is stated after charging all expenses including the following:

Remuneration to Directors	3,600,000	3,300,000	3,600,000	3,300,000
Auditors Remuneration	740,300	634,424	230,000	200,000
<b>Personnel Costs</b>				
- Staff Costs	17,383,689	28,206,564	-	-
- Defined Benefit Plan Costs - Gratuity	1,204,803	819,102	-	-
- Defined Contribution Plan Costs - EPF & ETF	2,847,187	2,776,069	-	-
Depreciation on Plant & Equipment	1,689,205	1,987,162	1,617	15,548
Amortisation of Intangible Assets	212,680	384,728	-	-

### 7. INCOME TAX EXPENSE

#### Current Income Tax Expense

Tax Expense on Ordinary Activities (Note 7.1)	-	-	-	-
Irrecoverable Economic Service Charges	-	320,891	-	-

#### Deferred Tax Expense

Impact of change in Tax Rate	259	(1,717)	259	(1,717)
Origination / (Reversal) of Temporary Differences (Note 13)	(485)	(2,177)	(485)	(2,177)
	(226)	316,997	(226)	(3,894)

## NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>7.1 Reconciliation of Accounting Profit / (Loss) to Income Tax Expense</b>				
Profit / (Loss) before Tax	(59,322,099)	(76,896,783)	197,604	(570,278)
Intra Group Adjustments	2,002,247	925,430	-	-
	(57,319,852)	(75,971,353)	197,604	(570,278)
Aggregate Disallowed Items	18,653,591	16,192,867	1,617	141,303
Aggregate Allowable Items	(2,448,065)	(2,411,158)	(140)	(184)
Profit / (Loss) from Business	(41,114,326)	(62,189,644)	199,081	(429,159)
Disallowed loss due to non generation of income	-	90,276	-	-
Assessable Income / (Loss) from Business	(41,114,326)	(62,099,368)	199,081	(429,159)
Assessable Income from Investment	775,341	312,795	140	184

**7.2** In accordance with the provisions of the Inland Revenue Act, No.24 of 2017 and of the Inland Revenue (Amendment) Act, No.10 of 2021, the Group is liable to income tax at 14% on the business income and at 24% on investment income up to 30<sup>th</sup> September 2022.

As per Inland Revenue (Amendment) Act, No. 45 of 2022, The Group Business and Interest Income is liable at 30%, w.e.f. 1<sup>st</sup> October 2022 and thereafter.

### 7.3 Tax Losses Carried Forward

As per the provision of the Inland Revenue Act No. 24 of 2017 tax losses incurred can be set-off against tax profits without any limitations and any un-utilised tax losses can be carried forward for 6 subsequent years.

However, as per section 19 (3) of the Inland Revenue (Amentment) Act, No. 45 of 2022, where a Company had incurred a loss, in relation to a business which if it had been a profit would have been taxable at a rate specified under this Act and such rate is subsequently increased, such loss shall not be considered as being taxable at a reduced rate.

## NOTES TO THE FINANCIAL STATEMENTS

The tax losses carried forward by the Group entities are given below.

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tax losses brought forward	464,020,413	402,233,840	7,956,723	7,527,748
Tax losses arising during the year	41,114,326	62,189,644	-	429,159
Disallowed loss due to non generation of income	-	(90,276)	-	-
Disallowed loss due to Liquidation of Subsidiary	(19,209,196)	-	-	-
Utilisation of tax losses	(775,341)	(312,795)	(199,221)	(184)
Tax Losses Carried Forward	485,150,202	464,020,413	7,757,502	7,956,723

### 7.4 Deferred Taxation

Deferred tax has been computed by using the future standard tax rate of 30% for income tax for the Year of Assessment 2022/2023 (in 2021/2022 - 14%) .

There was no temporary differences for Serendib Investment Holdings Ltd and as such no provision has been made for deferred taxation.

Deferred Tax Asset is not recognised in financial statement of Serendib Engineering & Agencies (Pvt) Limited as it is not probable that the future taxable profit will be adequate to utilise the available tax losses fully in foreseeable future .

No Deferred tax assets have been recognised in the financial statements of the Company and its subsidiaries in respect of tax losses carried forward since it is not probable that future taxable profits will be available against which the subsidiary can utilise the benefit there from.

	GROUP	
	2023 Rs.	2022 Rs.
Serendib Engineering Group PLC	7,757,502	7,956,723
C C C Plantation Engineering Ltd.	-	19,209,196
Serendib Engineering & Agencies (Pvt) Ltd.	336,882,515	296,443,431
Serendib Investment Holdings Ltd.	140,510,185	140,411,063
	485,150,202	464,020,413

## NOTES TO THE FINANCIAL STATEMENTS

### 8. EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings / (loss) per share is based on the profit / (loss) attributable to equity holders of the parent and the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	2023 Rs.	2022 Rs.
Loss attributable to Equity Holders of the Parent (Rs.)	(55,850,091)	(72,774,334)
Weighted average number of Ordinary Shares	32,383,250	32,383,250
Basic earnings / (loss) per share (Rs.)	(1.72)	(2.25)

There were no potentially dilutive ordinary shares outstanding at any time during the year.

### 9 PLANT & EQUIPMENT

#### 9.1 GROUP

	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals / Transfers Rs.	Balance as at 31.03.2023 Rs.
<b>Cost</b>				
Furniture & Fittings	3,473,959	35,697	-	3,509,656
Office Equipment	12,977,336	21,601	-	12,998,937
Computers	47,700	-	-	47,700
Motor Vehicles	25,752,249	-	-	25,752,249
Tools & Equipment	15,518,064	-	-	15,518,064
Plant & Machinery	4,350,000	-	-	4,350,000
	62,119,308	57,298	-	62,176,606
<b>Accumulated Depreciation</b>				
Furniture & Fittings	2,966,187	106,238	-	3,072,425
Office Equipment	10,265,843	544,402	-	10,810,245
Computers	47,700	-	-	47,700
Motor Vehicles	23,406,247	612,000	-	24,018,247
Tools & Equipment	15,518,064	9,898	-	15,527,962
Plant & Machinery	3,057,083	416,667	-	3,473,750
	55,261,124	1,689,205	-	56,950,329
<b>Carrying Value</b>	6,858,184			5,226,277

## NOTES TO THE FINANCIAL STATEMENTS

### 9 PLANT & EQUIPMENT (Con.)

#### 9.1 GROUP (Con.)

- 9.1.1** During the financial year, the Group acquired Plant & Equipment to the aggregate value of Rs. 57,298 (2022 - Rs. 673,639).
- 9.1.2** The gross carrying amount of fully depreciated Plant & Equipment still in use as at 31<sup>st</sup> March 2023 is Rs. 46,699,266 (2022 - Rs.47,161,134).
- 9.1.3** During the year under review, the Group has not capitalised any borrowing costs.
- 9.1.4** There were no items of Plant & Equipment of the Group pledged as securities for liabilities.
- 9.1.5** The Board of Directors has assessed the potential impairment loss of Plant & Equipment as at 31<sup>st</sup> March 2023. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of Plant & Equipment.

#### 9.2 COMPANY

	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2023 Rs.
<b>Cost</b>				
Furniture & Fittings	3,200	-	-	3,200
Office Equipment	7,300	-	-	7,300
Tools & Equipment	2,583,182	-	-	2,583,182
	2,593,682	-	-	2,593,682
<b>Accumulated Depreciation</b>				
Furniture & Fittings	3,200	-	-	3,200
Office Equipment	7,300	-	-	7,300
Tools & Equipment	2,581,565	1,617	-	2,583,182
	2,592,065	1,617	-	2,593,682
<b>Carrying Value</b>	1,617			-

- 9.2.1** During the financial year, the Company has not acquired any Plant & Equipment.
- 9.2.2** The gross carrying amount of fully depreciated Plant & Equipment still in use as at 31<sup>st</sup> March 2023 is Rs. 2,593,682 (2022 - Rs. 2,584,862).
- 9.2.3** During the year under review, the Company has not capitalised any borrowing costs.
- 9.2.4** There were no items of Plant & Equipment of the Company pledged as securities for liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Goodwill on Acquisition (Note 10.1)	-	-	-	-
Software (Note 10.2)	132,994	282,571	-	-
	132,994	282,571	-	-

### 10.1 GOODWILL

The goodwill represents the excess of the cost of acquisition of the net assets of Serendib Engineering & Agencies (Pvt) Ltd and Serendib Investment Holdings Ltd amounting to Rs. 21,002,412 and Rs. 667,311 respectively.

Based on the uncertainty in recovering the investment value of such subsidiaries, the goodwill was impaired during the financial year 2020.

### 10.2 SOFTWARE

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Cost</b>				
Balance as at beginning of the year	1,183,354	1,183,354	-	-
During the year Additions	63,103	-	-	-
Balance as at end of the year	1,246,457	1,183,354	-	-
<b>Amortisation</b>				
Balance as at beginning of the year	900,783	516,055	-	-
Charge for the year	212,680	384,728	-	-
Balance as at end of the year	1,113,463	900,783	-	-
<b>Carrying amount at the end of the year</b>	<b>132,994</b>	<b>282,571</b>	<b>-</b>	<b>-</b>

Computer software includes, accounting software acquired by Serendib Engineering & Agencies (Pvt) Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

## 11 INVESTMENTS IN SUBSIDIARIES

	Holding %		No. of Shares		Cost	
	2023	2022	2023	2022	2023 Rs.	2022 Rs.
<b>Unquoted Investments</b>						
C C C Plantation Engineering Ltd.	100%	100%	-	3,000,000	-	3,000,000
Serendib Engineering & Agencies (Pvt) Ltd.	85.56%	85.56%	2,823,576	2,823,576	61,537,890	61,537,890
Serendib Investment Holdings Ltd.	60%	60%	85,200,000	85,200,000	85,200,000	85,200,000
<b>Total Cost</b>					146,737,890	149,737,890
Impairment of Investments in Subsidiaries <b>(Note 11.3)</b>					(146,737,890)	(149,737,890)
Carrying Value of Investments in Subsidiaries					-	-

Name of the Subsidiary	Principal Activity
C C C Plantation Engineering Ltd.	Manufacturing of machinery equipment for Plantation Sector, servicing and repairing of machines used in Plantation Sector. However there were no operations during the year and CCC Plantation Engineering Ltd liquidation was concluded on 28 <sup>th</sup> April 2023.
Serendib Engineering & Agencies (Pvt) Ltd.	A multifaceted Engineering Company involved in Public Infrastructure Development in the field of Engineering, Telecommunications, Power & Energy and Railway.
Serendib Investment Holdings Ltd.	Investing in shares.

### 11.1 Inter-Company Shareholding

Investor	Investee	Holding %		No. of Shares	
		2023	2022	2023	2022
Serendib Investment Holdings Ltd.	Serendib Engineering & Agencies (Pvt) Ltd.	14.44%	14.44%	476,424	476,424

**11.2** Investments in subsidiaries are recorded at cost less impairment in the financial statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.



## NOTES TO THE FINANCIAL STATEMENTS

### 11.3 Provision for Impairment of Investments in Subsidiaries

	At beginning of the year	Provision / (Reversal) made during the year	At end of the year
	Rs.	Rs.	Rs.
C C C Plantation Engineering Ltd.	3,000,000	(3,000,000)	-
Serendib Engineering & Agencies (Pvt) Ltd.	61,537,890	-	61,537,890
Serendib Investment Holdings Ltd.	85,200,000	-	85,200,000
	149,737,890	(3,000,000)	146,737,890

Impairment provision was based on the uncertainty in recovering the investment value due to the recent performance of the above companies.

### 11.4 Material Partly-Owned Subsidiaries

As per the SLFRS 12, Financial Information of subsidiaries that have material Non-Controlling Interest need to be disclosed separately. However, the Group concluded that there were no subsidiaries with material Non-Controlling Interest that require separate disclosure.

### 11.5 Subsidiary Company Liquidation

Final Winding-up meeting of Members and Creditors of CCC Plantation Engineering Ltd was held on 17<sup>th</sup> October 2022 and disclosed in the Gazette of the Democratic Socialist Republic of Sri Lanka dated 02<sup>nd</sup> September 2022 and the liquidation was concluded on 28<sup>th</sup> April 2023.

## 12. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>12.1 Other Non Current Financial Assets</b>				
Financial Assets at Fair Value through OCI	-	-	-	-
<b>12.2 Other Current Financial Assets</b>				
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets at Amortised Cost				
- Fixed Deposits	7,338,357	6,575,024	-	-
	7,338,357	6,575,024	-	-
<b>Total Other Financial Assets</b>	<b>7,338,357</b>	<b>6,575,024</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 12.1 OTHER NON CURRENT FINANCIAL ASSETS

	GROUP			
	2023		2022	
	No. of Shares	Cost Rs.	No. of Shares	Cost Rs.
<b>Financial Assets at Fair Value through OCI</b>				
<b>Un-quoted</b>				
Navara Capital Partners Ltd.	31,000,000	35,000,000	31,000,000	35,000,000
Provision for fall in value in Investments		(35,000,000)		(35,000,000)
		-		-

The management of Serendib Engineering & Agencies (Pvt) Ltd expects an impairment of the above investment due to poor performance in Navara Capital Partners Ltd. Therefore management has recognised 100% of the investment as impaired based on their best estimate due to the absence of information available to carry out fair value measurement in accordance with SLFRS 13.

## 12.2 OTHER CURRENT FINANCIAL ASSETS

### Financial Assets at Fair Value Through Profit or Loss (FVTPL)

	GROUP					
	2023			2022		
	No. of Shares	Cost Rs.	Fair Value Rs.	No. of Shares	Cost Rs.	Fair Value Rs.
MTD Walkers PLC	40,000	2,492,783	592,000	40,000	2,492,783	592,000
Huejay International Investments PLC	741	43,694	16,598	741	43,694	16,598
<b>Impairment Provision on Financial Assets at Fair Value Through Profit or Loss</b>		(2,536,477)	(608,598)		(2,536,477)	(608,598)
		-	-		-	-

### 12.2.1 Fair Value Hierarchy

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

- Level 1 : Inputs are unadjusted quoted market prices in an active market for identical instruments.
- Level 2 : Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 : Inputs that are not based on observable market data.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. INVENTORIES

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Raw Materials	18,977,148	19,108,012	117,684	117,684
Work in Progress	17,309,222	11,084,273	41,821	41,821
Provision for Inventory Obsolescence (Note 13.1)	-	(159,505)	-	(159,505)
Write - off of Inventory	-	-	(159,505)	-
	36,286,370	30,032,780	-	-

#### 13.1 Provision for Stock Obsolescence

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	159,505	33,750	159,505	33,750
Provision for the year	-	125,755	-	125,755
Reversal of provision for Inventory Obsolescence	(159,505)	-	(159,505)	-
Balance at the end of the year	-	159,505	-	159,505

**13.2** Inventories are stated at the lower of cost and net realisable value.

Inventories pledged as security for facilities obtained are disclosed in Note 29.

### 14 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade Debtors & Retentions	79,959,958	62,494,220	-	-
Receivables				
- Navara Forex and Money Brokers Ltd.	1,003,204	1,003,204	-	-
Other Receivables	24,319,777	23,082,977	-	-
Tax Receivables	134	-	-	-
Deposits, Advances & Prepayments	13,809,115	10,521,137	63	63
	119,092,188	97,101,538	63	63
Provision for Impairment on Trade and Receivables (Note 14.1)	(27,364,711)	(23,695,323)	-	-
	91,727,477	73,406,215	63	63

## NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>14.1 Provision for Impairment on Trade and Receivables</b>				
Trade Debtors & Retention	26,361,507	21,408,436	-	-
Advances & Other Receivables	-	1,283,683	-	-
Receivables				
- Navara Forex and Money Brokers Ltd.	1,003,204	1,003,204	-	-
	27,364,711	23,695,323	-	-

Debtors have been pledged as security for facilities obtained are disclosed in Note 29.

## 15 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Favourable Balances</b>				
Savings Accounts	478,670	573,167	9,460	9,319
Cash at Bank	907,080	460,842	114,360	114,361
Cash in Hand	740,059	763,749	-	-
	2,125,809	1,797,758	123,820	123,680
<b>Bank Overdrafts</b>	(30,772,632)	(28,427,046)	-	-
<b>Cash and Cash Equivalents as per the Statement of Cash Flows</b>	(28,646,823)	(26,629,288)	123,820	123,680

### 15.1 Security details over Bank Overdraft Facilities

#### GROUP

#### Serendib Engineering & Agencies (Pvt) Ltd.

The bank overdraft facility obtained from Pan Asia Banking Corporation PLC (facility amount Rs. 25.0 Mn) is secured by; - Corporate Guarantee of Serendib Engineering Group PLC for Rs. 50.0 Mn.

## NOTES TO THE FINANCIAL STATEMENTS

### 16 STATED CAPITAL

	2023		2022	
	Number of Shares	Value of Shares Rs.	Number of Shares	Value of Shares Rs.
<b>Fully paid ordinary shares</b>				
At the beginning of the year	32,383,250	178,107,910	32,383,250	178,107,910
At the end of the year	32,383,250	178,107,910	32,383,250	178,107,910

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

### 17 EMPLOYEE BENEFITS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Balance at the beginning of the year</b>	5,634,766	6,053,947	-	-
<b>Add:</b>				
Current Service Cost	845,215	334,786	-	-
Interest Cost	359,588	484,316	-	-
Actuarial (Gain) / Loss	(1,989,337)	(798,508)	-	-
	4,850,232	6,074,541	-	-
<b>Less:</b>				
Benefits paid during the year	-	(439,775)	-	-
Balance as at the end of the year	4,850,232	5,634,766	-	-

#### 17.1 Present Value of the Defined Benefit Obligation

The employee benefit liability of Serendib Engineering & Agencies (Pvt) Ltd is based on the actuarial valuations carried out by Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The liability is not externally funded.

The principal assumptions used in determining the cost of employee benefits were;

<b>As at 31st March</b>	<b>2023</b>	<b>2022</b>
Retirement Age	60 Years	60 Years
Salary Increment Rate	10%	10%
Discount Rate	16%	15%
Employee Turnover Ratio	18%	15%

## NOTES TO THE FINANCIAL STATEMENTS

Assumptions regarding future mortality are based on A1967/70 Mortality Table, issued by the Institute of Actuaries, London.

### 17.2 Sensitivity of Assumptions used in Actuarial Valuations

Values appearing as defined benefit obligation in the financial statements are sensitive to the changes in financial and non - financial assumptions used. The estimated impact based on sensitivity analysis carried out is as follows

	+1%	- 1%
<b>A percentage point change in the discount rate</b>		
Present value of defined benefit obligation	4,681,379	5,031,426
<b>A percentage point change in the salary escalation rate</b>		
Present value of defined benefit obligation	5,059,908	4,652,246

### 17.3 Maturity Analysis of the Payments

The following payments are expected on employee benefit plan - gratuity in future years.

	2023 Rs.	2022 Rs.
Within the next 12 months	945,213	890,070
Between 1 to 5 years	2,414,968	2,729,519
Between 5 to 10 years	1,071,552	1,390,422
More than 10 years	418,500	624,756

**17.4** No provision has been made for Employee Benefit in the financial statements of Serendib Engineering Group PLC, and Serendib Investment Holdings Ltd as these companies do not employ any staff. All staff related services are provided by Serendib Engineering & Agencies (Pvt) Ltd.

## 18 DEFERRED TAX LIABILITY

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year	226	4,120	226	4,120
Impact of change in tax rate	259	(1,717)	259	(1,717)
Accelerated Depreciation for Tax purposes	(485)	(2,177)	(485)	(2,177)
Balance as at end of the year	-	226	-	226

## NOTES TO THE FINANCIAL STATEMENTS

### 19 INTEREST BEARING BORROWINGS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at the beginning	86,412,349	80,225,005	-	-
Loan obtained during the year	88,852,847	27,205,795	-	-
Payments made during the year	(102,973,489)	(35,561,821)	-	-
Exchange Fluctuations	5,552,474	14,543,370	-	-
Balance at the end	77,844,181	86,412,349	-	-
Payable within one year	27,442,336	41,562,979	-	-
Payable after one year	50,401,845	44,849,370	-	-

#### 19.1 Assets Pledged as Security against Interest Bearing Borrowings

##### GROUP

Serendib Engineering & Agencies (Pvt) Ltd.

Lender	Balance as at 31.03.2023 Rs.	Approved Facility	Interest Rate	Terms of Repayment
a) National Development Bank PLC	27,442,336	Rs. 31.0 Mn	29% p.a.	90 days revolving
	(Short Term Loans)			
b) Pettigo Comercio Internacional, Lda, Madeira, Portugal. (Related Party of the Parent, Serendib Holdings Pte. Ltd, Singapore)	50,401,845	US \$ 150,000	0.5% p.a.	Repayable in full together with Interest within 60 months (5 years)
	(Long Term Loan)			

Details of assets pledged as security against interest bearing borrowings and other facilities obtained from National Development Bank PLC are disclosed in Note 29.

### 20 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade Creditors	12,616,857	18,835,072	-	-
Project Advances	51,440,871	32,174,768	-	-
Accrued Expenses	101,305,611	62,970,389	5,577,811	3,470,615
Payables - Mr. H. N. De Silva	-	433,375	-	-
Other Tax Payables (Note 20.1)	31,565,124	31,590,715	5,397,341	5,397,341
Dividend Payable	36,920	36,920	-	-
	196,965,383	146,041,239	10,975,152	8,867,956



## NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>20.1 Other Tax Payables</b>				
Value Added Tax	26,709,876	26,706,816	5,343,675	5,343,675
Nation Building Tax	4,233,590	4,262,241	-	-
Withholding Tax	621,658	621,658	53,666	53,666
	31,565,124	31,590,715	5,397,341	5,397,341

## 21. INCOME TAX LIABILITY

Income Tax in respect of prior periods	129,108	129,108	-	-
	129,108	129,108	-	-

## 22 RELATED PARTY TRANSACTIONS

### 22.1 Amounts due from Related Parties

#### 22.1.1 Non Interest Bearing Receivables

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Subsidiaries</b>				
C C C Plantation Engineering Ltd.	-	-	-	3,542,347
Serendib Investment Holdings Ltd.	-	-	55,380	55,380
	-	-	55,380	3,597,727
<b>Less:</b>				
Provision for Impairment on Related				
Party Receivables	-	-	(55,380)	(3,597,727)
	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 22.2 Amounts due to Related Parties

### 22.2.1 Non Interest Bearing Payables

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Subsidiaries</b>				
Serendib Engineering & Agencies (Pvt) Ltd.	-	-	27,905,986	30,212,263
<b>Affiliates</b>				
Ben Holding (Pvt) Ltd	93,542,423	56,241,938	-	-
	93,542,423	56,241,938	27,905,986	30,212,263

## 22.3 Related Party Disclosures

### 22.3.1 Parent and Ultimate Controlling Party

The Company's immediate parent undertaking and controlling party is Serendib Holdings Pte.Ltd which is incorporated in Singapore, while the ultimate parent undertaking is Blue Summit Capital Management Pte. Ltd which is incorporated in Singapore.

### 22.3.2 Identity of the Related Parties

The Group carried out transactions in the ordinary course of the business with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", the details of which are reported below.

During the year Group has not carried out any transaction with the ultimate parent.

#### (a) Transactions with Related Parties

The Company had following transactions with related entities during the year under review.

#### (i) Transactions with Subsidiaries

	GROUP	
	2023 Rs.	2022 Rs.
<b>C C C Plantation Engineering Ltd.</b>		
Non Interest Bearing Receivable	-	3,542,347
Provision for Impairment	-	(3,542,347)
<b>Serendib Investment Holdings Ltd.</b>		
Non Interest Bearing Receivable	55,380	55,380
Provision for Impairment	(55,380)	(55,380)
<b>Serendib Engineering &amp; Agencies (Pvt) Ltd.</b>		
Management Fees Received	4,800,000	4,000,000
Settlement of Expenses & Other Receivables	(2,493,723)	(3,001,609)
Non Interest Bearing Payable	(27,905,986)	(30,212,263)

## NOTES TO THE FINANCIAL STATEMENTS

All operational services are provided by Serendib Engineering & Agencies (Pvt) Ltd.

The Company and its subsidiary Serendib Engineering & Agencies (Pvt) Ltd have pledged as security the assets mentioned in Note 29 for facilities obtained and utilised jointly from the National Development Bank PLC.

### (b) Terms and Conditions of Transactions with Related Parties

Transactions with related parties are carried out in the ordinary course of the business at commercial rates. Outstanding related parties balances at the year end are unsecured.

No Interest have been received or paid on the above Related Party balances.

### (c) Non-recurrent Related Party Transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Group as per 31<sup>st</sup> March 2023 audited Financial Statements, which required additional disclosures in the 2022 / 2023 Annual Reports under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commissions.

### (d) Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31<sup>st</sup> March 2023 audited Financial Statements, which required additional disclosures in the 2022 / 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

### 22.3.3 Transaction with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Key Management Personnel include the members of the Board of Directors (including Executive and Non-Executive Directors) of the Company and its subsidiary companies.

#### (a) Loans to Key Management Personnel

No loans have been given to Key Management Personnel during the year.

#### (b) Key Management Personnel Compensation

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Short term employment benefits	3,600,000	3,300,000	3,600,000	3,300,000

## NOTES TO THE FINANCIAL STATEMENTS

### (c) Transactions with Close Family Members

There were no transactions with close family members during the year.

### 22.3.3 Transaction with Key Management Personnel (KMP)

#### (d) The Directors of the Company are also Directors of the following Companies

Name of the Company	Name of the Common Director	
	Mr. N. D. Rathnayaka	Mr. G.T. Jeyaseelan
<b>Subsidiaries</b>		
Serendib Engineering & Agencies (Pvt) Ltd.	√	√
Serendib Investment Holdings Ltd.	-	√

There were no other related party transactions other than the above and those disclosed in Note 22 to the Financial Statements.

## 23 CAPITAL EXPENDITURE COMMITMENTS

### 23.1 COMPANY

The Company had no material capital or financial commitments as at the date of the Statement of Financial Position.

### 23.2 GROUP

The Group had no material capital or financial commitments as at the date of the Statement of Financial Position.

## 24 CONTINGENT LIABILITIES

### 24.1 COMPANY

Serendib Engineering Group PLC has issued Corporate Guarantees for following parties on behalf of Serendib Engineering & Agencies (Pvt) Ltd for borrowings obtained by the subsidiary.

Pan Asia Banking Corporation PLC	Rs.	50,000,000	
National Development Bank PLC	Rs.	85,000,000	(Cross Corporate Guarantees)
Sampath Bank PLC	Rs.	50,000,000	

## NOTES TO THE FINANCIAL STATEMENTS

The following are the contractual maturities of Corporate Guarantees :

	Carrying Amount Rs.	1-12 Months Rs.	More Than One Year Rs.
Pan Asia Banking Corporation PLC	50,000,000	-	50,000,000
National Development Bank PLC	85,000,000	-	85,000,000
Sampath Bank PLC	50,000,000	50,000,000	-

There are no other material contingent liabilities as at the reporting date.

## 24.2 GROUP

### 24.2.1 Serendib Engineering & Agencies (Pvt) Ltd.

Contingent Liabilities exists in respect of Bank Guarantees issued in favour of third parties through the following Financial Institutions.

	GROUP	
	2023 Rs.	2022 Rs.
National Development Bank PLC	-	4,621,139

## 25. RESTATEMENT OF COMPARATIVE FIGURES

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

## 26. EVENTS AFTER THE REPORTING PERIOD

There have been no material events that occurred subsequent to the reporting date that require adjustments to, or disclosure in the Financial Statement other than the following :

### Suspension of the Operations of the Serendib Engineering & Agencies (Pvt) Ltd

The Directors and Management of the Company have suspended the operations of Serendib Engineering & Agencies (Pvt) Ltd from 30<sup>th</sup> November 2023 to prevent further deterioration of the Group's financial position. Currently, the management of the Company is evaluating options to revive its financial position. The financial statements have not been rearranged on a liquidity basis.

## 27. GOING CONCERN

### 27.1 COMPANY

The following factors have been considered by the Board of Directors in preparing and presenting these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

The Company did not receive any business from telecommunication and electricity industries from April 2019 onwards and the Company's accumulated loss as at 31<sup>st</sup> March 2023 was Rs. 216,865,165. The current liabilities exceed the current assets by Rs. 38,757,255 and the Company's net assets reflect a negative balance of Rs. 38,757,255 which is a serious loss of capital as per section 220 of the Companies Act, No. 07 of 2007.

The investments in subsidiaries were fully impaired based on the uncertainty in recovering the investment value due to the recent performance of the subsidiaries. Further, the Company's financing arrangements depends on Serendib Engineering & Agencies (Pvt) Limited, a subsidiary's of the Company and funding from parent Company, Serendib Holdings Pte. Ltd, Singapore. The Company has not been in a position to settle its liabilities and also unable to conclude re-negotiations or obtain replacement financing.

These events indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to discharge its liabilities in the normal course of business.

### 27.2 GROUP

The consolidated financial statements of Serendib Engineering Group PLC do not include any adjustments in relation to the recoverability and the classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary, if any of the following companies are unable to continue as going concern:

#### **Serendib Engineering & Agencies (Pvt) Ltd.**

Serendib Engineering & Agencies (Pvt) Ltd, a subsidiary of the Company, has incurred a net loss of Rs. 55,428,998 during the reporting year ended 31<sup>st</sup> March 2023 and accumulated loss of Rs. 327,228,839 as at 31.03.2023. Further, company's net assets are less than half of value of the stated capital which appears to be a serious loss of capital as per the section 220 of the Companies Act, No. 07 of 2007.

## NOTES TO THE FINANCIAL STATEMENTS

### Serendib Investment Holdings Ltd.

Serendib Investment Holdings Ltd, a subsidiary of the Company, has incurred a net loss of Rs. 99,122 during the reporting year ended 31<sup>st</sup> March 2023 and the accumulated loss is Rs. 136,190,624 as at 31<sup>st</sup> March 2023. Further, company's net assets are less than half of value of the stated capital which appears to be a serious loss of capital as per the section 220 of the Companies Act, No. 07 of. 2007.

The subsidiary has not completed its effort to establish a stable recurring sources of revenue, which will be sufficient to recoup its operating costs during recent years and as a result of non-availability of earnings envisaged through business operations resulted in a decline in net assets position.

These events and conditions raise significant doubt whether the Group will be able to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

### 28 NON-AVAILABILITY OF DIRECT CONFIRMATIONS

The Auditors of Serendib Engineering & Agencies (Pvt) Ltd, a subsidiary of the Company, has not received documentary evidence in the form of direct confirmations to verify the completeness and accuracy of following balances.

<b>Short Term Loans</b>	- NDB Supplier Credit Facility	<b>Rs.</b>	27,442,336
<b>Foreign Currency Loan</b>	- Foreign Currency Loan	<b>Rs.</b>	50,401,845
<b>Bank Overdraft</b>	- Pan Asia Banking Corporation PLC	<b>Rs.</b>	25,611,354



## NOTES TO THE FINANCIAL STATEMENTS

### 29. ASSETS PLEDGED

The details of assets pledged as securities against bank borrowings are disclosed in Notes 15.1 and 19.1. Except for above the following assets have been pledged as security for liabilities as at the reporting date.

	Name of the Financial Institution	Nature of Facility	Facility Amount		Nature of Assets
(a)	<b>National Development Bank PLC</b>	Letter of Guarantee	Rs.5.0 Mn	i)	Lien over Savings / Call Account in the name of Serendib Engineering and Agencies (Pvt) Limited (PV 9944) held by the Bank, for Rs. 364,042/01 and to be further built up through the deposit of four per centum (4%) of value of each payment / invoice of Serandib Engineering and Agencies (Pvt) Limited (PV 9944).
		Short Term Loans	Rs. 28.7 Mn		
		Overdraft	Rs. 4.0 Mn		
				ii)	Primary Mortgage Bond No. 1309 dated 22.08.2013 attested by Anushi Vithanage (NP) over stocks and book debts for Rs. 60.0 Mn, enhanced to Rs. 70.0 Mn by Mortgage Bond No. 1782 dated 12.12.2014 attested by Champa Wickramanayake (NP) & further enhanced to Rs. 85.0 Mn by Mortgage Bond No. 608 dated 17.03.2016 attested by B H N I Seneviratne (NP).
				iii)	Cross Corporate Guarantee of Serendib Engineering and Agencies (Pvt) Limited (PV 9944) and Serendib Engineering Group PLC (PQ 230) for Rs. 85.0 Mn each.
				iv)	Lien over Cash Margin of ten per centum (10%) of the value of each Advance Payment Guarantee and Performance Guarantee (except Bid Bonds) issued under Letters of Guarantee facility, to be held by the Bank in the name of Serendib Engineering and Agencies (Pvt) Limited (PV 9944). Subject to clause 10.7 below.
				v)	Deed of confirmation for the charge in stock location.
				vi)	Lien over Fixed deposits for SLRs 6,702,304.67 Mn in the name of the Serendib Engineering and Agencies (Pvt) Ltd ( PV 9944 ) held by the bank.
(b)	<b>Pan Asia Banking Corporation PLC</b>	Overdraft	Rs. 25.0 Mn		Corporate Guarantee of Serendib Engineering Group PLC for Rs. 50.0 Mn.
(c)	<b>Sampath Bank PLC</b>	Medium Term Loan Revolving Limit	Rs. 50.0 Mn	i)	Term Loan Agreement for Rs. 50.0 Mn
				ii)	Certified copy of the original contract document signed between Sri Lanka Telecom PLC & Serendib Engineering & Agencies (Pvt) Ltd together with the Letter of Authorisation to assign financial benefits favouring Sampath Bank PLC.
				iii)	Unconditional, irrevocable promissory note/s issued by Sri Lanka Telecom PLC, assigned favouring Sampath Bank PLC
				iv)	Lien over funds lying to the credit of Savings Account No. 1197 1402 4359 together with Letter of set-off.
				v)	Corporate Guarantee of Serendib Engineering Group PLC for Rs. 50.0 Mn

## NOTES TO THE FINANCIAL STATEMENTS

The facilities obtained from the National Development Bank PLC has been utilised jointly by the Company and its subsidiary Serendib Engineering & Agencies (Pvt) Ltd.

### 30 FINANCIAL INSTRUMENTS

#### Overview

The Group has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents qualitative and quantitative information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks.

#### Risk Management Framework

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework, including policies and procedures. The Group's system of internal controls covers all policies and procedures and facilitates the timely identification and effective management of significant areas of strategic and operational risks that may arise.

#### 30.1 Credit Risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk from its operating activities and from its financing activities.

##### 30.1.1 Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	GROUP			
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade and Other Receivables				
- Trade Debtors & Retentions	53,598,451	41,085,784	-	-
- Other Receivables	24,319,777	23,082,977	-	-
Other Financial Assets	7,338,357	6,575,024	-	-
Cash and Cash Equivalents	2,125,809	1,797,758	123,820	123,680
	87,382,394	72,541,543	123,820	123,680

## NOTES TO THE FINANCIAL STATEMENTS

The aging of Trade Debtors and Retention at the reporting date was:

	2023		2022	
	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.
<b>GROUP</b>				
Past due 0 - 365 days	39,565,600	(9,690,399)	25,957,936	-
More than one year	40,394,358	(16,671,108)	36,536,284	(21,408,436)
	79,959,958	(26,361,507)	62,494,220	(21,408,436)
<b>COMPANY</b>				
Past due 0 - 365 days	-	-	-	-
More than one year	55,380	(55,380)	3,597,727	(3,597,727)
	55,380	(55,380)	3,597,727	(3,597,727)

### 30.2 Liquidity Risk

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

The following are the contractual maturities of financial liabilities.

	GROUP		
	Carrying Amount Rs.	1-12 Months Rs.	More than one year Rs.
<b>As at 31<sup>st</sup> March 2023</b>			
<b>Trade and Other Payables</b>			
- Trade Creditors	12,616,857	-	12,616,857
- Project Advances	51,440,871	25,228,843	26,212,028
Amounts due to Related Parties	93,542,423	37,300,485	56,241,938
Interest Bearing Borrowings	77,844,181	27,442,336	50,401,845
Bank Overdrafts	30,772,632	30,772,632	-
	266,216,964	120,744,296	145,472,668

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 <sup>st</sup> March 2023	COMPANY		
	Carrying Amount Rs.	1-12 Months Rs.	More than one year Rs.
<b>Trade and Other Payables</b>			
- Trade Creditors	-	-	-
Amounts due to Related Parties	27,905,986	-	27,905,986
Interest Bearing Borrowings	-	-	-
Bank Overdrafts	-	-	-
	27,905,986	-	27,905,986

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. The Group attempt to match cash outflows through Parent Company.

### 30.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

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

#### 30.3.1 Interest Rate Risk

Interest Rate Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group's exposure to the risk of changes in the market interest rate relates primarily to the Group's long term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The Group's objective is to maintain an efficient operational interest cost structure to minimise the adverse effects of fluctuating interest rates.

## NOTES TO THE FINANCIAL STATEMENTS

At the reporting date, the Group's interest-bearing financial instruments were as follows:

	Carrying amount			
	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Fixed Rate Instruments</b>				
Financial Assets				
Fixed Deposits	7,338,357	6,575,024	-	-
Financial Liabilities	-	-	-	-
	7,338,357	6,575,024	-	-

	Carrying amount			
	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Variable Rate Instruments</b>				
Financial Assets				
Savings Accounts	478,670	573,167	9,460	9,319
Financial Liabilities				
Interest Bearing Borrowings	(77,844,181)	(86,412,349)	-	-
Bank Overdrafts	(30,772,632)	(28,427,046)	-	-
	(108,138,143)	(114,266,228)	9,460	9,319

### Sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax:

	Effect on Profit Before Tax		Effect on Profit Before Tax	
	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Variable rate instruments</b>				
(1% decrease)	1,081,381	1,142,662	(95)	(93)
(1% increase)	(1,081,381)	(1,142,662)	95	93

## NOTES TO THE FINANCIAL STATEMENTS

### 30.3.2 Currency Risk

The Group is exposed to currency risk on borrowings that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

#### Foreign Currency Risk

Foreign exchange risk arises when future commercial transactions are denominated in a currency that is not the entity's functional currency. The Group is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupees (LKR). The Group's functional currency is LKR in which most of the transactions are denominated, and all other currencies are considered foreign currencies for the reporting purposes.

Change in foreign currency exchange rates affect the Group's financial liability denominated in foreign currency.

The exposure to currency risk as at the reporting date are as follows

	GROUP USD
Interest Bearing Borrowings as at 31 <sup>st</sup> March 2023	150,000

#### Sensitivity Analysis

A strengthening or weakening of Sri Lankan Rupee, as indicated below, against the USD at 31<sup>st</sup> March 2023 would have increased / (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Increase / (Decrease) in Exchange rate USD	Effect on Profit / (Loss) before Tax	
	2023 Rs.	2022 Rs.
<b>GROUP</b>		
+ 10%	(5,040,185)	(4,484,937)
- 10%	5,040,185	4,484,937

Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

## NOTES TO THE FINANCIAL STATEMENTS

### 30.3.3 Equity Price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. Management of the Group reviews and approves all equity investment decisions. The Group was not exposed to Equity Price Risk at the reporting period.

### 30.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

### 30.5 Capital Management

The Group's Objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

No changes were made in objectives, policies or processes for managing capital during the years ended 31<sup>st</sup> March 2023 and 31<sup>st</sup> March 2022. The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt includes interest bearing borrowings, trade and other payables, less cash and cash equivalents

The Group's debt to equity ratio at the end of the reporting period was as follows:

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Total Liabilities</b>	404,103,959	322,886,672	38,881,138	39,080,445
Less: Cash and Cash Equivalents	(2,125,809)	(1,797,758)	(123,820)	(123,680)
<b>Net Debt</b>	401,978,150	321,088,914	38,757,318	38,956,765
<b>Total Equity</b>	(261,266,676)	(203,934,140)	(38,757,255)	(38,955,085)
<b>Net Debt to Equity Ratio</b>	-154%	-157%	-100%	-100%

There were no changes in the Group's approach to capital management during the year and to maintain the capital structure, the Company and its subsidiaries may issue equity instruments.



# **SUPPLEMENTARY INFORMATION**

# SHARE INFORMATION

## Shareholder Information

The Stated Capital of the Company as at 31<sup>st</sup> March 2023 was Rs. 178,107,910/-representing 32,383,250 Ordinary Voting Shares. All shares are issued and fully paid.

## Major Shareholders Details

Twenty largest shareholders of the Company are as follows;

No	Name of the Shareholder	As at 31st March 2023	
		No of Shares	Holding %
1	SERENDIB HOLDINGS PTE. LTD.	27,241,287	84.12
2	FLYASIA SDN.BHD	1,175,625	3.63
3	SEYLAN BANK PLC/RIYANSI KENAT DICKMAN	469,914	1.45
4	MRS. A.A. RAAYMAKERS	226,359	0.70
5	ASSETLINE LEASING COMPANY LTD/H.A.S.P.KUMAR	155,798	0.48
6	HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	151,000	0.47
7	MR. M.A.T. RAAYMAKERS	150,286	0.46
8	DIALOG FINANCE PLC/K.W.J.P.L. PERERA	125,000	0.39
9	MR. H.L. WIJewardena	103,000	0.32
10	MR. R.E. RAMBUKWELLE	72,500	0.22
11	MR. H.R. DINESH	67,392	0.21
12	MRS H.P GIN	50,920	0.16
13	MRS. W.A.N. FONSEKA	50,000	0.15
14	SAMPATH BANK PLC/MR.ANANDA SAMARANAYAKE	48,848	0.15
15	BANSEI SECURITIES CAPITAL (PVT) LTD/M.A.U. GNANATILA	32,959	0.10
16	MR. M.I.M. ANAS	31,077	0.10
17	MR. M.A. AZEEZ	30,000	0.09
18	MERCHANT BANK OF SRI LANKA & FINANCE PLC/R.G.G. WIJESURIYA & M.A. MALIYADDA	30,000	0.09
19	MR. S.A.A.S. DIAS	28,991	0.09
20	MERCHANT BANK OF SRI LANKA & FINANCE PLC/Y.R.P. DE SILVA	28,338	0.09
<b>Total</b>		30,269,294	93.47
<b>Others</b>		2,113,956	6.53
<b>Total</b>		32,383,250	100.00

## SHARE INFORMATION

### Public Holding and Float Adjusted Market Capitalization

The percentage of shares held by the public as at 31<sup>st</sup> March 2023 was 15.88% Which represented 939 no of share holders.

	As at 31 <sup>st</sup> March 2023	
	Number of Shares	Holding %
Shares held by the Public	5,141,963	15.88%
Shares held by the Others	27,241,287	84.12%
<b>Total</b>	<b>32,383,250</b>	<b>100.00%</b>

Trading of shares of the Company has been suspended on 07<sup>th</sup> December-2022. The Float adjusted market capitalization as at 07<sup>th</sup> December-2022 - Rs.19,539,459.40

The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

### Directors' Shareholdings

The number of shares held by the Board of Directors is as follows;

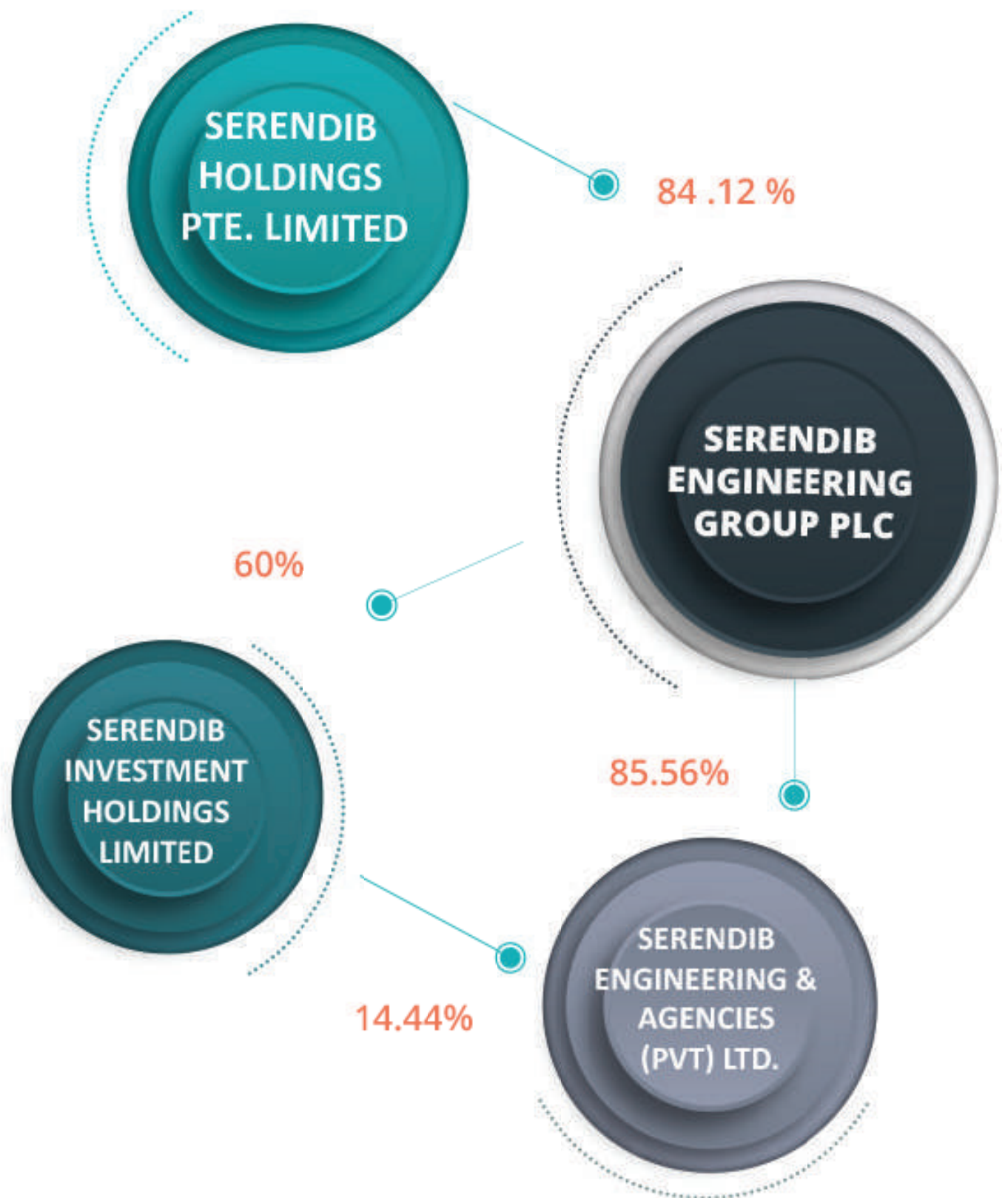
	As at 31 <sup>st</sup> March 2023		As at 31 <sup>st</sup> March 2022	
	No of Shares	Holding %	No of Shares	Holding %
<b>Name of the Director</b>				
Mr. N.D. Rathnayake (Resigned w.e.f. 5 <sup>th</sup> January 2024)	Nil	0.00	Nil	0.00
Mr. G.T. Jayaseelan (Appointed w.e.f. 4 <sup>th</sup> January 2020)	Nil	0.00	Nil	0.00
Mr. Vaitheswaran Rajarajan (appointed w.e.f 24.05.2021)	Nil	0.00	Nil	0.00
Mr. Kathirgamar Sivaskantharajah (Resigned w.e.f. 6 <sup>th</sup> May 2023)	Nil	0.00	Nil	0.00
<b>Total</b>	<b>Nil</b>	<b>0.00</b>	<b>Nil</b>	<b>0.00</b>

### Share price Information

Share Price information during the 12 months Period is as follows;

Market Price of the Share	Year Ended 31 <sup>st</sup> March 2023	Year Ended 31 <sup>st</sup> March 2022
Highest Price per Share (Rs.)	6.60	9.60
Lowest Price per Share (Rs.)	3.70	5.30
Closed Price per Share (Rs.)	3.80	6.10

# GROUP STRUCTURE



# PERFORMANCE SUMMARY

Group	2023	2022	2021	2020	2019
<b>OPERATING RESULTS</b>					
Revenue	71,679,188	56,675,964	58,634,480	135,854,494	218,385,691
Net Profit/(Loss) before Tax	(59,322,099)	(76,896,783)	(61,720,535)	(130,636,340)	(44,746,558)
Profit/(Loss) for the year	(59,321,873)	(77,213,780)	61,707,103	(161,982,966)	(35,458,660)
Profit Attributable to Equity Holders of the Parent	(55,850,091)	(72,774,334)	58,327,261	154,203,276	(3,349,832)
<b>ASSETS EMPLOYED</b>					
Property, Plant & Equipment	5,226,277	6,858,184	8,171,707	7,268,817	10,079,155
Total Current Assets	137,478,013	111,811,777	99,294,485	162,049,195	243,743,233
Total Asset	142,837,284	118,952,532	10,813,341	170,025,606	305,726,108
Total Current Liabilities	348,851,882	272,402,310	190,843,862	229,593,893	202,306,072
<b>CAPITAL EMPLOYED</b>					
Stated Capital	178,107,910	178,107,910	178,107,910	178,107,910	178,107,910
Shareholders' Funds	(240,180,589)	(186,204,931)	(114,183,031)	(54,938,491)	99,667,966
<b>CASH FLOW</b>					
Net Cash Flow from/ (used in) Operating Activities	12,211,501	4,183,323	(8,050,964)	(3,592,714)	(29,192,961)
Net Cash Flow from /(used in) Investing Activities	(108,393)	(2,661,102)	(3,614,767)	(4,444,991)	6,816,202
Net Cash Flow from/(used in) Financial Activities	(14,120,642)	(8,356,026)	23,079,310	6,987,059	(17,653,876)
Cash and Cash Equivalents at the end of the year	(28,646,823)	(26,629,288)	(19,795,483)	(31,209,062)	(30,158,416)
<b>KEY INDICATORS</b>					
Earnings Per Share (Rs.)	(1.72)	(2.25)	(1.80)	(4.76)	(1.03)
Net Asset Value Per Share (Rs.)	(7.42)	(5.75)	(3.53)	(1.70)	3.08
ROA (%)	N/M	N/M	N/M	N/M	N/M
Debt/Equity Ratio (%)	N/M	N/M	N/M	N/M	48%
Current Ratio (Times)	0.34	0.41	0.52	0.71	1.20

## PERFORMANCE SUMMARY

Company	2023	2022	2021	2020	2019
<b>OPERATING RESULTS</b>					
Revenue	4,800,000	4,000,000	-	-	4,771,690
Net Profit/(Loss) before Tax	197,604	(570,278)	(3,695,044)	(148,626,027)	(6,215,710)
Profit/(Loss) for the year	197,830	(566,384)	(3,695,044)	(148,610,428)	(6,212,803)
<b>ASSETS EMPLOYED</b>					
Property, Plant & Equipment	-	1,617	17,165	73,132	173,716
Total Current Assets	123,883	123,743	249,313	249,343	1,181,635
Total Asset	123,883	125,360	266,479	322,475	148,093,241
Total Current Liabilities	38,881,138	39,080,219	38,651,060	34,998,580	34,140,319
<b>CAPITAL EMPLOYED</b>					
Stated Capital	178,107,910	178,107,910	178,107,910	178,107,910	178,107,910
Shareholders' Funds	(216,865,165)	(217,062,995)	(216,496,611)	(212,801,567)	113,916,771
<b>CASH FLOW</b>					
Net Cash Flow from/ (used in) Operating Activities	-	-	(261)	13,490	(5,705,663)
Net Cash Flow from /(used in) Investing Activities	140	184	231	283	589,069
Net Cash Flow from/(used in) Financial Activities	-	-	-	-	-
Cash and Cash Equivalents at the end of the year	123,820	123,680	123,496	123,525	109,752
<b>KEY INDICATORS</b>					
Earnings Per Share (Rs.)	0.01	(0.02)	(0.11)	(4.59)	0.19
Net Asset Value Per Share (Rs.)	(1.20)	(1.20)	(1.19)	(1.07)	3.52
ROA (%)	N/M	N/M	N/M	N/M	4%
Debt/Equity Ratio (%)	-	-	-	-	-
Current Ratio (Times)	0.00	0.00	0.01	0.01	0.03

# GLOSSARY OF FINANCIAL TERMS

Glossary of Terms	Description
Accrual basis	Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period Colombo Consumer Price Index
Current Ratio	Current Assets/Current Liabilities Gross Domestic Product
Debt/Equity	Total Debt/Total Equity Institute of Chartered Accountants of Sri Lanka
EPS	Profit attributable to equity holders/Weighted Average number of Shares in issue Millions
Net	Total assets minus current liabilities minus non-controlling interest Net Asset Value per Share
Net Assets	Profit for the period/Number of shares as of period end
PAT	Profit after tax Private
Public Holding	Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the end of this financial year
	Sri Lankan Rupees
ROA	Profit after Tax/Average Total Assets
	Serendib Engineering Group PLC
ROE	Profit after Tax/Average Total Equity
	United Kingdom
Total Debt	Long term liabilities plus short term liabilities
	Standing Deposit Facility
Total Equity	Shareholders' funds plus non-controlling interest
Non-Controlling Interest	Non-controlling interest of the parent company is the portion of equity ownership in a subsidiary not attributable to the parent company.
Article	Articles of Association
AWDR	Average Weighted Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumer Price Index
CSE	Colombo Stock Exchange
GDP	Gross Domestic Product
GP	Gross Profit
ICASL	Institute of Chartered Accountants of Sri Lanka
IDL	Infrastructure Developers PLC
Mn	Millions
MBA	Master of Business Administration
N/A	Not Applicable
(Pvt)	Private
PLC	Public Limited Company
Rs.	Sri Lankan Rupees
SEC	Securities and Exchange Commission of Sri Lanka SEG / the Company
SEG / the Company	Serendib Engineering Group PLC
SLFRS	Sri Lanka Financial Reporting Standards
UK	United Kingdom
Y-o-Y	Year on Year
SDF	Standing Deposit Facility



# ABBREVIATIONS

Glossary of Terms	Description
AWDR	Average Weighted Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumer Price Index
CSE	Colombo Stock Exchange
GDP	Gross Domestic Product
GP	Gross Profit
ICASL	Institute of Chartered Accountants of Sri Lanka
IDL	Infrastructure Developers PLC
Mn	Millions
MBA	Master of Business Administration
N/A	Not Applicable
(Pvt)	Private
PLC	Public Limited Company
Rs.	Sri Lankan Rupees
SEC	Securities and Exchange Commission of Sri Lanka
SEG/	The Company Serendib Engineering Group PLC
SLFRS	Sri Lanka Financial Reporting Standards
UK	United Kingdom
Y-o-Y	Year on Year
SDF	Standing Deposit Facility
N/M	Not Meaningful

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF SERENDIB ENGINEERING GROUP PLC WILL BE HELD AT THE HOTEL SAPPHIRE, NO. 371, GALLE ROAD, COLOMBO 06 ON TUESDAY, 20<sup>TH</sup> FEBRUARY 2024 AT 3.00 P.M.

## AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the State of Affairs of the Company and the Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2023 with the Report of the Auditors thereon.
2. To re-elect Mr. G.T.Jeyaseelan who in terms of Articles 118 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director
3. To re-appoint M/s. V.S. & Associates, Chartered Accountants as Auditors to the Company for the ensuing year and authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine donations for the year 2023/ 2024.

BY ORDER OF THE BOARD OF  
SERENDIB ENGINEERING GROUP PLC  
S S P CORPORATE SERVICES (PRIVATE) LIMITED



SECRETARIES  
Colombo

22<sup>nd</sup> January 2024

## Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her. Such Proxy need not be a member of the Company.
2. A Form of Proxy accompanies this notice.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No 20, Cotta Road, Colombo 08. not later than 48 hours before the time appointed for the meeting.
4. Shareholders attending the meeting are kindly requested to bring with them their National Identity Card or other similar form of identification for production at the reception desk.

# FORM OF PROXY

I/We\* .....Holder  
of National Identity Card No.....of.....  
.....being a member/\*members  
of Serendib Engineering Group PLC hereby appoint Mr/Ms holder of National Identity Card No.  
.....of.....  
.....or failing him/her.

Mr. G.T.Jeyaseelan of Colombo or failing him  
Mr. V. Rajarajan of Colombo or failing him  
Mr. Santhirasegaram Sivarajah

as my/\*our Proxy to represent me/\*us and to vote as indicated below on my/\*our behalf at the Annual General Meeting of the Company to be held on 20<sup>th</sup> February 2024 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the State of Affairs of the Company and the Consolidated Financial Statements for the year ended 31 <sup>st</sup> March 2023 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. G.T. Jeyaseelan who in terms of Articles 118 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint M/s. V.S. & Associates, Chartered Accountants as Auditors to the Company for the ensuing year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize the Directors to determine donations for the year 2022 / 2023.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand/this ..... day of ..... Two Thousand and Twenty Four.

Signature

## Note:

Instructions as to completion appear on the reverse hereto. Please delete the inappropriate words, and mark 'X' in the appropriate cages to indicate your instructions as to voting.

A proxy need not be a member of the Company.

# INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with an 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 20, Cotta Road, Colombo 08 not less than 48 hours before the time appointed for holding the meeting.
4. If the form of proxy is signed by an attorney, the relative Power of Attorney should accompany the completed Form of Proxy for registration, If such Power of Attorney has not already been registered with the Company.

## **Note:**

*If the shareholder is a Company or body corporate, Section 138 of the Companies Act No. 07 of 2007 applies to shareholders of Serendib Engineering Group PLC and Section 138 provides for representation of Companies at meeting of other Companies. A Corporation, whether a Company within the meaning of this Act or not, may where it is a member of another corporation, being a company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represents as that Corporation could exercise if it were an Individual Shareholder of that other Company.*

# CORPORATE INFORMATION

## NAME OF THE COMPANY

Serendib Engineering Group PLC

## FORMER NAME OF THE COMPANY

Infrastructure Developers PLC

## LEGAL STATUS

A Public Quoted Company with Limited Liability incorporated in Sri Lanka on 07<sup>th</sup> September 1992, and re-registered under the Companies Act No. 07. of 2007. The Company was listed on the Diri Savi Board of the Colombo Stock Exchange.

## REGISTRATION NUMBER

PQ 230

## CSE CODE

IDL. N0000

## FINANCIAL YEAR END

31<sup>st</sup> March 2023

## BOARD OF DIRECTORS

### Mr. G.T. Jeyaseelan

Non-Executive Director

(Appointed w.e.f. 4<sup>th</sup> January 2020)

### Mr. N. D. Ratnayake

Independent Non-Executive Director

(Resigned w.e.f. 5<sup>th</sup> January 2024)

### Mr. V. Rajarajan – Director

Independent Non-Executive Director

(Appointed w.e.f. 24<sup>th</sup> May 2021)

### Mr. K. Sivaskantharajah

Independent Non-Executive Director

(Resigned w.e.f. 6<sup>th</sup> May 2023)

## SUBSIDIARIES

Serendib Investment Holdings Limited

Serendib Engineering & Agencies (Pvt) Limited

## PARENT COMPANY

Serendib Holdings Pte. Limited

## REGISTERED OFFICE OF THE COMPANY

No. 20, Cotta Road, Colombo 08

Tele : +94 11 7534534 / +94 11 7534045

## COMPANY SECRETARY AND REGISTRAR

S S P Corporate Secretarial (Pvt) Limited

No. 101, Inner Flower Road, Colombo 03

Tele: +94 2 573 894

Fax: +94 11 257 3609

Email: sspsec@sltnet.lk

## AUDITORS OF THE COMPANY

M/s. V. S. & Associates, Chartered Accountants

No. 20/62, Fairfield Gardens, Colombo 08

## BANKERS OF THE COMPANY

National Development Bank PLC

Seylan Bank PLC

Pan Asia Banking Corporation PLC

Bank of Ceylon

Sampath Bank PL



