

SERENDIB ENGINEERING GROUP PLC

PQ 230

**INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31ST DECEMBER 2017**



SERENDIB ENGINEERING GROUP PLC

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1. Corporate Information

NAME OF THE COMPANY	Serendib Engineering Group PLC
LEGAL FORM	A Public Company with Limited Liability incorporated on 7 th September 1992, and re-registered under the Companies Act 07 of 2007. Listed on the Diri Savi Board of the Colombo Stock Exchange.
REGISTRATION NUMBER	PQ 230
REGISTERED OFFICE	No.12 B, Gregory's Road Colombo 7
ACCOUNTING YEAR END	31 st March
BOARD OF DIRECTORS	Mr. H N De Silva - Chairman Ms. D L De Silva - Non-Executive Director Mr. H G S Kariyawasam - Non-Executive Director Prof. R W T M R Bandara - Independent Non-Executive Director Dr. A G P A Gunawansa - Independent Non-Executive Director
SUBSIDIARIES	Serendib Investment Holdings Limited Serendib Engineering & Agencies (Pvt) Limited CCC Plantation Engineering Limited
SECRETARIES	Corporate Arcade Limited No 127/37, Kirulapona Avenue Kirulapona
AUDITORS	V. S. & Associates Chartered Accountants 20/62, Fairfield Gardens Colombo- 08
BANKERS	Hatton National Bank PLC National Development Bank PLC Nations Trust Bank PLC Pan Asia Banking Corporation PLC Seylan Bank PLC

2. Group Financials
2.1 Statement of Comprehensive Income - Group

SERENDIB ENGINEERING GROUP PLC
STATEMENT OF COMPREHENSIVE INCOME

GROUP	Quarter ended 31st December		Nine Months ended 31st December		Year ended 31st March
	2017	2016	2017	2016	2017
	Unaudited Rs.	Unaudited Rs.	Unaudited Rs.	Unaudited Rs.	Audited Rs.
Revenue	87,747,558	85,700,780	227,225,564	223,995,404	316,761,579
Cost of sales	(73,099,269)	(60,467,642)	(181,602,872)	(159,708,447)	(219,425,076)
Gross profit	14,648,289	25,233,138	45,622,693	64,286,957	97,336,503
Other income	354,789	565,330	354,995	568,069	892,414
Administration expenses	(17,324,517)	(17,592,360)	(53,561,049)	(51,511,931)	(69,747,564)
Distribution cost	(988,038)	(2,044,895)	(3,051,411)	(3,536,308)	(4,020,788)
Profit from operating activities	(3,309,476)	6,161,213	(10,634,772)	9,806,787	24,460,565
Finance income	(161,999)	(578,958)	1,484,895	433,138	218,573
Finance expenses	(4,072,357)	(4,288,113)	(11,673,406)	(9,745,855)	(13,528,355)
Profit from ordinary activities before taxation	(7,543,832)	1,294,142	(20,823,283)	494,070	11,150,783
Taxation	9,714,666	(1,187,333)	11,347,436	(1,187,333)	(2,135,156)
Profit/(loss) for the period	2,170,834	106,809	(9,475,847)	(693,263)	9,015,627
Total comprehensive income	2,170,834	106,809	(9,475,847)	(693,263)	9,015,627
Attributable to:					
Equity holders of the parent company	2,074,813	95,783	(8,924,925)	(606,540)	8,556,691
Non-controlling interest	96,021	11,026	(550,922)	(86,723)	458,936
	2,170,834	106,809	(9,475,847)	(693,263)	9,015,627
Basic earnings per share (Rs)	0.06	0.003	(0.28)	(0.02)	0.26

2.2 Statement of Financial Position - Group

SERENDIB ENGINEERING GROUP PLC STATEMENT OF FINANCIAL POSITION - GROUP

	As at 31st December		As at 31st March
	2017 Unaudited Rs.	2016 Unaudited Rs.	2017 Audited Rs.
ASSETS			
NON - CURRENT ASSETS			
Property plant & equipment	13,949,980	16,030,370	17,761,447
Intangible assets	21,669,723	21,669,723	21,669,723
Financial assets	35,000,000	35,000,000	35,000,000
Deferred tax asset	18,683,474	14,474,700	7,262,997
TOTAL NON - CURRENT ASSETS	89,303,177	87,174,793	81,694,167
CURRENT ASSETS			
Inventories	37,092,299	43,642,430	31,965,167
Financial assets at FVTPL	3,422,008	6,010,670	6,962,454
Trade & other receivables	258,167,950	229,411,447	250,635,360
Amounts due from related parties	36,408,731	30,267,793	1,427,899
Cash and cash equivalents	3,786,105	2,543,121	5,121,660
TOTAL CURRENT ASSETS	338,877,093	311,875,461	296,112,540
TOTAL ASSETS	428,180,271	399,050,255	377,806,707
EQUITY & LIABILITIES			
Equity Attributable to the Equity Holders of the Parent			
Stated capital	178,107,910	178,107,910	178,107,910
Retained earnings	(1,819,494)	4,832,462	7,105,431
SHAREHOLDERS' FUNDS	176,288,416	182,940,372	185,213,341
Non-controlling interest	2,212,928	2,640,104	2,763,850
TOTAL EQUITY	178,501,344	185,580,476	187,977,191
NON - CURRENT LIABILITIES			
Retirement benefit obligations	5,041,464	5,661,907	4,573,750
Deferred tax liabilities	-	137,670	40,605
Finance lease obligations	1,055,257	3,411,755	3,456,794
TOTAL NON - CURRENT LIABILITIES	6,096,721	9,211,332	8,071,149

	As at 31st December		As at 31st March
	2017 Unaudited Rs.	2016 Unaudited Rs.	2017 Audited Rs.
CURRENT LIABILITIES			
Trade & other payables	146,409,510	141,597,649	106,728,019
Finance lease obligations	3,376,584	3,277,035	3,758,983
Short term loan	50,444,698	21,314,529	51,059,608
Amounts due to related parties	781,719	1,928,751	2,362,125
Income tax liabilities	126,587	134,003	316,057
Bank overdrafts	42,443,108	36,006,481	17,533,575
TOTAL CURRENT LIABILITIES	243,582,205	204,258,447	181,758,367
TOTAL EQUITY & LIABILITIES	428,180,271	399,050,255	377,806,707
Net asset per share Rs.	5.44	5.65	5.72

Notes:

1. The above figures are provisional and subject to audit.
2. The Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.
3. These financial statements have been prepared in accordance with SLFRS/LKAS 34-Interim Financial Reporting.
4. There were no changes to the Accounting Policies and methods of computation since the publication of Annual Report for the Year ended 31st March 2017.

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



.....
A C J Gunasinghe
Deputy Finance Manager



.....
A N D De Silva
Group Chief Executive Officer

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,



.....
H N De Silva
Director



.....
Prof. R W T M R Bandara
Director

Colombo
26th January 2018

2.3 Cash Flow Statement - Group

SERENDIB ENGINEERING GROUP PLC CASH FLOW STATEMENT - GROUP

	Period ended 31st December		Year ended 31st
	2017	2016	March
	Unaudited Rs.	Unaudited Rs.	Audited Rs.
Cash flows from operating activities			
Net profit / (loss) before interest & taxation	(9,716,425)	9,189,807	24,360,267
Adjustment for			
Depreciation	5,352,604	4,897,095	6,510,650
Gratuity Provision / (Reversal)	559,840	763,920	(45,973)
Write back of Gratuity Over provision	-	-	(278,265)
Dividend Income	(607,612)	(17,500)	(24,430)
Interest Income	(42,349)	(195)	-
Profit on Disposal of Plant & Equipment	(354,686)	(565,217)	(565,217)
Fair value changes in financial assets FVTPL	(437,354)	(428,726)	140,674
(Profit)/ loss on disposal of financial assets	(991,379)	(2,518)	(37,462)
Operating profit/ (loss) before working capital changes	(6,237,361)	13,836,666	30,060,244
Changes in working capital			
(Increase) / decrease in inventories	(5,127,132)	(13,095,393)	(1,418,130)
(Increase) / decrease in trade and other receivables	(6,394,834)	(34,359,226)	(55,583,139)
Increase / (decrease) in trade and other payables	39,681,491	50,175,818	15,239,011
(Increase) / decrease in amounts due from related parties	(34,980,832)	(26,391,690)	2,483,393
Increase / (decrease) in amounts due to related parties	(1,580,406)	398,185	-
Cash generated from / (used in) operating activities	(14,639,075)	(9,435,640)	(9,218,621)
Tax paid	(1,144,011)	(862,799)	(966,780)
Interest paid	(10,513,059)	(8,695,736)	(13,280,715)
WHT Paid	(1,068)	-	-
Gratuity Paid	(92,125)	(111,000)	(111,000)
Net cash flow from / (used in) operating activities	(26,389,338)	(19,105,175)	(23,577,116)
Cash flow from / (used in) investing activities			
Acquisition of financial assets	67,550	(1,723,934)	(8,333,843)
Proceeds from disposal of financial assets	3,450,337	650,000	5,230,450
Purchase of Plant & Equipment	(2,074,952)	(2,112,923)	(3,958,555)
Proceeds from Disposal of Plant & Equipment	-	-	565,217
Withdrawal from REPO	1,450,000	-	-
Dividend received	607,612	17,500	24,430
Finance lease repayment	-	(2,265,883)	(3,237,896)
Interest received	42,549	17,968	71,231
Net cash flow from / (used in) investing activities	3,543,096	(5,417,273)	(9,638,966)

	Rs.	Rs.	Rs.
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds form Interest Bearing Borrowings	9,769,951	-	44,766,203
Repayment of Interest Bearing Borrowings	(10,384,861)	(3,685,471)	(18,706,595)
Finance Lease Payment	(2,783,937)	-	-
Net Cash Flows from / (used in) Financing Activities	(3,398,847)	(3,685,471)	26,059,608
Net increase / (decrease) in cash & cash equivalents	(26,245,088)	(28,207,919)	(7,156,474)
Cash & cash equivalents at the beginning of the year	(12,411,914)	(5,255,441)	(5,255,441)
Cash & cash equivalents at the end of the period (Note: A)	(38,657,003)	(33,463,360)	(12,411,915)
Note: A			
Cash & cash equivalents at the end of the period			
Cash in hand & at bank	3,786,105	2,543,121	5,121,660
Bank overdraft	(42,443,108)	(36,006,481)	(17,533,575)
	(38,657,003)	(33,463,360)	(12,411,915)

2.4 Statement of Changes in Equity – Group

SERENDIB ENGINEERING GROUP PLC STATEMENT OF CHANGES IN EQUITY - GROUP

Description	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.	Non-Controlling Interest Rs.	Total Equity Rs.
Balance as at 01st April, 2017	178,107,910	7,105,431	185,213,341	2,763,850	187,977,191
Net Profit/ (Loss) for the period	-	(8,924,925)	(8,924,925)	(550,922)	(9,475,847)
Balance as at 31st December, 2017	178,107,910	(1,819,494)	176,288,416	2,212,928	178,501,344
Balance as at 01st April, 2016	178,107,910	5,439,002	183,546,912	2,726,827	186,273,739
Net Profit/ (Loss) for the Period	-	(606,540)	(606,540)	(86,723)	(693,263)
Balance as at 31st December, 2016	178,107,910	4,832,462	182,940,372	2,640,104	185,580,476

3. Company Financials

3.1 Statement of Comprehensive Income – Company

**SERENDIB ENGINEERING GROUP PLC
STATEMENT OF COMPREHENSIVE INCOME - COMPANY**

	Quarter Ended 31st December		Nine Months ended 31st December		Year Ended 31st March
	2017	2016	2017	2016	2017
	Unaudited Rs.	Unaudited Rs.	Unaudited Rs.	Unaudited Rs.	Audited Rs.
Revenue	6,183,900	3,877,650	9,261,750	11,748,900	16,206,500
Cost of Sales	(5,257,484)	(3,220,868)	(8,718,004)	(9,894,698)	(14,141,434)
Gross Profit	926,415	656,782	543,745	1,854,202	2,065,066
Administration Expenses	(351,665)	(657,716)	(872,922)	(1,361,816)	(1,411,056)
Profit from Operating Activities	574,751	(935)	(329,176)	492,385	654,010
Finance Income/(Loss)	(167,933)	(174,235)	562,494	127,895	115,193
Finance Expenses	-	(5,800)	(14,068)	(17,803)	(3,117)
Profit from Ordinary Activities before Taxation	406,818	(180,970)	219,250	602,477	766,086
Taxation	12,510	-	73,755	-	(84,978)
Profit/(Loss) for the period	419,328	(180,970)	293,005	602,477	681,108
Total Comprehensive Income	419,328	(180,970)	293,005	602,477	681,108
Basic earnings per share (Rs)	0.01	(0.01)	0.01	0.02	0.02

3.2 Statement of Financial Position- Company

SERENDIB ENGINEERING GROUP PLC STATEMENT OF FINANCIAL POSITION - COMPANY

	As at 31st December		As at 31st March
	2017 Unaudited Rs.	2016 Unaudited Rs.	2017 Audited Rs.
ASSETS			
NON - CURRENT ASSETS			
Property Plant & Equipment	183,893	321,137	353,696
Investments in Subsidiaries	146,737,890	146,737,890	146,737,890
Deferred tax asset	33,150	-	-
Total Non Current Asset	146,954,933	147,059,027	147,091,586
CURRENT ASSETS			
Inventories	4,434,870	3,906,022	3,681,953
Financial Assets at FVTPL	823,250	1,541,550	1,530,300
Trade & Other Receivables	245,544	1,459,033	111,276
Amounts Due from Related Parties	4,463,528	4,716,348	3,597,727
Cash and Cash Equivalents	41,335	48,285	1,308,844
Total Current Asset	10,008,527	11,671,238	10,230,100
TOTAL ASSETS	156,963,459	158,730,265	157,321,686
EQUITY & LIABILITIES			
Equity Attributable to the Equity Holders of the Parent			
Stated Capital	178,107,910	178,107,910	178,107,910
Retained Earnings	(57,920,413)	(58,292,049)	(58,213,418)
SHAREHOLDERS' FUNDS	120,187,497	119,815,861	119,894,492
TOTAL EQUITY	120,187,497	119,815,861	119,894,492
NON - CURRENT LIABILITIES			
Deferred Tax Liabilities	-	137,670	40,605
TOTAL NON - CURRENT LIABILITIES	-	137,670	40,605
CURRENT LIABILITIES			
Trade & Other Payables	5,552,254	2,999,945	4,370,867
Amounts Due to Related Parties	31,223,708	35,776,790	32,833,705
Income Tax Liabilities	-	-	182,017
Total Equity & Liability	156,963,459	158,730,265	157,321,686
Net assets per share (Rs.)	3.71	3.70	3.70

Notes:

1. The above figures are provisional and subject to audit.
2. The Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange.
3. These financial statements have been prepared in accordance with SLFRS/LKAS 34-Interim Financial Reporting.
4. There were no changes to the Accounting Policies and methods of computation since the publication of Annual Report for the Year ended 31st March 2017.

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



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A C J Gunasinghe
Deputy Finance Manager



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Group Chief Executive Officer

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,



.....
H N De Silva
Director



.....
Prof. R W T M R Bandara
Director

Colombo
26th January 2018

3.3 Cash Flow Statement – Company

SERENDIB ENGINEERING GROUP PLC CASH FLOW STATEMENT - COMPANY

	Period ended 31st December		Year ended 31st
	2017 Unaudited Rs.	2016 Unaudited Rs.	March 2017 Audited Rs.
Cash flows from operating activities			
Net profit / (loss) before interest & taxation	219,049	603,172	766,521
Adjustment for			
Depreciation	334,804	437,698	485,139
Interest Income	-	(195)	-
Dividend Income	(508,244)	(12,500)	(12,500.00)
Fair value changes in financial assets FVtPL	391,950	(146,450)	(85,450)
(Profit)/ loss on disposal of financial assets	(446,000)	-	(16,983)
Operating profit/ (loss) before working capital changes	(8,441)	881,725	1,136,727
Changes in working capital			
(Increase) / decrease in inventories	(752,918)	(1,223,804)	(999,727)
(Increase) / decrease in trade and other receivables	(134,268)	(1,209,714)	157,500
(Increase) / decrease in prepayment	-	-	(19,457)
Increase / (decrease) in trade and other payables	1,181,388	683,417	2,054,339
(Increase) / decrease in amounts due from related parties	(865,800)	147,179	(815,614)
Increase / (decrease) in amounts due to related parties	(1,609,998)	861,671	-
Cash generated from / (used in) operating activities	(2,190,036)	140,474	1,513,768
Tax paid	(182,017)	-	(230.00)
Interest paid	-	(695)	(695.00)
Net cash flow from / (used in) operating activities	(2,372,053)	139,779	1,512,843
Cash flow from / (used in) investing activities			
Acquisition of financial assets	198,500	-	(216,250)
Proceeds from disposal of financial assets	562,600	-	183,483
Acquisition of property plant & equipment	(165,000)	(162,410)	(242,410)
Dividend received	508,244	12,500	12,500.00
Interest received	201	-	260.00
Net cash flow from / (used in) investing activities	1,104,544	(149,910)	(262,417)
Net increase / (decrease) in cash & cash equivalents	(1,267,509)	(10,132)	1,250,427
Cash & cash equivalents at the beginning of the year	1,308,844	58,417	58,417
Cash & cash equivalents at the end of the period (Note: A)	41,335	48,285	1,308,844
Note: A			
Cash & cash equivalents at the end of the period			
Cash in hand & at bank	41,335	48,285	1,308,844
	41,335	48,285	1,308,844

3.4 Statement of Changes in Equity – Company

SERENDIB ENGINEERING GROUP PLC STATEMENT OF CHANGES IN EQUITY -COMPANY

Description	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April, 2017	178,107,910	(58,213,418)	119,894,492
Net Profit/ (Loss) for the period	-	293,005	293,005
Balance as at 31st December, 2017	178,107,910	(57,920,413)	120,187,497
Balance as at 01st April, 2016	178,107,910	(58,894,526)	119,213,384
Net Profit/ (Loss) for the period	-	602,477	602,477
Balance as at 31st December, 2016	178,107,910	(58,292,049)	119,815,861

4. Notes to the Financial Statements

1. Serendib Engineering Group PLC is a Public Limited Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange.

2. The Interim Financial Statements of the Group and the Company have been prepared for the three months ended 31st December 2017

3. Basis of Preparation

These interim financial statements have been prepared in accordance with LKAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. Further the requirements of the Colombo Stock Exchange and the Companies Act No.7 of 2007 has been considered. The information for the preparation of these interim financial statements has been drawn up from the unaudited financial records of the Company.

4. Contingencies, Capital and Other Commitments

4.1 Contingent Liabilities

There were no contingent liabilities as at the Balance Sheet Date.

4.2 Capital Commitments

There were no capital commitments as at the Balance Sheet Date.

5. Events after the reporting period

There have been no events subsequent to the reporting date, which require disclosure in the interim condensed financial statements.

5. Shareholder Information

The Stated Capital of the Company as at 31st December 2017 was Rs. 178,107,910/-representing 32,383,250 Ordinary Voting Shares. All shares are issued and fully paid.

5.1 Major Shareholders Details

Twenty largest shareholders of the Company are as follows;

No	Name of the Shareholder	As at 31st December 2017	
		No of Shares	Holding %
1	Navara Capital Limited	24,699,458	76.27%
2	Lankem Ceylon Plc	2,325,368	7.18%
3	Pan Asia Banking Corporation Plc / Lankem Ceylon Plc	1,422,075	4.39%
4	Flyasia sdn.Bhd	1,175,625	3.63%
5	Mr. S.C. De Silva	637,732	1.97%
6	Sandwave Limited	273,651	0.85%
7	Mr. K.D.S.R. Kulatunga	185,770	0.57%
8	Mr. P.V.D.C. Peiris	152,999	0.47%
9	Miss R.H.Mallika	60,000	0.19%
10	Mrs H.P.Gin	50,920	0.16%
11	Mr.T.M.N.Peiris	50,100	0.15%
12	MR H M C M Abeywardana	36,000	0.11%
13	MR S Muthugala	35,000	0.11%
14	Mr.P.B.Perera	31,059	0.10%
15	Merchant Bank of Sri Lanka & Finance PLC/MR M C D Fernando	28,853	0.09%
16	Bansei Securities Capital (Pvt) Ltd/ Mr.M.A.U.Gunatilake	27,615	0.09%
17	Mr. M.H.M. De Pinto Wickramaratne	27,199	0.08%
18	First Capital Markets Limited/ Mr.A.P.D.D.S.Fonseka	22,425	0.07%
19	Mr.H.L.Wijewardena	22,100	0.07%
20	Mrs. M.M. Safeena Beebi	22,000	0.07%
	Total	31,285,949	96.61%
	Others	1,097,301	3.39%
	Total	32,383,250	100.00%

5.2 Public Shareholdings

The percentage of shares held by the public as at 31st December 2017 was 23.73% Which represented 617 no of share

As at	31st December 2017	
	Number of Shares	Holding %
Shares held by the Public	7,683,792	23.73%
Shares held by the Others	24,699,458	76.27%
Total	32,383,250	100.00%

5.3 CEO's and Directors Shareholdings

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

Directors and CEO's Shareholdings As at Name of the Director	31st December 2017		31st December 2016	
	No of Shares	Holding %	No of Shares	Holding %
Mr. H. N. De Silva	Nil	0.00%	Nil	0.00%
Mrs. D. L. De Silva	Nil	0.00%	Nil	0.00%
Mr. H. G. S. Kariyawasam	Nil	0.00%	Nil	0.00%
Prof. R. W. T. M. R. Bandara	Nil	0.00%	Nil	0.00%
Dr. A. G. P. A. Gunawansa	Nil	0.00%	Nil	0.00%
Mr. A. C. De Silva	Nil	0.00%	Nil	0.00%
Mr. A. N. D. De Silva (CEO)	Nil	0.00%	Nil	0.00%
Total	Nil	0.00%	Nil	0.00%

5.4 Share price Information

Share Price information during the Interim Period is as follows;

Market Price of the Share	Quarter Ended	Quarter Ended
	31st December 2017	31st December 2016
Highest Price per Share (Rs.)	11.80	8.60
Lowest Price per Share (Rs.)	5.90	6.10
Closed Price per Share (Rs.)	6.30	6.30