



ANNUAL REPORT 2016



“MINISTRY OF HOUSING AND CONSTRUCTION”

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.

“Pioneers in Infrastructure Construction”



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STATE DEVELOPMENT & CONSTRUCTION CORPORATION

State Development & Construction Corporation (SD&CC) was established in 1971 under the Industrial Corporation Act No. 49 of 1957 to undertake Heavy Civil Engineering Contracts. The General Treasury is the sole share holder of the Corporation.

SD & CC has been undertaking Construction of Bridges, Roads & Highways, Dams, Irrigation Structures/Schemes, Hydro Power Tunnels & Power Houses, Water Supply Treatment Works, Buildings & Jungle Clearing and Land preparations.

SD&CC is also the premier organization for manufacturing of pre- cast concrete products ranging pre-stressed concrete bridge beams, transmission poles, Concrete railway sleepers etc.

In addition to the direct contribution to the National Economy by actively participating in the infrastructure developments of the country, SD&CC has been training Engineers and other technical staff without any form of subsidies from the Government and thereby offers invaluable service to the industry as well as to the country.



CORPORATE INFORMATION

Name of the Enterprise	:	State Development & Construction Corporation (SD&CC)
Legal Status of the entity	:	Government Corporation
Act of Incorporation	:	Industrial Corporation Act. No. 49 of 1957
Year of Incorporation	:	1971
Registered Office	:	No.7, Borupana Road, Ratmalana. Tele. 0112 607560
Concrete Yards	:	<ol style="list-style-type: none">i. Ratmalana Concrete Yard, No.7, Borupana Road. Ratmalana Tele. 0112 – 632786ii. Bopitiya Concrete Yard, Pannala Tele. 037-2288415iii. Weragantota Concrete Yard, Mahiyanganaya . Tele. 055 – 2257101iv. Medawachchiya Concrete Yard , Jaffna Road, Medawachchiya. Tele.No. 025-3899916v. Peradeniya Sales Centre Tele. 081-2387056
Auditors	:	Auditor General's Department
Bankers	:	Bank of Ceylon People's Bank Sampath Bank



VISION, MISSION AND OBJECTIVES

VISION

“To be the best infrastructure Development & Construction Organization providing value for money for the nation.

MISSION

“To assist the Economic Development of the country by participating the National infrastructure Development, various construction activities and carrying out such activities to the highest standard of quality and be the market leader in civil construction industry and heavy reinforced/ pre-stressed, pre- cast concrete industry”

OBJECTIVES

- (1) The investigation, investment, planning, designing, construction operation and management of buildings, civil engineering, other engineering projects or other ventures in Sri Lanka or abroad, owned by any party, either independently or in collaboration with any local or foreign company and the acquisition and holding of shares, in any such companies.
- (2) Execution or supervision of any of the above projects in Sri Lanka or abroad; either independently or in collaboration with any local or foreign firm or company, and the acquisition and holding of shares, in such company.
- (3) Planning, designing and fabrication of mechanical and electrical installations for the purposes referred to in paragraphs (1) and (2).
- (4) Manufacture and sale in Sri Lanka or abroad of concrete, reinforce concrete and pre-stressed concrete product required for engineering undertakings.
- (5) The extraction of construction raw materials and manufacture, sale, import and export of construction materials, machinery and equipment required for engineering projects/ undertakings. .
- (6) Carrying out of research into Construction materials, methods and techniques utilized for the purposes referred to in paragraphs (1) (2) (3) & (4).
- (7) To provide training opportunities to Managerial / Engineering /Technical personnel to enhance knowledge and modern technological and business skills in construction engineering and managerial fields required for the purposes referred to in paragraphs (1) (2) (3) and (4).
- (8) To continue as a strong self financing Govt. Organization.
- (9) To be a viable and profitable entity and maintain a minimum profit margin of 10%.
- (10) To achieve a sustainable turnover growth of 30%.
- (11) To identify and systematically manage risk.



CHAIRMAN'S MESSAGE

I am pleased to present the Annual Report of the State Development & Construction Corporation for the financial year ended 31st December 2016.

Overview of the Macroeconomic Environment

Sri Lanka's economy growth slowed in 2016 with a marked fall in agricultural production, but a pickup in construction and investment helped and recorded 4.4 growth to sustain growth. Inflation was highly variable over the year but moderated in general, as was the current account deficit. The outlook is for modest recovery in growth as the government implements an economic program of fiscal reform to tackle persistent macroeconomic imbalances and a large public debt.

The four major components of the economy, Agriculture, Industries, Services and Taxes less subsidies contributed to the GDP 7.5 percent, 27.1 percent, 57.0 percent and 8.4 percent respectively for the year 2016.

During the year 2016, highest growth rate of 6.7 percent was reported for overall Industrial activities mainly from Construction and mining activities. Meanwhile the Services activities have grown by 4.2 percent. However, the growth of agricultural activities declined 4.2 percent as most of the major agricultural activities have reported negative growth rates during the year 2016 mainly due to adverse weather conditions, when compared with 2015.

Overview of the Construction Industry

Construction Industry Development Authority (CIDA) and the National Construction Association of Sri Lanka (NCASL) are the apex bodies and accredited representatives of the Sri Lankan construction industry. Many state-owned entities and private construction companies are registered with CIDA. Unregistered informal contractors and international contractors also carry out construction work.

The construction sector, which went through a rough patch in 2015, has indicated signs of recovery with some of the large infrastructure projects driven by the public sector recommencing. Large infrastructure projects driven by the public sector kick started during the first quarter continued growth in projects in the condominium and leisure sectors. Gross domestic product (GDP) from construction in Sri Lanka increased to Rs.158 billion. It is expected to have a booming construction sector over next 2-3 years supported by rising affordability for housing, demand for skyscrapers and the government's mega infrastructure drive. USD 40 billion Western Region Megapolis project will also provide a huge boost to the overall construction sector.

SD & CC Performance

The corporation recorded a turnover of Rs. 2,071 Mn. during the year 2016 compared to Rs. 2,429 Mn. recorded in the previous year. The decline in revenue was due to lesser number of projects available during the year. It earned a net profit (before tax) of Rs. 22 Mn. for the year 2016. This is a sharp decrease over the previous year's net profit of Rs. 50.3 Mn.

Operating cost of the corporation goes up due to increase in material cost, labour cost and other operating costs. It is not an easy task to increase the margins of the projects by the same rate as the corporation has to maintain minimum profit margins to be competitive in the industry where the private sector players offer attractive rates as their operating costs are low. This is one of the main challenges faced by the corporation at present.



Further corporation has encountered problems in collecting the outstanding dues from the government institutions as currently they do not have adequate provisions to settle the outstanding payments for the projects. As a result trade receivables have increased very significantly. When the cash inflow is not received on due dates, Corporation has to resort to bank loans and overdraft facilities to finance the working capital requirements of the Corporation to meet commitments in construction contracts. Cost of borrowing is also high, which in turn adversely affects the profitability and the working capital of the Corporation.

The number of employees as at the end of the year stood at 583.

Challenges faced by the Corporation

Dearth of government funded and foreign funded projects has caused difficulties to secure sufficient number of projects for the Corporation to survive in the industry. Restriction imposed on the corporation to bid for projects financed by the Asian Development bank is also one of the factors which hinders the growth of the corporation

When it comes to fund allocation and release, the General Treasury and client organizations keep minimum amounts for the existing projects thereby causing liquidity problems for the Corporation. This in turn forces the organization to resort to bank loans to finance the working capital requirements incurring heavy finance cost. Delay in receiving dues from client organizations for the work done also results in repeated stoppage of work.

Further projects are bid by the private sector competitors below the engineer estimates. As a result government organizations like SD&CC face problems in term of heavy competition.

Conclusion

I take this opportunity to express my deep and sincere gratitude to Hon. Minister of Housing & Construction and Hon. Deputy Minister and secretary to the Ministry of Housing & Construction and other senior staff of the Ministry for their guidance and the cooperation given for the success of the performance of the organization.

I also wish to thank the Board of Directors for their tremendous contribution made and also the General Manager, Deputy General Managers, Senior Staff members and all other employees at all levels for their commitment and dedication as a team to achieve the goals of the corporation.

It is indeed necessary to extend my sincere appreciation to our valued clients including Road Development Authority, Department of Irrigation, National Housing Development Authority, all the Provincial Road Development Authorities, Ceylon Electricity Board and the Department of Railways for their trust and confidence kept on SD&CC. We look forward to keeping their trust and reinforcing further their confidence by serving them effectively and efficiently even better in the future.

Chaminda Ediriwickrama
CHAIRMAN



BOARD OF DIRECTORS & SENIOR STAFF MEMBERS

BOARD OF DIRECTORS

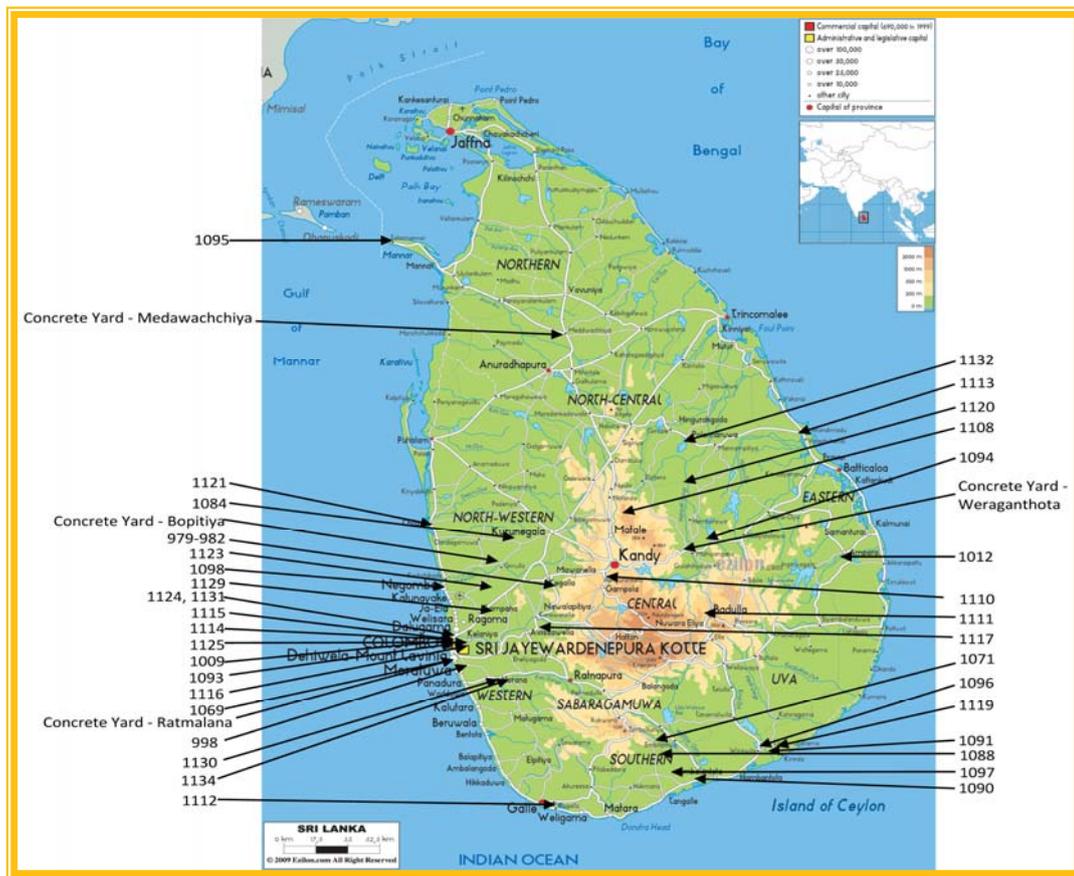
1. Mr. Chaminda Ediriwickrama - Chairman
2. Mr. Mervyn N. De Silva. - Vice Chairman
3. Mr. G. A. Ajith Priyantha - Treasury Representative
4. Mr. S. A. D. P. Gunawardena - Director
5. Eng. Y. M. I. Bandara - Director
6. Mr. Nandana Mal Kumara - Director
7. Ms. Sandamali Chandrasekera - Directress

SENIOR STAFF MEMBERS

1. Eng. M.D.S. Wijayabandara - General Manager
2. Eng. D.S.D.D.C. Rajasinghe - Dep. General Manager (Development & Planning)
3. Eng. S.M.S. Shakoor - Dep. General Manager (Construction)
4. Eng. V.L. Weerathunga - Dep. General Manager (Mechanical)
5. Eng. Mrs. H. Damayanthi - Dep. General Manager (Performance Monitoring)
6. Mr.W. A. N. Asiri Fernando - Dep. General Manager (Finance)
7. Mr. K.A.G. Wickramasinghe - Senior Manager (Human Resources & Admin.)
8. Mr. R.A.K. Nishantha - Chief Internal Auditor
9. Mr. K.W.V.M.B. Wijesundera- Supplies Manager
10. Eng. W.A.D.R. Shantha Kumara- Chief Engineer - 1
11. Eng. K.A.U. Ranjan - Chief Engineer – 2
12. Eng. D.A.P. Damayanthi - Chief Engineer – 3
13. Eng. I.V.C.U. Kumara - Chief Engineer – 4
13. Eng. P.S.R. Perera - Chief Engineer (Electrical)
15. Eng. E.K.G. Chandana - Works Manager (Concrete Yard)
16. A.K. Chandraratne - Chief Security Officer



LOCATIONS OF CONSTRUCTION PROJECTS, OFFICE AND CIRCUIT BUNGALOWS OF SD&CC



- 998 - Reconstruction of Bridge no. 8/4 on Kottawa - Thalagala Road
- 1000- Dismantling old Steel Bridge at Muwagama & Installing at Thanakolawatta..
- 1009 - Repair & Renovation work for Sahaspura & Sinhapura Stage I Housing Schemes.
- 1012 - Construction of Bridge over Galoya Connecting Salgashandiya Right Bank Canal Road
- 1071 Rehabilitation and Improvements of C7 Canal Sevanagala Walawe
- 1084 - Kolamunuoya Bridge on Hunugama Kanogama Rd
- 1088 - Construction of Weekly Fair at Karametiya
- 1089 - Construction of Bandarawatta Weekly Fair
- 1090 - Construction of Weekly Fair at Wadigala
- 1091 - Construction of Weekly Fair at Pannegamuwa
- 1093 - Proposed Widening of Existing Bridge Over Bloumendhal Road
- 1094 - Protection of Canal Banks of Main Canal No.2 (RB Canal of Rathkinda Tank)
- 1095 - Construction of 650m long new road closed to Talaimannar Pier
- 1096 - Bus Stand at Lunugamwehera
- 1097 - Bus Stand at Walasmulla
- 1098 - Rehabilitation of Negombo General Hospital
- 1108 - Ward complex for Divisional Hospital at Laggala Town under Moragahakanda & Kaluganga Development Project.
- 1110 - Drawing Office II - Stage II & III - Faculty of Engineering - Peradeniya
- 1111 - Rehabilitation of Madiriya Intake and balance work at Bandarapura treatment plant civil works
- 1112 -Reconstruction of Samagiwatta bridge across Moragoda Ela on Dangedara Samagiwatta at Galle.

- 1113 Reconstruction of bridge no. 1/1 on Batticaloa - Thirukkondiyadimadu - Trincomalee road (A015)
- 1114 -Renovation work of burnt area at SPC Head office
- 1115 -Renovation of Cardiology Unit National Hospital of Sri Lanka
- 1116 -Repairing of damaged road surface & base at Jalthara, Mattegoda Kindhawaththa Housing Schemes
- 1117 -Bridge No. 5/2 (Gurugalla) on Thalduwa - Meewitigamma road
- 1119 -Implementation of proposed works to upgrade Tissamaharama Water supply scheme
- 1120 -Remedial works of Moogamma Tank in Mahaweli system
- 1121 -Proposed buildings for Medical Ward and Operation Theatres at Chilaw District General Hospital
- 1123 -Design and Construction of completion of commercial building at Meerigama
- 1124 -Design and construction of multi-purpose hall shops & improvement works of playground & internal access roads at Borella
- 1129 -Development of Public Play Ground at Malwathuhiripitiya under "Sukhitha Purawara" Regional Town Development Programme
- 1130 -Design and Construction of proposed Bus Stand (stage II) Part I at Horana
- 1131 -Design and Construction of Land Development works for Commercial Complex at Battaramulla
- 1132 -Construction of Auditorium at Polonnaruwa Royal College
- 1134 -Design and Construction of Bulathsinhala Fair.
- 1135-Improvements to Kynsey Road Drain.
- 1137-Construction of Foot Bridge for Waters Edge.



Polonnaruwa Auditorium



Samagiwatta Bridge



Kolamunu Oya



Thissamaharama Water Project



Chillaw Hospital



CORPORATE GOVERNANCE

The objectives of State Development & Construction Corporation (SD&CC) and the means of attaining these objectives and monitoring the performance were emphasized through the corporate governance. Therefore, corporate governance promotes effective identification, monitoring and management of all material business risks.

SD&CC, being a fully Government owned institution operates under the purview of the Ministry of Housing & Construction and the General Treasury. Board of Directors is directly accountable to the Government through the line ministry. Therefore the Board of Directors and the senior management of SD&CC have a duty to ensure that the organization is governed and operated in the best interest of the Corporation and its stake holders in full compliance with the regulatory frame work.

In terms of the constitution, Parliament has full control of public finance and therefore public enterprises are subject to Parliamentary control. The cabinet of ministers is responsible for taking decisions relating to public enterprises. The General Treasury is responsible for financial and operational disciplines of the public corporations. For this purpose, the General Treasury issues regulations, rules, codes, guidelines and directives through circulars to ensure that the board of directors properly discharge their responsibilities with regard to the economic efficiency and effectiveness.

Except for the General Treasury Representative Director, the other appointments to the Board of Directors including head of the institutions of Government Corporations are made by the secretary to the line ministry based on the recommendation of the minister in charge under which the enterprise falls. The General Treasury, being the share holder, appoints one director.

The Board of Directors had no personnel interest which conflicted with the interest of the Corporation. The activities of the Corporation were conducted to build the Corporation to more financially and operationally viable entity in the construction industry. The manner and the extent to which SD&CC comply with good corporate governance are given below.

**CORPORATE GOVERNANCE PRINCIPLES**

Principles of Corporate Governance	Methodology & Extent of Adherence
Board of Directors	
Composition of the Board	Board comprises of five non-executive directors, an executive director and Chairman. One non-executive director out of five non-executive directors is appointed by the General Treasury. They encompass a range of multi skills talents and expertise required to provide prudent and a reasonable guidance with respect to the operations and interest of the Corporation.
Holding of regular Board Meetings	Regular Board Meetings are held monthly, while special Board meetings are convened whenever necessary.
Availability of formal schedule of matters specially reserved for the decision making of the board.	<p><u>Board is responsible for:</u></p> <ul style="list-style-type: none"> • Ensuring satisfactory performance of the Corporation as representatives of the line Ministry and the General Treasury. • <u>Formulation of policies and strategies</u> and monitoring successful implementation thereof • Appointment of the General Manger and key Management staff, approving the Organization structure and planning for succession of Senior Management. • Ensuring the implementation of an effective internal control system. • Ensuring compliance with highest ethical, legal standards. Treasury Circulars, Public administration circulars and direction by the Ministry of Housing & Construction. • Approval of annual Bonus and Medical leave which are beyond the authority of General Manager and Chairman. • Deciding of major capital investments in property plants and equipment. • Approval of the annual budget and the Corporate Plan. • Approval of Annual financial statements for publications.



Corporation Secretary to the Board	SD&CC has no Corporation Secretary. The Secretary to the Chairman acts as the Board Secretary. She ensures that notices of all board meetings with relevant board papers are circulated in advance with the approval of Chairman. She minutes all the proceedings and the board meetings under the supervision of the Chairman who signs the minutes at the subsequent meeting.
Independent Judgment and best practice	Directors are committed to add value and bring independent judgment to bear on the decision making process of SD&CC and to carry out their duties free from any undue influence or control of other parties.
Reasonable time effort for matters of the Board and the Corporation.	The Board of Directors dedicates adequate time to matters of the Board and the Corporation. In addition to attending the regular monthly board meetings as well the audit and management committee meetings, matters are also referred to them by circulation.
Conducting board proceedings in a proper manner.	Chairman conducts board meetings ensuring effective participation of all the Directors, heeding to their concerns and maintaining the balance of power. The board is in full control of the Corporation.
Balance of the board	Majority of the Directors are non executive independent Directors, The Board comprises three Attorney At-Lawyers, Senior Government officer, an Engineer and a Treasury representative. The board believes that the combined knowledge & experience of the Board matches the strategic demands facing the Corporation.
Availability of adequate and timely management information	An organized management information system is in place. Accurate and relevant information relating to matters referred to the members of the board are made available to them well in advance. Whenever, the board finds that the information made available to them for a decision is insufficient, they call for additional information and the Chairman ensures that all Directors are properly briefed on the matters deliberated on at the meetings.
Presence of a strong and independent non executive element in the board	Majority of the Directors are non executive independent directors.
Appraisal of Board Performance	There is no specific method in operation to assess the performance of the board. Therefore the board has the autonomy to implement a self assessment exercise covering the key functions under the following activities to assess the performance of the board where necessary. <ul style="list-style-type: none">• Discharge of statutory / regulatory duties and board responsibilities.• Corporate governance and monitoring of the Management.



	<ul style="list-style-type: none"> • Seeking & contributing views & opinions on strategic decision making. • Continuous progress review meetings by the line ministry. • Undertaking the succession plans to ensure comprehensive staff succession for engineers and CSS, Accountants and other skilled employees. • Overall view of management of the business by the Board of Directors.
Appraisal of the General Manager and Senior Management	The board sets financial and non – financial goals and objectives for the General Manager and Senior Staff in line with the corporate goals and objectives of the Corporation. The General Manager is entrusted with management of SD&CC's operations.
	The main corporate goals and objectives emanating from the Corporation's Corporate plan and the budget are incorporated as personal goals of the GM and Senior Management whose performance is assessed by the Chairman and Board of Directors
Major Transactions	
Disclosure of major transactions and their impact on the consolidated net assets of the Corporation.	Major transactions and their impact on the consolidated net assets of the Corporation are disclosed wherever relevant.
Accountability and Audit	
Financial Reporting	
Disclosure of an assessment of the position and prospects of the Corporation	Corporation exercises management priority to timely submission of quarterly reports to the General Treasury in accordance with a specified format enabling them to make a fair assessment of the Corporations performance. The financial statements are prepared in accordance with Sri Lanka Accounting Standards, which are based on the International Accounting standards. Therefore the Corporation's financial statements comply with the international accounting standards in all material respects.
Annual Report should contain a declaration by the Chairman.	Report of the Chairman is given on pages 04 & 05 of this Annual Report.
Presenting a statement setting out the responsibilities of the directors for financial statements and a statement by the Auditors about their reporting responsibilities.	The statement of Directors responsibilities for financial reporting is given on page 25 of this Annual Report. Auditors report on the financial statements of the Corporation for the year ended December 31 st 2016 is given on page 27 to 44 of this annual report.
Internal Controls	
Maintaining a fair system of Internal controls covering financial & operational compliance and management to safe guard the Corporation's assets.	Management has put in place effective internal controls, and compliance systems to ensure that no legal, financial regulations, Ministry & Treasury directions and other regulations are violated.



<p>Direction</p>	<ul style="list-style-type: none"> i. Decisions made at the Meeting of the Board of Directors were communicated to the relevant officials for implementation and the outcomes were reported back to the Board of Directors. ii. Senior Staff Meeting with the participation of all the Heads of Divisions & Chief Engineers are held monthly to discuss the operational, financial & personnel matters and matters arising are brought to the notice of Board of Directors. iii. Progress monitoring meetings for Construction Division and the Concrete Yards are held every month with the participation of all the project/ yard managers and the outcome is reported to the Board of Directors.
<p>Audit Committee and Auditors</p>	
<p>Availability of an audit committee comprising of independent non-executive directors and reporting thereon in the Annual Report.</p>	<p>An active audit committee headed by the Director cum Treasury Representative above and represented by two other non executive directors is in place. Representatives from Auditor General’s Department & the Ministry participate at these meetings by invitation.</p>
<p>Maintaining appropriate relationships with the external auditors to ensure their objectivity and independence.</p>	<p>SD&CC maintains appropriate relationship with the Auditor General’s Department.</p>
<p>Board of Survey</p>	<p>Annual Survey of property, plant & equipment and inventories was conducted as at 31.12.2016.</p>
<p>Corporate Governance Disclosures</p>	
<p>Disclosures of Corporate Governance practices adopted in the Corporation</p>	<p>In order to strengthen the good corporate governance practices, already in place in the Corporation, it identifies the best Industry practices in accordance with the guide line given by the General Treasury for good governance and implements them.</p> <p>It is encouraging to note that the majority of the principles and practices recommended by the General Treasury are already in place in the Corporation. A few of the practices not found to be in place in the Corporation have been identified and corrective actions are being taken. It is also believed that the amendments proposed to the guide lines for good governance will improve the operational structure and the regulatory framework relating to corporate governance of the corporations and statutory boards.</p>



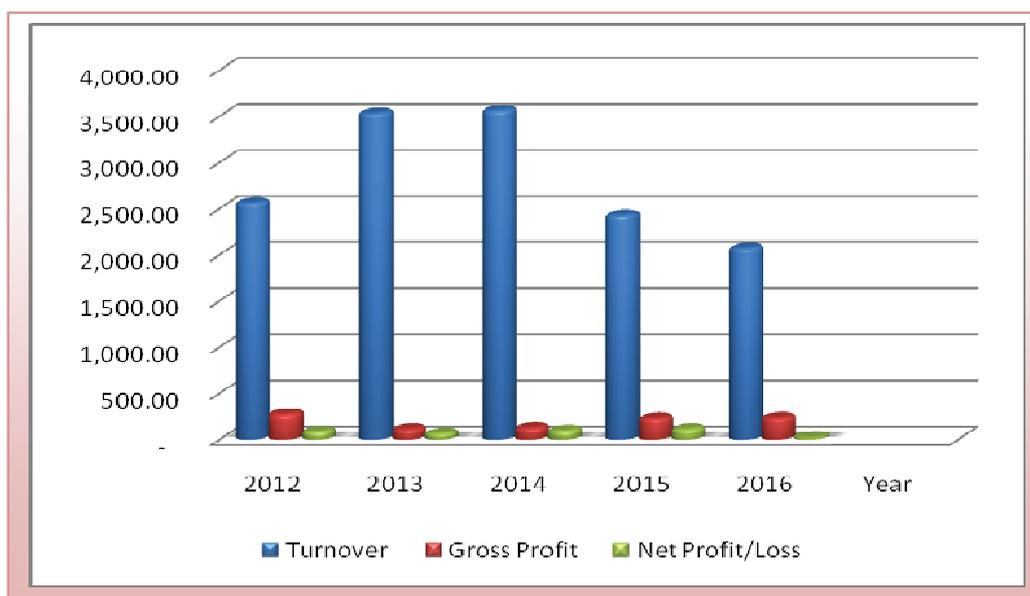
OPERATIONAL AND FINANCIAL REVIEW

The financial statements of the Corporation, which form a part of this Annual Report, set out the financial performance. The operational and financial review discusses an over view of the SD&CC's operational and financial performance.

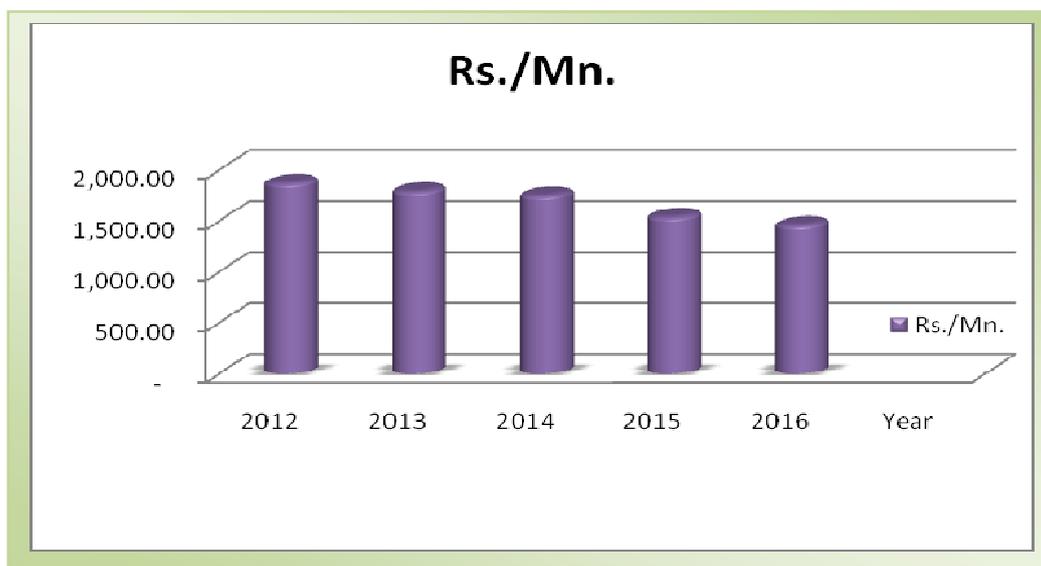
Performance of the Corporation

Corporation recorded a turnover of Rs. 2,102 Mn. in the year 2016 compared to the previous year's turnover of Rs. 2,429 Mn. This drop in revenue was mainly due to non availability of construction contracts as expected during the year. Corporation earned a pretax Net Profit of Rs. 22.8 Mn. in the year 2016. It is a sharp decrease over the previous year pretax Net Profit of Rs. 50.3 Mn.

An Overview of Profit and Gross Profit to Turnover

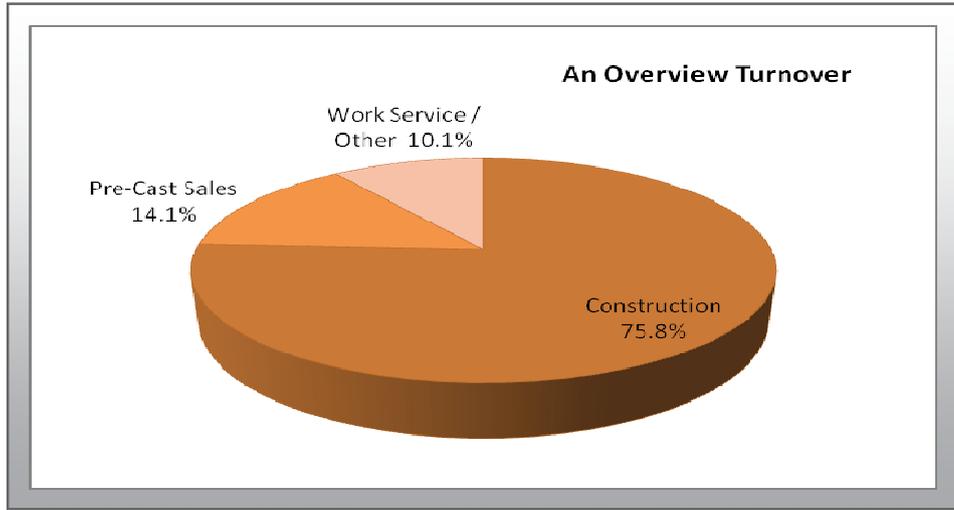


Net Assets





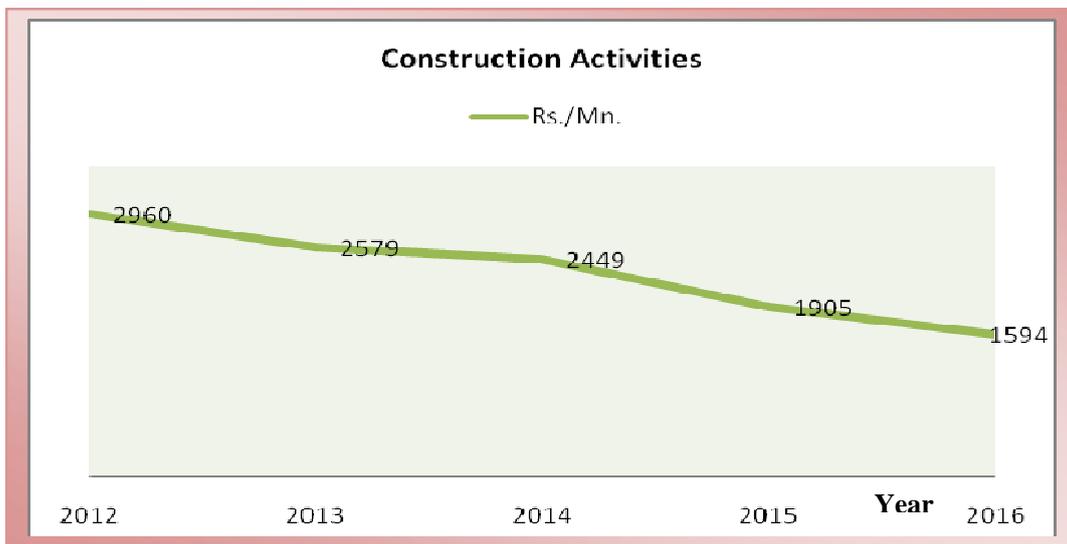
Sectorial Performance



Construction Division

The performance of the construction projects are closely monitored by the construction division through programs, resources scheduling with strict deadlines for preparation and submission of bills and certification therein. There is a signified decrease in turnover when compared to the previous year due to lakh of projects and longer delays in respect of payment for progress bills as experienced in the previous years. However, the management of the Corporation will find a permanent solution to delays of payments in near future.

Turnover from Construction Activities



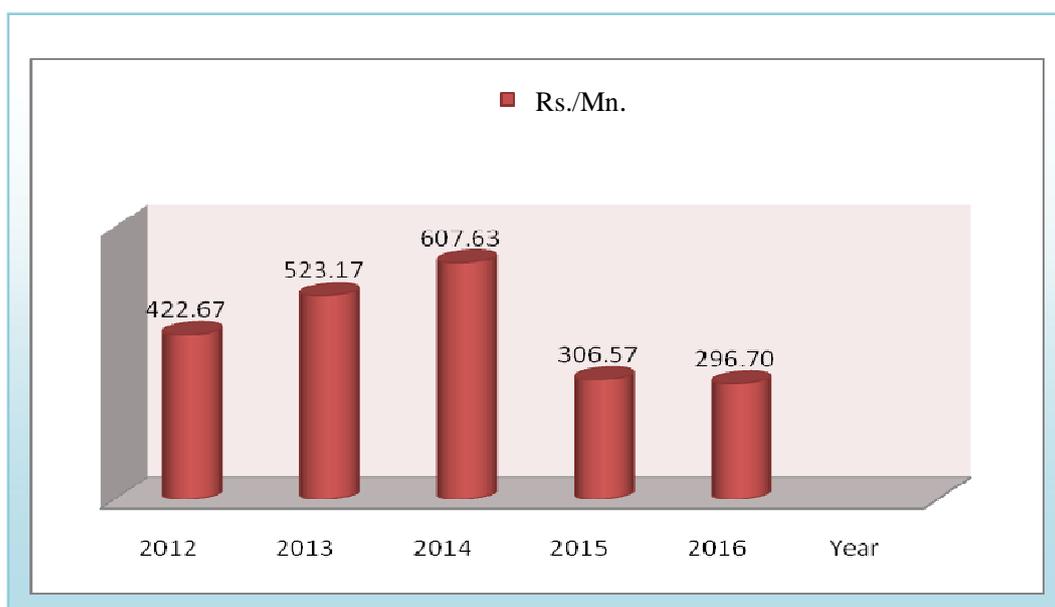
The value of recognized income on projects during the year under review has declined from Rs. 1,905 Mn. in 2015 to Rs. 1,594 Mn. in 2016. Construction Division has made 75.8% contribution to the total turnover of the Corporation. This division has made a pretax Net Profit of Rs. 318.2 Mill during the year under review.



Concrete Yards

SD&CC maintains 04 Concrete Yards at Ratmalana, Bopitiya, Weragantota and Medawachchiya and a sales centre at Peradeniya with the satisfying heavy internal demands from construction projects, the concrete yards caters demand of external clients like Ceylon Electricity Board, Sri Lanka Railway and other private sector contractors, produces PSC beams, transmission poles, RCC Pipes, Bridge components and miscellaneous products like paving slabs and stones, hollow blocks etc.

Concrete Yards Turnover



The Turnover from Concrete Yards was Rs. 296 Mn. during the year under review compared to the previous year turnover of Rs. 306 Mn. It contributed to 14.1% of the total turnover of the Corporation. The pretax profit earned by the Concrete Yards has improved from Rs. 69 Mn. loss in year 2015 to Rs.34 Mn. profit in year 2016.

Work Services & Others

The turnover of work services was derived from the services rendered by Central Mechanical Division. The main objective of this division is to provide services to existing project of the Corporation. In addition to that the Traffic Light Signal Unit (TLS) & Two Asphalt Plants Located in Polonnaruwa & Amithirigala also function under the Central Mechanical Division. TLS unit was established in 2005 to install and maintain Traffic Light signal systems for Road Development Authority.

The turnover from work services/others stood at Rs.211 Mn. and compared to the previous year turnover of Rs.217 Mn. The contribution of work services and others to the turnover of the Corporation in year 2016 is 10.1%.



**SUMMARY OF THE PROGRESS OF ONGOING PROJECTS
AS AT 31st DECEMBER 2016**

Pro. code	Project	Revised Contract Value	Progress as at 31 st December 2016	
			Income (Rs. Million)	Physical %
Bridges				
998	Reconstruction of Bridge no. 8/4 on Kottawa - Thalagala Road.	47.89	46.95	98%
1000	Dismantling old Steel Bridge at Muwagama & Installing at Thanakolawatta..	40.00	19.70	58%
1012	Construction of Bridge over Galoya Connecting Salgashandiya Right Bank Canal Road.	94.62	84.97	90%
1084	Kolamunuoya Bridge on Hunugama Kanogama Road.	42.25	42.25	100%
1093	Proposed Widening of Existing Bridge Over Bloumendhal Road.	41.92	41.92	100%
1112	Reconstruction of Samagiwatta bridge across Moragoda Ela on Dangedara Samagiwatta road in Galle.	33.50	30.23	90%
1113	Reconstruction of bridge no. 1/1 on Batticaloa - Thirukkondiyadimadu - Trincomalee road (A015)	185.56	52.84	28%
1117	Bridge No. 5/2 (Gurugalla) on Thalduwa - Meewitigammana road.	93.38	26.73	29%
1118	Construction of bridge across spill tail canal of tank no.6 at 0+080 km of New Galeyya road.	5.41	2.29	42%
1126	Construction of bridge across Nikawathura oya at 0+020 km of Guruwela to Maduana new road.	80.49	27.37	34%
1137	Construction of Foot Bridge for Waters Edge.	5.52	2.21	40%
Roads				
979-982	Kegalle District Asphalt Surfacing of Provincial Road.	4,567.60 (Approx.)	3,746.84	80%
1069	Road No. 06 Zoological Garden Dehiwala. – Car Park & Aquarium.	85.13	69.80	82%
	Road No. 07 & 08 Zoological Garden Dehiwala.	79.00	7.90	22%
1095	Construction of 650m long new road closed to Talaimannar Pier.	20.27	20.27	100%
1116	Repairing of damaged road surface & base at Jalthara, Mattegoda Kindhawaththa Housing Schemes.	45.19	34.06	75%
1118	Maintenance of Traffic Signals along Galle Road & Duplication Road.	5.41	2.29	42%
Buildings				
997	New Construction (Hostel 01 No. & Gymnasium 01 No) at Hardy Advanced Technological Institute – Ampara.	438.10	363.35	83%
1009	Repair & Renovation work for Sahaspura & Sinhapura Stage I Housing Schemes.	66.32	66.32	100%
1075	Repairs and Colour Washing of Ketawalamulla Housing scheme, Cololombo – 09.	31.02	24.60	79%



10. District Secretary, Kegalle					
01	Construction of	Maternity Clinic – 06	42.45	38.94	93%
02	Construction of	Weekly Fair- 02	34.97	26.90	84%
03	Construction of	Bus Stand - 02	25.64	20.69	86%
11. District Secretary, Kurunegala					
01	Construction of	Weekly Fair – 07	184.24	165.42	90%
12. District Secretary, Puttalam					
01	Construction of	Maternity Clinic – 06	84.97	69.56	86%
02	Construction of	Weekly Fair – 04	66.0	56.79	85%
03	Construction of	Walking Tracks – 02	13.34	13.10	98%
06	Construction of	Crematorium – 01	10.72	1.88	17%
1088	Karamatiya Weekly Fair		38.07	12.24	32%
1089	Bandarawatta Weekly Fair.		21.63	21.63	100%
1090	Wadigala Weekly Fair		18.41	11.84	64%
1091	Pannegamuwa Weekly Fair		80.38	53.36	66%
1096	Bus Stand at Lunugamwehera.		36.95	36.95	100%
1097	Bus Stand at Walasmulla.		59.87	58.73	98%
1098	Rehabilitation of Negombo General Hospital.		601.83	379.53	63%
1099	Alokapura Housing Scheme at Hambantota.		1.24	1.24	100%
1106	Repairing & Renovation of Hildamahal Housing Scheme at Dehiwala.		19.59	15.68	80%
1108	Ward complex for Divisional Hospital at Laggala Town Centre under Moragahakanda & Kaluganga Development Project.		173.69	113.09	65%
1110	Modification to the Drawing Office II (DO II) Stage III, Faculty of Engineering, University of Peradeniya.		32.78	23.58	72%
1114	Renovation work of burnt area at SPC Head office		11.27	3.17	28%
1115	Renovation of Cardiology Unit National Hospital of Sri Lanka		53.83	27.74	52%
1121	Proposed buildings for Medical ward & operation theatres at Chilaw district General Hospital.		85.19	9.15	11%
1123	Design and Construction of completion of commercial building at Meerigama.		70.81	17.62	25%
1128	Refurbishment work of 1st floor (opposite side of elevator) at the Ministry of Fisheries & Aquatic Resources Development.		7.96	4.94	62%
1130	Design and Construction of proposed Bus Stand (stage II) Part I at Horana		49.14	18.51	38%
1131	Design & Construction of Land Development works for Commercial Complex at Battaramulla.		127.36	50.10	39%
1134	Design & Construction of Bulathsinhala Fair.		54.73	11.64	21%



Water Supply & Irrigation & Hydro Power				
1071	Rehabilitation and Improvements of C7 Canal Sewanagala – Walawe.	47.12	82.27	100%
1082	Rehabilitation of Gregory's Canal.	318.75	313.08	98%
1094	Protection of Canal Banks of Main Canal No.2 (RB Canal of Rathkinda Tank)	127.70	87.52	69%
1109	Construction of Delkanda Ela	31.96	17.12	54%
1111	Rehabilitation of Madiriya Intake and balance work at Bandarapura treatment plant civil works.	36.79	35.90	98%
1119	Implementation of proposed works to upgrade Tissamaharama Water supply scheme.	103.32	9.67	9%
1120	Remedial works of Moogamma Tank in Mahaweli system C	50.34	16.79	33%
1127	Construction of trough structure for Kandepitawala branch canal across the Thorapitiya spillway canal.	46.08	9.24	20%
1135	Improvements to Kynsey Road Drain.	195.16	6.06	0.3%
Miscellaneous (Others)				
01. Projects				
1129	Development of Public Play Ground at Malwathuhipitiya under "Sukhitha Purawara" regional town development programme	52.8	3.88	7%
02. Concrete Yards				
051	Ratmalana		114.59	
052	Bopitiya		46.62	
053	Weragantota		91.03	
812	Medawachchiya		25.81	
03. Consultancy				
01	Consultancy		8.40	
04. Mechanical Division				
01	Transport		29.03	
02	Traffic Light signal system (TLS)		135.59	
03	Asphalt Plants		59.19	
04	Metal Crusher		-	



Bridge across Moragoda Ela Samagiwaththa in Galle



Bridge at Batticaloa-Trincomalee Road.



Jalthara – Mattegoda Road



Badulla - Madiriya



Negombo Hospital



Foot Bridge Battaramulla



HUMAN RESOURCES

Human Resources is the main asset of the Corporation. In order to achieve the targets of the Corporation human resources have to be mentally and physically satisfied.

Corporation has been investing in the Development of Human Resource, as the Corporation believe that the real strength of any Organization depend on the capabilities of its Staff, in a rapidly changing business environment. Therefore all efforts were directed to have a well skilled and competent workforce in order to achieve forecasted results.

In the year 2015 many programs were launched out in order to develop knowledge, skills, and to maintain standards to keep the Employees satisfied and motivated. Human Resources look forward to fulfill the goals and objectives of the Corporation.

1. **Staff Promotions**

All members of the staff who were qualified for promotions in the year 2016 have been promoted.

2. **Staff Welfare**

Renewed the Medical Insurance Scheme and the Workmen Compensation Insurance Scheme for Employees sponsored by the Corporation.

All bonus payments were paid to the staff of the Corporation in April & December 2016.

Furniture and Electrical Items could be taken on Hire Purchase Scheme for all SD&CC Employees.

3. **Salary Increases**

According to the relevant government instructions, Inter Allowance was increased by Rs. 7,000/- per month.

4. **Health Campaign**

Organized a Health Campaign (Breast & virginal cancer) for the entire Staff of the Corporation in Rathmalana,

5. **Rewards to Employees**

All employees who have completed 25 years of continuous service in the Corporation were felicitated with a gold sovereign as a token of appreciation of dedicated service.

All employees benefited an Attendance Allowance granted by the Management.

For Engineers - Rs. 15,000/- and others Rs. 5,000/- per month.

6. **Training provided for External Institutions**

Proper training of personnel sent to us by External Institutions such as Universities, National Apprenticeship Board to be trained in various fields of construction is being continued as a contribution towards the general development of the country.

**OUR STAFF STRENGTH**

Designation	2011	2012	2013	2014	2015	2016
Civil Engineers	59	54	44	40	47	56
Mechanical & Electrical Engineers	12	10	12	10	10	09
Senior Managers	03	03	03	03	03	03
Accountants	08	08	08	07	05	08
Other Staff Officers	16	17	16	14	16	17
Construction Superintendents (Civil/ Mechanical / Electrical)	19	23	26	23	24	28
Draftsman / Quantity Surveyor	03	03	02	02	04	04
Security Staff	29	25	29	35	39	43
Clerical & Allied Grades	95	98	86	90	91	105
Supervisory & Other Skill Grades	294	309	311	299	313	310
Total	538	550	537	523	552	583



AUDIT COMMITTEE REPORT

REPORT OF THE AUDIT COMMITTEE – 2016

The Audit Committee constitutes in accordance with the provisions of the Public Enterprise Circular No. PED 55 of 14.12.2010.

The Audit Committee should assist the Board of Directors (Board) in the task of overseeing to ensure that financial reporting is done in compliance with relevant Sri Lanka Accounting Standards and other applicable legal requirements, to ensure that all relevant rules and regulations and circulars issued by the government are complied with continuously reviewing and monitoring making recommendations to the Board on non-compliance, review the internal/external audit reports, management letters and recommendations of Committee on Public Enterprises (COPE), help the Board to take remedial actions, to introduce and implement adequate internal control system.

The Audit Committee comprises three non-Executive Directors of the Corporation and chaired by the Director representing the General Treasury.

Auditor General's Department representative participated as an observer as per the above Circular and Chief Internal Auditor of line Ministry of Housing and Construction also participated as an observer as appointed by the Ministry.

During the financial year 2016, four (04) Audit Committee meetings were held.

In the year 2016, the Committee

- Reviewed and Recommended the Internal Audit Programme - 2017.
- Reviewed the financial statements to ensure to compliance with Sri Lanka Accounting Standards(SLFRS/LKAS)
- Reviewed the Internal Audit reports, covering the nature of the issues, responses by the Departmental Heads and corrective actions that were taken by the Management to overcome the noted deficiencies.
- Reviewed & made suitable recommendations about several internal control systems in the areas of Purchasing, Stores, Project Operations, Billing, Fleet Management, Finance and Human Resources such as interdepartmental transactions in order to ensure the smooth operations of the Corporation.
- Paid attention for the Auditor General's interim Reports and reviewed follow up actions for rectifying accounting deficiencies and non - compliance of rules mentioned therein.
- Reviewed the follow up actions taken by the respective Manager /Officer on the recommendations of the Committee.



- Paid attention to ensure that all relevant rules and regulations and circulars issued by the government are complied with.
- Paid attention for the preparation and presentation of Annual Reports for the years 2013, 2014 and 2015.
- Paid attention for the preparation and presentation of Annual Budget 2017
- Paid attention for the preparation and presentation of Financial Statements 2015
- Paid attention for the preparation and presentation of Action Plan 2017
- Paid attention for the preparation and presentation of Corporate Plan 2017
- Paid attention for the preparation and presentation of Delegation & Financial Authority - 2017.
- Paid attention for the implementation & COPE decisions.

The Audit Committee is of the opinion that terms of reference of the Committee cover the subjects in all material aspects.

Audit Committee Members.

- | | | |
|---------------------------|---|--|
| • Mr. G.A. AjithPriyantha | - | Chairman/Board Director/Treasury Representative |
| • Mr. Mervyn De Silva | - | Member/Board Director |
| • Mr. S.A.D.P.Gunawardena | - | Member/Board Director.(Up to 16 th June 2016) |
| • Mr. NandanaMalkumara | - | Member/Board Director.(From to 16 th June 2016) |

G.A. Ajith Priyantha
Chairman - Audit Committee



STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following statement sets out the responsibilities of the Directors in relation to the financial statements of the Corporation. These differ from the responsibilities of the Auditors, which are set out in their report.

Directors are required to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of the profit or loss of the Corporation for the financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgment and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Corporation keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Corporation and for ensuring that the financial statements comply with the requirements of Sri Lanka Accounting Standards, guidelines by the General Treasury through Circulars and the Finance Act. They are also responsible for taking reasonable measures to safe guard the assets of the Corporation, and in that context to have proper regard to the establishment of appropriate systems of internal control to prevent and detect frauds and other irregularities.

The Directors continue to adopt the going concern basis in preparing accounts. The directors, after making inquiries and following a review of the Corporation's budget for the financial year 2017, including cash flows, projects in hand and borrowing facilities, consider that SD&CC has adequate resources to continue in operations.

For and on behalf of the Board of,

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.

A handwritten signature in black ink, appearing to be 'Chaminda Ediriwickrama', written over a light blue grid background.

Chaminda Ediriwickrama
CHAIRMAN



10 YEARS PERFORMANCE SUMMARY.

Description	2007 (Rs.)	2008 (Rs.)	2009 (Rs.)	2010 (Rs.)	2011 (Rs.)	2012 (Rs.)	2013 (Rs.)	2014 (Rs.)	2015 (Rs.)	2016 (Rs.)
1.Turnover	801,530,218	1,661,599,002	1,466,146,925	1,671,679,005	2,564,139,185	3,534,179,480	3,565,830,370	3,466,394,952	2,429,513,031	2,102,584,401
2. Operating Expenses	640,686,287	1,433,374,873	1,135,532,405	1,448,476,239	2,288,062,266	3,421,538,609	3,439,676,689	3,234,011,015	2,193,414,947	1,833,679,730
3.Gross Profit	160,843,931	228,224,129	330,614,520	223,202,767	276,076,919	112,640,871	126,153,681	232,383,938	236,098,085	268,904,671
4.Other Income	29,943,947	38,134,293	27,981,723	26,062,984	32,857,265	172,380,088	199,234,550	171,015,809	176,631,024	147,891,323
5.Admin. Expenses	123,463,375	125,068,134	122,178,408	142,633,691	143,558,270	133,379,468	170,114,913	180,308,429	201,089,843	199,344,818
6.Other Expenses	7,102,694	10,274,230	16,418,049	3,637,713	57,476,813	22,896,549	(9,582,288)	22,928,839	77,026,709	104,152,652
7.Financial Expeses	17,985,859	78,542,597	118,657,428	80,620,389	65,582,132	62,872,698	67,646,914	93,350,261	87,193,708	96,407,382
8. Net Profit before Taxation	42,235,949	52,473,459	101,342,358	22,373,957	42,316,969	65,872,244	97,208,693	112,449,561	50,339,247	22,841,652
9.Total Assets	2,114,755,333	2,449,643,021	2,626,565,287	2,443,174,386	3,558,253,858	5,115,747,833	4,892,581,938	4,374,397,115	4,223,624,771	4,472,138,666
10.Net Assets	960,188,471	1,002,231,695	1,091,458,958	854,278,282	819,601,521	1,871,466,720	1,792,746,938	1,750,282,565	1,555,293,002	1,500,379,882
11.ROCE - %	3.7	5	11.1	5.5	7.2	3.6	5.89	6.85	3.5	1.9
12.Return on Assets	2.00	2.14	3.86	0.92	1.18	1.29	1.99	2.57	1.19	0.51
13.Gross Profit Ratio - %	20	14	23	13	10.77	3.19	3.54	6.7	9.71	12.70
14.Net Profit Ratio - %	5	3	7	1.34	1.64	1.86	2.73	3.2	2.0	1.1
15.Current Ratio - Times	1:22	1:28	1:47	1:30	1:10	1:20	1:06	1:02	1:04	1.04



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } CEN/C/SDCC/1/16/15
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය } 20 February 2018
திகதி }
Date }

The Chairman
State Development and Construction Corporation

Report of the Auditor General on the Financial Statements of the State Development and Construction Corporation for the year ended 31 December 2016 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971

The audit of financial statements of the State Development and Construction Corporation ("the Corporation") for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 29(2) of the State Industrial Corporation Act, No. 49 of 1957. My comments and observations which I consider should be published with the annual report of the Corporation in terms of Section 14(2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1:3 Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain

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

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reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of State Development and Construction Corporation as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



2.2 Comments on Financial Statements

2.2.1 Compliance with Sri Lanka Accounting Standards (LKAS/SLFRS)

The following observations are made.

- (a) **LKAS 01 – Presentation of Financial Statements:**
- (i) Mobilization advances and debtors having debit balance of Rs.3,149,324 and credit balance of Rs.31,814,851 respectively had been set off against the credit balances and debit balances as at 31 December 2016 respectively in contrary to the provisions in the Standard. Therefore, both current liabilities and current assets shown in the statement of financial position as at 31 December 2016 had been understated by those amounts.
 - (ii) Debit balances aggregating Rs.25,680,456 was included in the accrued expenses shown in the financial statements for the year under review. As a result accrued expenses had been understated by similar amount.
 - (iii) Short term investment made in fixed deposits totaling Rs.62,595,583 had been categorized as non-current assets instead of showing as current assets.
 - (iv) Abnormal credit balances aggregating Rs. 6,781,500 were observed in three items of accounts such as balances of salaries and wages advances, medical insurance and receivable from road development project of Kalavana shown in the financial statements of the year under review and the previous year.
- (b) **LKAS 07 – Statement of Cash Flows:** Balances in savings deposits as at 31 December 2016 amounting to Rs.12,376,984 had been categorized as short term investments instead of being classified as cash and cash equivalent in the Statement of Cash Flows.
- (c) **LKAS 08 - Accounting Policies, Changes in Accounting Estimates and Errors:** Since failed to review the useful life of non-current assets annually as mentioned in the Standard, 42 items of office equipment, 3 motor vehicles and 58 items of machinery costing Rs.2,318,572, Rs.1,380,000 and Rs.47,350,877 respectively are being continuously used although they were fully depreciated. Accordingly, action

had not been taken to revise the error in the estimates. Further, 97 items of machinery and a motor vehicle which cost not furnished to audit are being continuously used although they were fully depreciated.

- (d) **SLFRS 10 - Consolidated Financial Statements;** Even though an investment of Rs.9,210,740 had been made by the Corporation in Devcoshowa (Pvt) Ltd as a fully owned Subsidiary to the Corporation, the consolidated financial statements had never been prepared by the Corporation. However, the debtor balances of Rs.34,802,842 relating to the Subsidiary had been shown in the financial statements.
- (e) **LKAS 39-Financial Instrument Recognition and Measurement:** Out of trade and other receivable balances of Rs. 2,457,217,632, an amount of Rs. 600,852,821 had not been considered for amortization.

2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) An expense of Rs.413,537 incurred on repair and maintenance of machineries and equipment had been erroneously debit to fuel deposit account in 2011. However, action had not been taken to adjust the accounts retrospectively even up to the end of the year under review.
- (b) According to the assessment notices received up to 2015, sums of Rs.338,733,800 and Rs. 115,003,889 had to be paid as Value Added Tax (VAT) and surcharges on VAT respectively as at the end of the year under review. However, provisions for surcharges on VAT had not been made in the financial statements for the year under review.
- (c) It was observed that credit balances totaling Rs.2,244,496 had been included in the retention money receivable as at 31 December 2016. As a result retention money receivable as at 31 December 2016 had been understated by similar amount. In the meantime, credit balances totaling Rs.2,137,819 had been included in the Mobilization Advance balances paid to the constructors. Hence, the Mobilization Advance receivables had been understated by same amount.



- (d) Stock worth Rs.7,204,960 had not been verified and brought to accounts and as such the stock balance as at 31 December 2016 and the profit for the year under review had been understated by this amount. Meanwhile, 4020 items of stock had not been valued and brought to accounts.
- (e) Provision for slow moving stocks had been overstated by Rs.1,102,861 due to computation error. As a result, as at 31 December 2016 and the profit for the year under review had been understated in financial statements by similar amount.
- (f) Stocks adjustment account balance of Rs.1,733,048 had been shown in the financial statements after adjusting the debit and credit balances of Rs.5,078,452 and Rs.6,811,500 respectively. However those credit and debit balances represent the differences between physically verified balances and book balances of the stocks in separate sites without being taking proper actions.
- (g) The physically verified stocks balance had been understated by Rs.804,637 due to counting error occurred in stocks taking process.

2.2.3 Unexplained Differences

Differences totaling Rs.26,507,208 were observed between the due from customers and due to customers shown in the computation mad by the Corporation and the calculation executed by the audit. However, reasons for the differences were not furnished to audit.

2.2.4 Un-reconciled Differences

The following un-reconciled differences are made.

- (i) Differences aggregating of Rs.238,353,818 were observed between the amounts shown in the financial statements and the corresponding amounts shown in the related schedules and records in respect of salaries paid to sub contract labours, value of buildings and VAT payable for the year under review.



- (ii) According to the assessment made by the Department of Inland Revenue on 25 July 2016, the penalty charges was Rs.115,003,889. However, according to the schedule submitted to audit it was shown as Rs. 24,194,701. Hence, an un-reconciled difference of Rs.90,809,188 was observed in audit.
- (iii) According to the confirmation made by the project No. 908, the receivable balance from this project was Rs.49,651,891. However, as per the financial statements it was Rs.48,121,079. As such a difference of Rs,1,530,812 was observed in audit.
- (iv) According to the final bill payment of project No,937, the excess amount received was Rs.2,097,337. However, a difference of Rs.623,055 was observed due to showing this as Rs.2,720,392 in the financial statements.

2.2.5 Lack of Evidence for Audit

The following evidence as indicated against the each items shown below had not been made available for audit.

<u>Items of Account</u>	<u>Value</u>	<u>Evidence not made available</u>
	(Rs.)	
(i) Loans and Advances	2,590,737	Detailed Schedules
(ii) Purchase & Sundry Advances	3,800,926	Detailed Schedules and Age Analysis
(iii) Withholding Tax	128,336,127	Copies of the Withholding Tax Certificates
(iv) Security Deposits of Employees	849,602	Detailed Schedules
(v) VAT Balances Carried Forward	6,548,121	Schedules and Age Analysis (since 2012)
(vi) Loan Balance of Construction Guarantee Fund	35,050,000	Loan Agreement



2.3 Accounts Receivable and Payable

The following observations are made.

- (a) It was observed that out of purchase advance balances of Rs.58,848,696, a sum of Rs.20,163,814 had remained unsettled for over 03 years. Further, out of the construction advances of Rs.7,851,432, an amount of Rs.7,851,081 or 99 per cent had remained in the accounts for over 05 years without being settled.
- (b) Mobilization advances received from clients amounting to Rs. 11,328,297 and Rs.6,180,496 had remained outstanding in the accounts for a period ranging from four to six years and over six years respectively as at 31 December 2016 without being taking prompt actions to settle them.
- (c) Retention money receivable relating 30 completed projects as at 31 December 2016 amounting to Rs.71,163,364 had remained outstanding for a period ranging from five to seven years without being recovered. Further, retention money receivable in respect of 22 projects totaling Rs.36,357,062 had remained outstanding for over a period of seven years.
- (d) Out of liquidated damages receivable totaling Rs.133,727,421 from the clients, an amount of Rs.33,199,091 and Rs.27,857,812 had remained outstanding for a period from four to six years and over six years respectively as at 31 December 2016.
- (e) Action had not been taken to recover the outstanding balance of Rs.17,720,754 receivable from 11 completed projects which remained unrecovered for more than two years. Further, a balance Rs.12,121,011 receivable from Kukule Ganga Project had remained outstanding for over five years without taking any recovery action.
- (f) The accrued expenses amounting to Rs.226,629,886 had remained outstanding for over three years without being settled.
- (g) Interest payable since the year 2009 on loan obtained from Construction Guarantee Fund amounting to Rs.101,533,804 had not been paid even up to the date of this report.
- (h) Value Added Tax relating to a road project amounting to Rs. 42,179,312 had been excessively paid to the Department of Inland Revenue during the year 2015. However, no action had been taken to recover that amount even up to the end of the year under review.



- (i) Economic Service Charge, Withholding Tax on project and Withholding Tax on interest amounting to Rs.31,135,172, Rs.128,336,127 and Rs.6,698,738 respectively had been shown as receivable instead of being taken as tax credits in computing the tax expenses.
- (j) Nation Building tax amounting to Rs.5,321,812 had been shown as NBT payable in the financial statements since 2009 instead of being recovered from clients.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following instances of non-compliance were observed in audit.

Reference to Laws, Rules Regulations and Management Decisions etc.	Non-compliance
(a) Section 114 (1) of the Inland Revenue Act, No. 10 of 2006 and Section 8.7 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.	The Corporation had paid a sum of Rs.1,761,268 as Pay As You Earn (PAYE) tax on behalf of salary payments made to its employees without deducting this from the salary of the employees.
(b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka Financial Regulation 396	Action had not been taken in respect of 06 unrealized cheques valued at Rs.991,883 over period of 5 years and 07 lapsed cheques valued at Rs.7,496,994.
(c) Management Audit Circular No. DMA/2009(2) of 01 July 2009	Required details to be included in the Fixed Assets register had not been included.
(d) General Treasury Circular No. IAI/2002/02 dated 28 November 2002	Separate fixed assets register for Computers, Accessories and Software had not been maintained



- (e) Section 02 of the Economic Service Charges (Amended) Act No: 13 of 2015 Economic Service Charges (ESC) and surcharges thereon amounting to Rs.33,646,598 and Rs.13,454,032 respectively had not been remitted to the Department of Inland Revenue even in the year under review. Further, penalty on ESC amounting to Rs.2,182,836 relating to the year 2014/2015 had not been accounted.

3. Financial Review

3.1 Financial Results

According to the financial statements, the operations of the Corporation during the year review had resulted in a pre-tax net profit of Rs.22,841,652 as compared with the corresponding pre-tax net profit of Rs.50,339,247 for the preceding year, thus indicating a severe deterioration of Rs.27,497,595 in the financial results for the year under review. Increase of interest expenditure on bank overdraft, employee benefit expenses and provision for impairment were the main reasons attributed for this situation.

3.1.1 Value Addition of the Corporation

Although the pre-tax net profit of the year under review was Rs.22,841,652, the value addition of the Corporation for the year under review was Rs.895,895,814 and it was Rs.950,461,143 in the previous year. Hence, the value addition of the corporation had been deteriorated by 5.74 per cent as compared with previous year.

3.2 Analytical Financial Review

3.2.1 Significant Accounting Ratios

According to the information made available, some important ratios of the Corporation for the year under review and the preceding year are given below.



<u>Ratios</u>	<u>2016</u>	<u>2015</u>
	(Percentage)	(Percentage)
Gross Profit Margin	12.78	9.7
Profit mark up	1.08	2.07
Administrative Cost on Turnover	9.48	8.3
Finance Cost on Turnover	4.58	3.6
Current Ratio	1.04	1.04
Acid Test Ratio	0.9	0.9

- (i) Although the gross profit margin had increased by 3.08 per cent as compared with previous year, the net profit margin had decreased one per cent due to increase of other expenses and financial expenses.
- (ii) The administrative cost had decreased by 1.18 per cent as compared with previous year as result of non-provision for VAT surcharge and decrease of sub-contracts expenses and depreciation for other assets.

4. Operating Review

4.1 Performance

The main objectives of the Corporation as per the amendment made to Section 03 of the Industrial Corporation Act No. 49 of 1957 are as follows:

- (a) The investigation, investment, planning, designing, construction operation and management of building, civil engineering, other engineering projects or other ventures in Sri Lanka or abroad, owned by any party, either independently or in collaboration with any local or foreign company and the acquisition and holding of shares, in such company.
- (b) Execution or supervision of any of the above projects in Sri Lanka or abroad; either independently or in collaboration with any local or foreign firm or company, and the acquisition and holding of shares, in such company.



- (c) Planning, designing and fabrication of mechanical and electrical installations for the purposes referred to in paragraphs (a) and (b).
- (d) Manufacture and sale in Sri Lanka or abroad of concrete, reinforce concrete and pre-stressed concrete product required for engineering undertakings.
- (e) The extraction of construction raw materials and manufacture, sale, import and export of construction materials, machinery and equipment required for engineering projects/ undertakings.
- (f) Carrying out of research into Construction materials, methods and techniques utilized for the purposes referred to in paragraphs (a), (b), (c) and (d).
- (g) Provide training opportunities to managerial/engineering/technical personnel to enhance knowledge and modern technological and business skills in construction engineering and managerial fields required for the purposes referred to in paragraph (a), (b), (c) and (d).

However, no action and strategies had been taken or identified to perform the objectives set out in (f) and (g) above and further allocation had not been provide to accomplish the objective No. (f).

The following observations are also mad in this regard.

- (i) According to the budgeted estimate and the progress report of the Corporation, The following targets set out to be achieved in the year under review had not been achieved as expected.

Description	Target	Actual Achievement	Variance {favorable/ (adverse)}
	Rs. Million	Rs. Million	Rs. Million
Turnover - permanent work sites			
- Rathmalana,	200	117	(83)
- Weragantota	125	82	(43)
- Bopitiya	125	43	(82)
- Madawachiya	50	28	(22)



Production - permanent work sites

- Rathmalana,	122	126	4
- Weragantota	138	83	(55)
- Bopitiya	78	50	(28)
- Madawachiya	Not available	Not available	-

- (ii) According to the monthly progress reports, the orders worth Rs.15,215,600 received to Rathmalana concrete yard in the year 2014 had not been performed even up to the end of year under review and a gross loss of Rs.9,842,302 was incurred by the Polonnaruwa Asphalt site during the year under review. However, no operation had been carried out during the under review by this site.
- (iii) The turnover and net profit of the Amitirigala Asphoalt site for the year under review were Rs.58.36 million and Rs.7.29 million respectively. However, these were 44 per cent and 51 per cent decrease as compared with previous year.

4.2 Weaknesses in Financial Management

The following observations are made.

- (a) The Corporation had obtained an aggregated overdraft facility of Rs.752 million as at the end of the year under review due to absence of proper debt recovery mechanism and working capital management. However, as per the notification No: PED/COP/15(56)/GEN/VOL-I dated 01 July 2013 issued by the Department of Public Enterprises, the approved overdraft facility was Rs.580 million. Further, these over draft facilities had not been used for the operational activities of the Corporation during the year under review due to fully utilized in previous year. Nevertheless, an interest amounting to Rs.79.61 million had been paid in respect of those bank overdrafts during the year under review.
- (b) Notwithstanding the existence of bank overdraft of Rs.752,460,186 as at 31 December of the year under review, fixed deposits and saving deposits totaling Rs.74,972,567 had also been maintained by the Corporation. The return on these investments during the year under review was only Rs.5,950,510.



- (c) Although according to the bank confirmations there were no balances in four current accounts as at 31 December 2016, the balances aggregating Rs.498,133 had been shown in the financial statements for the year under review relating to those current accounts.

4.3 Contract Administration

Although the construction of Bridge across the southern edge at Galoya (Contract No RDA/UKSBP2/EP/C200/001) had been expected to be completed on 24 April 2015, the construction works are in progress even up to the date of audit on 27 June 2017. The estimated cost of the project was Rs 107,097,256 and cost incurred according to the Certification No. 24 was Rs 66,680,131 up to 24 January 2017. Approval had not been obtained to extend the project period after 23 June 2016. According to the contract agreement, a delay payment of Rs.45,000 per day or maximum 10 per cent of the contract value (Rs.10,709,725) should be paid to the client.

The following observations are also made in this connection.

- (i) The internal control system of this project with regard to the utilization of the human and physical resources was at very weak level.
- (ii) Various irregularities with regard to utilization of vehicles i.e. utilization of vehicle own to chief engineer of the project as rented out vehicle, recording different mileages for same roots and not maintaining the running charts as requested were observed in audit. Further, according to the statements provided by the workers, it was revealed that the above vehicle was used for the private purpose of the project engineer as well.
- (iii) Project Engineer attached to this project had gone abroad without obtaining the prior approvals from relevant authorities.
- (iv) The “Kubuk”, “Kotta” and “Kirala” timber with the sizes of 411sqf, 1327sqf and 155sqf respectively had been illegally obtained by the officers of the Corporation in cutting trees at work site without any authority. Further, 73 cubes of sand had been removed from the project site without getting any permission from relevant authority. However, no formal course of actions in this regard had been taken by the management of the Corporation.



4.3 Management Weaknesses

The following observations are made.

- (a) Turnover and gross profit of asphalt plant at Amithirigala had been decreased by 44 per cent and 51 per cent respectively as compared with preceding year. However, no action had been taken by the management to enhance its productivity.
- (b) According to the financial statements of the Fujima State Corporation (Pvt) Ltd (a Joint Venture Company of the corporation), the amount receivable to the Corporation as at 31 March 2010 was Rs. 41,899,490 and no transactions had been taken place thereafter. However, this amount had not been shown in the financial statements of the Corporation.
- (c) Cost of Rs.79,317,024 incurred by the Corporation in respect of 19 projects which undertake to complete had not been recovered from the respective parties due to not followed a proper method.

4.4 Irregular Transactions

Value Added Tax (VAT) amounting to Rs.551,396 was paid to a supplier during the year under review. Subsequently, it was revealed that his registration for VAT had been inactivated by the Department of Inland Revenue.

4.5 Idle and Underutilized Assets

An asphalt plant received from the Ministry of Economic Development valued at Rs.125 million had been located at Polonnaruwa, The production capacity of that plant is 600 Mt asphalt per day. However, this plant and the relevant accessories there to remained idle due to discontinuation of production after 2014. Further, the Corporation had spent a sum of Rs.1,074,339 as wages and security expenses during the year under review.

4.6 Identified Losses

The following observations are made.

- (a) A loss of Rs. 127,823,139 had been sustained to the corporation due to exceeding the cost of the contracts than contract value of 08 projects. Further, Losses



aggregating Rs. 42,127,854 had been sustained during the year under review from 30 ongoing projects.

- (b) Liquidated damage of Rs.4,349,401 was paid to the client with regard to a Road development Project, Kalavana (project No,912).
- (c) The project for construction of Stage I of the Market and Shopping Complex in Dehiwala had been terminated after incurring a cost of Rs.167,465 during the year under review.
- (d) Stock shortage amounting to Rs.126,377 was observed at main stores in respect of stock book No. 1094.

4.7 **Personnel Management**

The following observations are made.

- (a) The approved cadre as at 31 December of the year under review stood at 489 and the actual cadre stood at 583. Accordingly, there were 94 employees excessively recruited by the Corporation to the various posts.
- (b) Employees had been recruited on contract basis from time to time including officers of top management. Accordingly, 02 posts representing senior management had been recruited on contract basis during the year under review. Therefore, it had directly affected to the performance of the Corporation. Further, 123 vacancies in 41 managerial level posts had remained vacant even up to November 2017.
- (c) In terms of Management Services Circular No. 28 (ii) dated 01 August 2006 and as per the provisions laid down in paragraph 1.2 of Volume II of the Establishment Code, creation of posts and filling of vacancies shall not be done without the approval of the Department of Management Services. Nevertheless, 17 posts including 10 unapproved posts had been created and 91 employees had been recruited for those posts.
- (d) Eight hundred and thirty nine sub contract labours had been employed at the end of the year under review and a sum of Rs.241,415,023 had been spent for their salaries.



during the year under review. Further, 120 contract employees and 28 casual employees were recruited without obtaining required approvals.

- (e) Scheme of Recruitments and Promotions had been prepared and approved only for the managerial and lower level posts. Further, According to the Management Service Circular No, DMS/E3/43/4/268/1 dated 17 May 2012 posts in MM 1-2 category had been promoted to HM -1-2 excluding the Post of Chief Internal Auditor and Post of JM 1-1 category had been promoted to MM 1-2 category excluding the Post of Internal Auditor. Reasons for this had not been furnished to audit.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Public enterprises Circular No. PED/12 dated 02 June 2003, the annual financial statements should be furnished to the Auditor General within 60 days from the close of the year of accounts. However, the financial statements pertaining to the year under review had been furnished to the Auditor General only on 13 July 2017 after a delaying 133 days.

5.2 Corporate Plan and Action Plan

The following observations are made.

- (a) According to the Public Finance Circular No. PFD/RED/01/04/2014/01 of 12 February 2014, the Corporate Plan for the period covering 2016 – 2020 had not been prepared.
- (b) Although, an Action plan for the year under review had been prepared by the Corporation. The following weaknesses were observed in that Action Plan.
 - (i) A Human Resources Development Plan and Internal Audit Plan had not been included.
 - (ii) Only financial target were given to each Division without specifying the commercial activities to be implemented in the financial year.
 - (iii) Requirement of resources had not been identified in order to accomplish the targets.



5.3 **Budgetary Control**

Significant variances were observed between the budgeted and the actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.4 **Procurement Plan**

Although a Procurement Plan had been prepared in terms of Guideline 4.2.1 of the Government Procurement Guidelines, it had not been forwarded for the approval of the line Ministry.

5.5 **Senior Management Committee**

According to Section 7.4.2 of the Public Enterprise Circular No. PED/12 of 02 June 2003, the Senior Management Committee should meet five days prior to the Board Meetings. However, only 04 senior management Committee meetings were held even though 12 Board Meeting had been conducted during the year under review.

6. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

<u>Areas</u>	<u>Observations</u>
(a) Accounting	(i) Failure to adhere with Sri Lanka Accounting Standards. (ii) Non accounting of tax payables and surcharges thereon.
(b) Control over Receivables and Payables	(i) Prevailing long outstanding debtors and other receivables, and payables (ii) Gradually increase of Government debts. (iii) Considerable delays in submission of invoices to relevant clients.



- (c) Control over Performance
 - (i) Failure to achieve all main objectives of the Corporation as planned.
 - (ii) No proper mechanism in place to evaluate the progress of asphalt plants.
 - (iii) Poor performance on ongoing and permanent site as compared to previous year.

- (d) Personnel Management
 - (i) Releasing of human resources to other institutions.
 - (ii) Recruitment of employees exceeding the approved cadre.
 - (iii) Recruiting officers to the senior management post on contract basis.

- (e) Assets Management
 - (i) Idling asphalt plant at Polonnaruwa since 2014.
 - (ii) Failure to acquire the ownership of all lands at the end of the year.

- (f) Financial Management
 - Obtaining bank overdraft facilities to remediate short term financial issues exceeding the approved limits.

- (g) Inventory Control
 - (i) Introduce a proper stock control system.
 - (ii) Reconciling the physically verified stock balances together with the stock balances shown in ledgers of each site.
 - (iii) Adoption of proper quotation calling system especially for purchase of spare parts for machineries and vehicles.

H.M. Gamini Wijesinghe
Auditor General.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2016	2015
Revenue	01	2,102,584,401	2,429,513,031
Cost Of Sales	02	(1,833,679,730)	(2,193,414,947)
Gross Profit / (Loss)		268,904,671	236,098,085
Other Income	03	147,891,323	176,631,024
Profit / (Loss) Before Operating Expenses		416,795,994	412,729,108
Administrative Expenses	04	(199,344,818)	(201,089,843)
Distribution Costs	05	-	-
Other Expenses	06	(104,152,652)	(77,026,709)
Results From Operating Activities		113,298,524	134,612,557
Financial Income	07	5,950,510	2,920,398
Financial Expenses	07	(96,407,382)	(87,193,708)
Profit Before Tax		22,841,652	50,339,247
Tax Expenses	08	(8,053,113)	12,708,574
Profit From Continuing Operations		14,788,539	63,047,821
Profit/(Loss) From Discontinued Operation Net Of Tax		-	-
		14,788,539	63,047,821
Other Comprehensive Income			
Defined Benefit Plan Actuarial Gains (Losses)	19.01	6,354,263	(14,177,364)
Tax On Other Comprehensive Income		(762,512)	(1,701,284)
Other Comprehensive Income Net of Tax		5,591,751	(15,878,648)
Total Comprehensive Income		20,380,290	47,169,173

The Significant Accounting Policies and Notes on pages 49 to 79 form an integral part of these Financial Statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2016	2015
ASSETS			
Non - Current Assets			
Property, Plant & Equipment	09	1,393,845,275	1,483,744,618
Investments In Government Owned Companies	10	9,210,740	9,210,740
Other Investments, Including Derivatives	11	62,595,583	53,753,158
Deferred Tax Assets	12	97,654,933	104,883,976
Total Non Current Assets		1,563,306,531	1,651,592,492
Current Assets			
Inventories	13	304,884,066	271,485,946
Other Investments, Including Derivatives	11	12,376,984	9,231,363
Income Tax Assets	14	81,957,886	87,207,174
Trade & Other Receivables	15	2,457,217,632	2,045,126,938
Cash & Cash Equivalents	16	52,395,565	158,980,858
Total Current Assets		2,908,832,134	2,572,032,278
Total Assets		4,472,138,666	4,223,624,771
EQUITY & LIABILITIES			
Capital & Reserves			
Capital		16,671,651	16,671,651
Capital Grant		51,140,000	51,140,000
Capital Reserves		6,629,760	6,629,760
Government Grant		612,667,305	684,960,714
Revaluation Reserve		763,088,808	763,088,808
Retained Earnings		50,182,358	32,802,069
Total Equity		1,500,379,882	1,555,293,002
Non - Current Liabilities			
Loans & Borrowings	18	35,050,000	35,050,000
Retirement Benefit Obligation	19	66,918,947	70,969,182
Deferred Tax Liabilities	12	86,662,277	94,138,628
Total Non Current Liabilities		188,631,224	200,157,810
Current Liabilities			
Trade & Other Payables	20	2,030,308,729	1,793,287,634
Loans & Borrowings	18	-	8,459,720
Lease Creditors	17	-	396,602
Bank Overdrafts	21	752,818,831	666,030,002
Total Current Liabilities		2,783,127,560	2,468,173,958
Total Equity & Liabilities		4,472,138,666	4,223,624,771

Chief Financial Officer.....
06th June 2017

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board

Chairman.....
06th June 2017

Director.....
06th June 2017

General Manager.....
06th June 2017

The Significant Accounting Policies and Notes on pages 49 to 79 form an integral part of these Financial Statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016
(All Amounts Are In Sri Lanka Rupees)

	Capital	Capital Grant	Capital Reserve	Revaluation Reserve	Government Grant	Retained Profit / (Loss)	Total Equity
Balance As At 1st January 2015	16,671,651	51,140,000	6,629,760	763,088,808	931,436,542	(12,420,830)	1,756,545,931
Adjustments	-	-	-	-	(116,936,543)	-	(116,936,543)
profit For The Year	-	-	-	-	-	63,047,821	63,047,821
Government Grant	-	-	-	-	(129,539,286)	-	(129,539,286)
Total Other Comprehensive Income	-	-	-	-	-	(15,878,648)	(15,878,648)
Balance As At 31stDecember 2015	16,671,651	51,140,000	6,629,760	763,088,808	684,960,713	34,748,343	1,557,239,275
Prior year adjustments	-	-	-	-	-	(1,946,274)	(1,946,274)
Balance As At 31stDecember 2015 (Restated)	16,671,651	51,140,000	6,629,760	763,088,808	684,960,713	32,802,069	1,555,293,001
Adjustments	-	-	-	-	14,700,000	(3,000,000)	11,700,000
profit For The Year	-	-	-	-	-	14,788,538	14,788,538
Government Grant	-	-	-	-	(86,993,408)	-	(86,993,408)
Total Other Comprehensive Income	-	-	-	-	-	5,591,751	5,591,751
Balance As At 31stDecember 2016	16,671,651	51,140,000	6,629,760	763,088,808	612,667,305	50,182,358	1,500,379,882

The Significant Accounting Policies and Notes on pages 49 to 79 form an integral part of these Financial Statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2016	2015
	Note	
Cash Flow From Operating Activities		
Profit / (Loss) Before Tax	22,841,652	50,339,247
Adjustments For ;		
Depreciation	112,182,570	157,220,742
Staff Pre Paid Cost	-	
Provision For Defined Benefit Plan	8,751,209	7,240,891
(Gain)/Loss On Disposal Of Property, Plant & Equipment	(5,329,927)	(766,008)
(Gain)/Loss On Translation Of Foreign Currency Loans	-	-
Impairment Loss On Trade & Other Receivables	103,497,708	76,675,190
Interest In Suspense		394,651
Finance Expenses	96,407,382	86,799,057
Deferred Income	(86,993,410)	(129,539,286)
Provision for Slow & Non Moving Stock	(1,933,795)	3,717,915
Finance Income	(5,950,510)	(2,920,398)
Operating Profit / (Loss) Before Working Capital Changes	243,472,880	249,162,001
(Increase) / Decrease In Inventory	(31,464,325)	30,019,097
(Increase) / Decrease In Trade & Other Receivables	(514,519,573)	25,414,552
(Increase) / Decrease In Purchases & Sub Contract Advances	(3,523,359)	(14,276,535)
Increase / (Decrease) In Loans & Advances	231,713,888	(120,230,530)
Increase / (Decrease) In Trade & Other Payables	(4,156,295)	49,726,923
Cash Generated From / (Used In) Operations	(78,476,784)	219,815,508
Finance Cost Paid	(86,943,882)	(77,335,556)
Gratuity Paid	(6,447,182)	(12,787,850)
Tax Paid	(3,813,637)	(20,405,843)
Net Cash Flow From / (Used In) Operating Activities	(175,681,486)	109,286,259
Cash Flows From / (Used In) Investing Activities		
Acquisition Of Property, Plant & Equipment	(9,205,446)	(8,964,792)
Proceeds From Disposal Of Property, Plant & Equipment	6,952,144	1,012,584
Investment in Fixed Deposits	(8,842,425)	(1,826,397)
Finance Income Received	5,405,035	3,612,931
Net Cash Flow From / (Used In) Investing Activities	(5,690,692)	(6,165,674)
Cash Flows From / (Used In) Financing Activities		
Repayment Of Loans & Borrowings	(8,459,720)	(12,513,304)
Proceeds From Borrowings	-	-
Repayment Of Finance Leases	(396,602)	(6,541,305)
Net Cash Flow From / (Used In) Financing Activities	(8,856,322)	(19,054,609)
Net Increase / (Decrease) In Cash & Cash Equivalents	(190,228,500)	84,065,976
Cash & Cash Equivalents At The Beginning Of The Year	(497,817,782)	(581,883,758)
Cash & Cash Equivalents At The End Of The Year	(688,046,282)	(497,817,782)

The Significant Accounting Policies and Notes on pages 49 to 79 form an integral part of these Financial Statements.



1. CORPORATE INFORMATION

1.1 General

State Development & Construction Corporation is incorporated under the Industrial Corporation Act No. 49 of 1957 and domiciled in Sri Lanka. The registered office and the principal place of business of the Corporation are located at No.07, Borupana Road, Rathmalana. The principal construction activities of the Corporation have been decentralized in to chief engineers' office in Peliyagoda & Peradeniya and Precast Concrete Production & Sales Centers located in Ratmalana, Bopitiya, Weragantota & Madawachchiya.

1.2 Comparative Information

The accounting policies adopted are consistent with those used in previous financial year. Certain prior year figures and phrases have been rearranged whenever necessary to conform to the current year presentation.

1.3 Principal Business Activities

The principal business activities of the Corporation are construction contracts, manufacturing of precast concrete products for construction requirements and undertaking of contracts for precast concrete products, sale of concrete, installation and maintenance of traffic light signal systems for Road Development Authority.

1.4 Number of Employees

The number of employees at the end of the year was **583**.

1.5 Date of Authorization for Issue

The Financial Statements were authorised for issue by the Board of Directors on 06th June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Accounting Policies

2.1.1 Basis of Preparation

The Financial Statements of State Development & Construction Corporation comprises Statement of Financial Position, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, Accounting Policies and Notes to the Financial Statements. These financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS /LKAS) and Interpretations laid down by the Institute of Chartered Accountants of Sri Lanka.

The effect of the transition to SLFRS/LKAS on previously reported financial positions, financial performances and cash flows of the Corporation is given in the notes to the financial statements.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(Contd...)



2.1.2 Foreign Currency Translation

All foreign exchange transactions are converted in to Sri Lanka Rupees, which is the reporting currency, at the rate of exchange prevailing at the time the transaction was effected. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognized in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

2.1.3 Related Party Relationships

The Corporation has entered into a joint venture agreement with Mast Trust Holdings (Pvt.) Ltd, and created subsidiary relationship with Fujima State Corporation (Pvt.) Ltd, in past. Consolidated accounts are not prepared and investment in the subsidiary company is recorded at cost due to practical difficulties in preparing consolidated accounts.

2.1.4 Taxation

(a) Current Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and amendments thereto.

(b) Deferred Tax

Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets & liabilities for the financial reporting purpose and amounts used for tax purpose. Deferred tax is measured at the tax rate that is expected to apply to temporary differences when they are reversed the liability is settled, based on the laws that have been enacted by the reporting date.

Deferred tax assets are recognized to the extent that is probable that future taxable profits will be available against which such timing difference can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that the related tax benefit will be realized.

Deferred tax is separately calculated for the construction activities and other activities of the Corporation due to different tax rates applicable on those activities.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to setoff current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

(Contd...)



2.1.5 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 capitalized as part of the cost of the respective assets. 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.

2.2 Valuation of Assets& Liabilities and Their Bases of Measurement

2.2.1 Property, Plant and Equipment

Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Subsequent to the initial recognition as an asset at cost, revalued assets are carried at revalued amounts less any subsequent depreciation thereon. All other property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant & equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance, is recognised as an expense when incurred.

Revaluation

Where items of property, plant and equipment are subsequently revalued, the entire classes of such assets are revalued at fair value. Revaluations are done with sufficient regularity. When an asset is revalued, any revaluation surplus is recognized in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income, in which case the increase is recognized in the statement of comprehensive income. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognized as an expense. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

(Contd...)



Impairment

The carrying value of property, plant & equipment are reviewed for impairment annually or when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indications exist and where the carrying values exceeds the estimated recoverable amount, the assets are written down to the recoverable amount. Impairment losses are recognized in the statement of comprehensive income unless it reverses a previous revaluation surplus for the same asset.

Depreciation

Provision for depreciation is calculated by using straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets. The estimated useful lives of assets are as follows:

Type of Asset	Years
Land	Over Prolonged Period
Buildings	Over 20 Years
Office Equipment	Over 10 Years
Plant & Machinery	Over 10 Years
Motor Vehicles	Over 05 Years
Other Assets	Over 10 Years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

2.2.2 Leases

a) Finance Leases

Property, plant and equipment on finance leases, which effectively transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased items, are capitalized and disclosed as finance leases at their cash price and depreciated over the period the Corporation 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 outstanding 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 pertaining to each financial year is charged to the statement of comprehensive income over the period of lease.

The interest applicable for the year calculated using Internal Rate of Return (IRR) method has been charged to statement of comprehensive income. (Contd...)



The cost of improvements on leasehold property is capitalized if the criteria are met, disclosed as leasehold improvement under property plant and equipment, and depreciated over the estimated useful lives of the improvements.

b) Operating Leases

Leases where the less or effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases.

Rentals paid under operating leases are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2.2.3 Financial Instruments

1. Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

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

The financial assets include cash and short-term deposits, trade receivables and other financial assets.

Subsequent Measurement

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

a) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(Contd...)



b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment loss. 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 income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income. Short term receivables are measured at cost.

Staff Loans

Staff loans are considered as financial assets under the loans and receivables in the statement of financial position of the Corporation. Staff Loans are measured at fair value using market interest rates that prevailed at the grant date. The difference between the fair value and loan amount is amortized over the term of the loan. Interest income is accrued using market interest rate.

Trade Receivables

Trade receivables of the corporation includes construction debtors, retentions, liquidated damage receivables and concrete yard debtors which fall under the category of 'Loans and Receivables' under LKAS 39 are recorded at the transaction price, which is the amount of consideration given or received. Impairment provision on debtors is calculated at the end of each reporting period base on the past cash settlement patterns of the debtors and default probability ratio, impairment loss/(reverse) recognized in statement of comprehensive income

Held-To-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Corporation has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortised cost using the effective interest rate method less impairment. Gains and losses are recognised in the statement of comprehensive income when the held-to-maturity investments are derecognised or impaired.

c) Available-For-Sale Financial Investments

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised initially in other comprehensive income and accumulated under available for sale reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest rate method are recognised in the statement of comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of comprehensive income when the financial asset is derecognised.

(Contd...)



Derecognition

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognised as a separate asset or liability.

Impairment of Financial Assets

The Corporation assesses at each reporting date whether there is any objective evidence that a financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The impairment loss is identified in the statement of comprehensive income.

2. Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are recognised when, and only when, the Corporation becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs.

Financial liabilities of the Corporation include trade and other payables, loans & borrowings, bank overdrafts.

Subsequent Measurement

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

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term and gains or losses are recognised in the statement of comprehensive income.

Loans and Borrowings and Other Financial Liabilities

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortisation process. 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 comprehensive income. (Contd...)



Short term liabilities of the Corporation such as trade and other payables, advances & deposits and accruals are measured at cost.

Derecognition

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

3. Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

2.2.4 Impairment of Assets

At each reporting date property plant & equipment, other assets and investments are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in statement of comprehensive income. Similarly, at each reporting date inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If an item of inventory is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in statement of comprehensive income.

(Contd...)

2.2.5 Investments

a) Current Investments

Current investments are stated at cost, it includes cost of acquisition, brokerages fees, duties and bank fees.

Unrealized gains and losses on current investments carried at market value i.e. reduction to market value and reversals of such reductions required to reflect current investments at the lower of cost and market value, are credited or charged to statement of comprehensive income.



b) Associate Company Investments

Investments in associate companies are accounted for on the equity method, whereby the share of profit of the associates attributable to the company is accounted for as income and the value of the investment (which was initially recognized at cost) adjusted by a like amount.

2.2.6 Inventories

Corporation recognized inventory once significant risks and rewards of ownership on goods obtained by the entity. Inventories are valued at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of the business, less the estimated selling expenses. The cost of inventory is based on the specific identification basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition.

Raw Materials	-	At actual cost on first-in first-out basis.
Finished Goods –Concrete Products	-	At actual cost
Work-in-progress	-	At the cost of direct materials, direct labours and an appropriate proportion of fixed production overheads based on normal operating capacity.
Consumables & Spares	-	At actual cost on First in First out basis

2.2.7 Cash and 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 cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturity, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

(Contd...)

2.2.8 Recognition of Due from Customer and Due to Customer

The gross amount due from customers for contract work is the net amount of;

- a) Costs incurred plus recognized profit : less
- b) The sum of recognized losses and progress billings

For all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings.



The gross amount due from customers for contract work is the net amount of;

- a) Costs incurred plus recognized profit : less
- b) The sum of recognized losses and progress billings

For all contracts in progress for which progress billings exceed costs incurred plus recognized profit.

2.3 Liabilities and Provisions

Liabilities are recognized in the statement of financial position when there is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the reporting date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

A provision is recognized in the statement of financial position when the Corporation has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for which a reliable estimate could be made is required to settle the obligation.

2.3.1 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Gratuity is a Defined Benefit Plan. The Corporation is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the statement of financial position, equivalent to an amount calculated using formula method prescribed in LKAS 19.

b) Defined Contribution Plan - Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions inline with respective statutes and regulation

(Contd...)

2.4. Revenue

2.4.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation, the revenue and associated costs incurred or to be incurred can be reliably measured and after transferring significant risks and rewards of ownership of the services provided or goods have been transferred to the customers and there is no effective control over the output. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.



a) Construction Revenue

The revenue from construction contract is recognized on a percentage completion method as per LKAS 11.

The stage of completion of a contract has been determined by the proportion of the contract costs incurred for the work performed to date bear the estimated total contract costs.

b) Sale of Goods

Revenue from sale of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer with the Corporation retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

c) Interest

Interest income is recognized on a time apportioned basis.

d) Rental and Other Income

Rental income is recognized on accrual basis.

e) Gains & Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the statement of comprehensive income, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses. Gains and losses are arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis. Any losses arising from guaranteed rentals are accounted for in the year of incurring the same. A provision is recognized if the best estimate indicates a loss.

(Contd...)

2.5 Expenditure Recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the costs incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the statement of comprehensive income. For the purpose of presentation of the statement of comprehensive income, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Corporation’s performance.



2.6 Comparatives

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

2.7 Events Occurring After the Reporting Date

All material events after reporting date have been considered, disclosed and adjusted where appropriate.

2.8 Segment Information

The Corporation identifies its segments based on the criteria, given in the SLFRS 8 and relevant disclosures are made in the financial statement notes. Construction, Concrete Yard and Mechanical & Others are segments identified by the Corporation.

2.9 Government Grant

Government Grants including non-monetary grants at fair value shall not be recognized until there is reasonable assurance that:

- (a) The entity will comply with the conditions attached to them &
- (a) The grants will be received

Grants are recognised as Deferred Income and is recognised in profit or loss on a systematic basis over the useful life of the asset.

(Contd...)

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2016	2015
NOTE 01 - REVENUE			
Construction Income		1,594,393,354	1,905,477,660
External Sales - Concrete Products		268,077,660	284,328,949
Internal Sales - Concrete Products		28,713,341	22,241,674
Work Services		150,206,944	102,790,945
Asphalt External Sales		-	1,783,529
Asphalt Internal Sales		58,360,357	111,773,374
Metal Products		2,832,745	1,116,900
Total		2,102,584,401	2,429,513,031
NOTE 02 - COST OF SALES			
<u>Operating Expenses</u>			
Employee Benefits	04.01	569,207,981	482,401,030
Cement		63,193,078	63,348,245
Sand		26,270,093	22,944,109
Metal		62,628,110	69,331,211
Steel		93,852,764	96,133,194
Timber		9,775,004	8,995,214
Fuel & Lubricants		70,413,138	69,346,293
Explosive & Blasting Materials		631,501	732,110
Rady Mix Concrete		37,703,214	28,610,829
Concrete Products		20,447,106	27,579,913
Machinery & Vehicle Spare Parts		20,492,063	24,547,829
Stationery Consumption		1,518,795	1,525,040
Tar Consumption		78,963,674	182,308,669
Electrical Spare Parts Consumption		54,860,284	76,374,467
Pipes & Drainages Items Consumption		6,990,966	6,307,600
Other Stocks		140,232,978	141,590,506
Earth Gravel		18,812,322	11,752,850
Hire Charges (Internal)		-	133,946
Hire Charges (External)		98,788,272	90,651,297
Transport Charges (Material)		14,268,788	2,251,909
Transport Charges (Others)		9,720,700	13,131,311
Storage Charges		35,840	12,350
Insurance Fidelity Guarantee		1,200	4,540
Vehicle Insurance		18,666	1,226,043
Stores Insurance		-	4,250
Depreciation On Plant, Machinery & Equipment		83,948,717	110,094,570
Depreciation On Motor Vehicles		15,166,995	32,294,162
Repairs & Maintenance -Plant, Machinery & Equipment		2,673,872	1,473,462
Repairs & Maintenance - Vehicles (Work Shop)		1,284,323	1,728,480
Repairs & Maintenance -Plant, Machinery & Equipment (Transport)		761,132	1,406,259
Repairs & Maintenance -Plant, Machinery & Equipment (Other)		885,812	160,720

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

2016

2015

(All Amounts Are In Sri Lanka Rupees)

Note

Operating Expenses (Contd...)

Registration & Licence Fees	1,030,928	849,236
Sub Contracts	255,465,126	479,933,888
Discounts	941,769	-
Liquidation Damages	2,979,848	10,103,236
Fines	-	215,508
Assignments	2,297,942	994,400
Charges For Bonds	13,263,993	6,305,315
Telephone - Sites	2,603,347	1,806,484
Postage & Telex - Sites	30,602	13,706
Printing & Stationery - Sites	829,080	596,163
Travelling - Sites	7,159,119	7,276,810
Entertainment	1,742,578	1,654,750
Stamp Fees - Sites	9,435	6,596
Rent - Sites	12,931,891	7,843,284
Electricity - Sites	5,929,358	25,996,551
Computer	52,932	30,589
Water - Sites	2,400,089	1,238,586
Tender Fees -Sites	143,500	52,920
Welfare & Recreation - Sites	161,296	107,150
Insurance - Sites	1,849,318	1,568,052
Insurance All Risk Policy - Sites	3,464,492	2,886,421
Newspapers & Periodicals - Sites	84,126	100,680
Sundry - Sites	4,030,142	3,881,756
Consultancy & Professional Fees	3,200,000	26,192,446
CIGFL	2,830,735	7,694,931
Building Repairs -Sites	18,702	502,605
Service Charges - Sites	4,747,105	1,203,739
Testing Charges -Sites	2,747,082	2,602,458
Advertisements	144,075	341,567
Repairs & Maintanance - Office Equipment	140,337	66,644
Rates & Taxes	5,339	15,263
Impairment provision for Slow & Non Moving Stock	(1,933,795)	3,717,915
Labour charges -Material	107,813	-
Personal Accident Insurance	-	19,471
Cost of scrap Items sold	4,071,048	-
Sub Total	1,839,026,738	2,164,221,532
Add - Opening Stock	138,494,775	167,688,190
Less - Closing Stock	(143,841,783)	(138,494,775)
Cost of Sales	1,833,679,730	2,193,414,947

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2016	2015
NOTE 03 - OTHER INCOME			
Transport Hire Charges		13,349,316	123,000
Metal & Rubble Sale		6,156,110	6,566,453
Deferred Income		86,993,410	129,539,286
Consultancy Fee		1,914,690	19,631,160
Sundry Income		18,552,147	6,854,456
Insurance Receivable		1,054,975	289,231
Income On House Rent (Head Office)		14,418,550	12,771,430
Miscellaneous		122,200	90,000
Profit On Disposal Of Property, Plant & Equipment		5,329,926	766,008
Total		147,891,323	176,631,024
NOTE 04 - ADMINISTRATIVE EXPENSES			
Employee Benefits	04.01	127,408,889	119,586,930
Corporate Social Responsibility		-	151,000
Telephone		2,229,105	1,647,349
Postage & Telex		207,828	83,883
Printing & Stationery		11,288	30,384
Travelling & Subsistence		1,287,337	1,130,537
Entertainment		538,278	567,678
Advertising		761,925	(676,368)
Legal Charges		286,300	480,428
Rate & Taxes		287,640	1,346,372
Electricity		4,641,412	4,749,025
Computer Expenses		227,988	591,088
Depreciation - Land & Buildings		6,351,770	6,286,663
Depreciation - Furniture & Fixture, Office & Welfare		1,498,610	1,556,178
Depreciation - Other Assets		5,216,479	6,989,169
Water		784,427	880,453
Non Refundable Tender Fees		1,360,777	495,824
Security Expenses		375,769	-
Service Charges		2,076,186	61,670
Sundry Expenses		3,290,124	1,984,247
Consultancy & Professional Fees		960,000	1,489,885
Welfare & Recreation Expenses		278,550	205,068
Repairs & Maintenance - Land & Buildings		3,760,932	4,182,137
Repairs & Maintenance - Plant & Machineries		16,800	-
Repairs & Maintenance - Other Assets		959,415	993,423
Insurance Contractors All Risk Policy		10,164,938	3,381,272
Tax Surcharges		63,695	-
VAT Surcharge			22,794,701

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

2016

2015

(All Amounts Are In Sri Lanka Rupees)

Note

Administration Expenses (Contd...)

Death Donation	160,000	-
Newspapers & Periodicals	45,200	41,480
Vehicle Repair HO	229,168	-
Employees' Provident Fund - Surcharge	-	502,573
Donations	-	120,800
Timber Consumption	102,039	7,000
Adjustments	-	367,500
Fuel Consumption	5,672,556	4,848,721
Spare Parts	350	-
Stationery	2,210,790	1,743,024
Electrical Items Consumption	44,655	105,239
Water Supply Items	5,655	36,278
Other Stocks Consumption	349,238	534,535
Sub Contracts	4,190,584	4,549,104
Repairs - Light Vehicles	909,043	2,415,300
Registration & Licence Fees	167,380	249,466
Bond Charges - Head Office	7,434,589	1,783,926
Assignment - Head Office	2,510,491	2,061,842
Training & Development - Head Office	233,775	156,500
External Hire - Head Office	2,650	(7,950)
Insurance	30,192	585,509
Total	199,344,818	201,089,843

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

2016

2015

(All Amounts Are In Sri Lanka Rupees)

Note

NOTE 04 . 01 - EMPLOYEE BENEFIT EXPENSES

Operating Expenses

Work Services		2,287,515	2,380,560
Salaries & Wages -Permanent		178,974,665	162,905,692
Overtimes -Permanent		39,901,012	33,429,895
Employees' Provident Fund - Permanent Staff		14,317,907	13,896,704
Employees' Trust Fund -Permanent Staff		3,579,477	3,474,177
Salaries & Wages -Casual Staff		8,142,491	3,749,218
Overtime -Casual staff		1,611,526	1,228,839
Employees' Provident Fund -Casual Staff		519,010	55,592
Employees' Trust Fund -Casual Staff		129,752	13,898
Sub Contract Labour		255,710,984	211,911,654
surcharges		140	261,263
Training & Development		3,160,000	319,269
Shift Allowance		-	5,784
Special Allowances		1,070,509	2,114,127
Encashment Of Leave		619,656	470,987
Incentive Payments		545,265	3,395,246
Risk Allowances		209,473	11,400
Salaries - Contract		45,189,591	33,997,597
Overtime - Contract		9,227,726	5,436,670
Employees' Provident Fund - Contract		3,209,025	2,674,857
Employees' Trust Fund - Contract		802,256	667,602
Sub Total		569,207,981	482,401,030

Administrative Expenses

Defined Benefit Pension Cost	19.01	8,751,209	7,240,891
Directors Fees		1,561,600	1,044,266
Chairman's Remuneration		1,438,680	1,187,980
Salaries & Wages		86,638,876	78,030,070
Overtime		10,497,228	9,059,051
Employees' Provident Fund		6,971,999	6,833,116
Employees' Trust Fund		1,743,000	1,708,279
Professional Subscription		388,805	511,137
Special Allowance		553,600	163,400
Encashment of Leave		-	34,194
Incentive Payments		7,071,535	11,939,892
Pay As You Earn (PAYE) Tax		1,792,357	1,766,606
Training & Development - Head Office		-	68,050
Sub Total		127,408,889	119,586,930

Total Employee Benefit Expenses

696,616,869

601,987,960

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2016	2015
	Note	
NOTE 05 - DISTRIBUTION EXPENSES		
Business Promotion	-	-
Total	-	-
NOTE 06 - OTHER EXPENSES		
Impairment Loss On Trade Receivables	103,497,708	76,675,190
Bank Charges	654,944	351,518
Total	104,152,652	77,026,709
NOTE 07 - FINANCIAL INCOME & FINANCIAL EXPENSES		
<u>Financial Income</u>		
Interest Income On Available-For-Sale Financial Assets	951,579	(244,116)
Interest Income On Held - To - Maturity Investments	4,685,454	2,864,980
Interest Income On Loans & Receivables	313,476	299,534
Total Finance Income Recognized In Profit Or Loss	5,950,510	2,920,398
<u>Financial Expenses</u>		
Interest On Bank Overdrafts	86,406,410	75,467,747
Interest Expense on Financial Liabilities Measured At Amortized Cost	9,964,892	11,249,135
Lease Interest	-	394,651
Other Financial Expenses	36,081	82,175
Total Financial Expenses Recognized In Profit Or Loss	96,407,382	87,193,708
NOTE 08 - TAX EXPENSES		
<u>Current Tax Expense</u>		
Current Tax On Profits For The Year	9,062,933	11,205,996
Adjustment For Under Provision In Prior Periods	-	-
Total Current Tax	9,062,933	11,205,996
<u>Deferred Tax Expense</u>		
Change In Recognized Taxable Temporary Differences	(1,009,820)	(27,211,636)
Change In Recognized Deductible Temporary Differences	12	3,297,066
Total Tax Expenses On Continuing Operations	8,053,113	(12,708,574)

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31st DECEMBER 2016

(All amounts are in Sri Lanka Rupees)

NOTE 09 - PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation

Description	Note	Land	Buildings	Office Equipment	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance at 1st January 2015		635,312,513	123,049,682	38,099,030	1,415,955,808	274,106,757	76,783,247	2,563,307,037
Additions		-	3,637,439	1,374,476	2,693,500		1,070,401	8,775,816
Disposals		-	-	51,355	204,233	1,098,291		1,353,879
Adjustment		-	-	-	(455,712,100)	(88,984,500)		(544,696,600)
Balance at 31st December 2015		635,312,513	126,687,121	39,422,151	962,732,975	184,023,966	77,853,648	2,026,032,374
Additions		-	1,055,835	584,606	8,986,376	11,022,000	1,860,146	23,508,963
Disposals		-	-	-	(17,147,860)	(535,261)		(17,683,121)
Adjustment		-	-	-	-	-	-	-
Balance at 31st December 2016		635,312,513	127,742,956	40,006,757	954,571,491	194,510,705	79,713,794	2,031,858,216

Accumulated Depreciation

Description	Note	Land	Buildings	Office Equipment	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance at 1st January 2015		-	51,444,767	26,974,841	501,778,825	191,258,268	50,499,559	821,956,260
Depreciation charge for the year		-	6,286,663	1,556,178	110,094,570	32,294,162	6,989,169	157,220,742
Disposals		-	-	7,546	161,680	938,077		1,107,303
Adjustment		-	-	-	(345,368,889)	(82,391,169)		(427,760,058)
Balance at 31st December 2015		-	57,731,430	28,523,473	266,342,826	140,223,184	57,488,728	550,309,641
Depreciation charge for the year		-	6,351,770	1,498,609	83,948,717	15,166,995	5,216,479	112,182,570
Disposals		-	-	-	(15,552,406)	(508,497)		(16,060,903)
Adjustment		-	-	-	-	-	-	-
Balance at 31st December 2016		-	64,083,200	30,022,082	334,739,137	154,881,682	62,705,207	646,431,308

Balance at 31st December 2015	635,312,513	68,955,691	10,898,678	696,390,149	43,800,782	20,364,920	1,475,722,733
Balance at 31st December 2016	635,312,513	63,659,756	9,984,675	619,832,354	39,629,023	17,008,587	1,385,426,908

(Contd...)

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31st DECEMBER 2016

(All amounts are in Sri Lanka Rupees)

NOTE 09.01 - CAPITAL WORKING PROGRESS

Description	New Labour Quarters (CY 51)	Gantry Runner Base (CY 52)	New Beam Bed (CY 812)	Guard Wall Construction (CY 812)	Concrete Mixing Plant C/Y (CY 812)	Water Filter Hut (CY 812)	Upgrade Construction Building (HO 001)	New building for Transport & Security (HO 001)	Quarters for Canteen -HO 001	Total
Cost										
Balance at 1st January 2016	69,984	2,022,801	3,898,848	-	-	-	1,721,061	309,193		8,021,887
Additions	29,739	307,217	16,532	60,529	124,285	133,272	34,100	521,652	224,991	1,452,317
Transfers to Building								(830,845)	(224,991)	(1,055,836)
Total	99,723	2,330,018	3,915,380	60,529	124,285	133,272	1,755,161	-	-	8,418,368
Accumulated Depreciation										
Depreciation 1st January 2016	-		-	-	-	-	-	-	-	-
Depreciation charge for the year								17,414		17,414
Depreciation for Transfers								(17,414)		(17,414)
Total	-	-	-	-	-	-	-	-	-	-
Balance at 31st December 2016	99,723	2,330,018	3,915,380	60,529	124,285	133,272	1,755,161	-	-	8,418,368

Capital Work in Progress

Carrying Amounts	Land	Buildings	Office Equipment	Plant & Machineries	Motor Vehicles	Other Assets	Total
At 31st December 2015	635,312,513	68,955,691	10,898,679	696,390,149	43,800,781	20,364,919	1,483,744,619
At 31st December 2016	635,312,513	63,659,756	9,984,675	619,832,354	39,629,023	17,008,587	1,393,845,276

(Contd....)

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER 2016

(All Amounts Are In Sri Lanka Rupees)

1.3. RE-VALUATION OF LANDS AND BUILDINGS

The Land and Buildings at No.07, Gregory's Avenue, Colombo 07 were revalued for Rs. 317.54 million and Rs. 37.99 million respectively based on the valuation method of contractor's principal on 28.03.2005 by an incorporated valuer. The effect of this revaluation has been incorporated in the accounts as at 31.12.2005.

1.4. RE-VALUATION OF MOTOR VEHICLE

Ten motor vehicles which had been fully depreciated were revalued on the basis of cost of major repairs and incorporated in the accounts .

1.5. RE-VALUATION OF MOTOR VEHICLE AND PLANT & MACHINERY GRANTED BY ECONOMIC DEVELOPMENT MINISTRY

Economic Development Ministry had granted Motor Vehicles and Plant & Machinery to the Corporation in year 2012. Value of Motor Vehicles and value of Plant & Machinery had been recorded as Rs. 144,984,500 and as Rs. 1,214,212,100 respectively in year 2012. Net Book Value of Motor Vehicles and Plant & Machinery stood at Rs. 62,593,331 and as Rs. 868,843,212 respectively as at 31.12.2014. Values of Motor Vehicles and Plant & Machinery were revalued at Rs. 56,000,000 and Rs. 758,500,000 respectively as at 01.01.2015.

1.6. FIXED ASSETS NOT INCLUDED IN THE ACCOUNTS

The following properties have not been taken into the books of accounts as at 31st December 2016. Since we do not have the ownership of the properties.

Location	Land Area	Buildings	Value (Rs.)
Peliyagoda	16.45 perches	1.00	19,500,000
Peliyagoda	12.22 perches	3.00	
Veragantota	4 Acr & 0.8 perches	-	7,080,000
Peradeniya	2 Hect. & 0.95 perches	2.00	13,990,875
Peradeniya	12.7 perches	-	
Medawachchiya	2 Acres	1.00	6,250,000
Polwatta - Ratmalana	116 perches	1.00	29,000,000
TOTAL			75,820,875

(Contd...)

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

2016 **2015**

Note

NOTE 10 - INVESTMENTS IN GOVERNMENT OWNED COMPANIES

Devcoshowa (Pvt) Ltd	9,210,740	9,210,740
Lanka Machine Leasers (Pvt) Ltd		
Sub Total	9,210,740	9,210,740
Provision For Investments		
Total	9,210,740	9,210,740

NOTE 11 - OTHER INVESTMENTS

Non - Current Investments

Fixed Deposits - Held To Maturity	62,595,583	53,753,158
Total	62,595,583	53,753,158

Current Investments

Savings Deposits	12,376,984	9,231,363
Total	12,376,984	9,231,363

Total Investment	74,972,567	62,984,521
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NOTE 12 - DEFERRED TAX ASSETS & LIABILITIES

At The Beginning Of The Year	10,745,348	10,745,348
Transfer To / (From) Income Statements	247,308	-
At The End Of The Year	10,992,656	10,745,348

12.01

NOTE 12.01 - DEFERRED TAX ASSETS / LIABILITIES

Deferred Tax Liability

Capital Allowances For Tax Purpose	86,662,277	94,138,628
Retirement Benefit Obligation	-	-
Total	86,662,277	94,138,628

Deferred Tax Assets

Capital Allowances For Tax Purpose	97,654,933	104,883,976
Retirement Benefit Obligation	-	-
Total	97,654,933	104,883,976

Net Tax Assets / (Liabilities)	10,992,656	10,745,348
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STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

2016 **2015**

Note

NOTE 13 - INVENTORIES

Cement	2,178,873	3,047,793
Sand	2,007,600	885,195
Metal	3,690,195	4,479,671
Steel	41,284,254	43,217,438
Timber	1,315,743	993,906
Fuel & Lubricants	2,906,136	2,251,973
Explosive & Blasting Materials	295,888	339,866
Readymix Concrete		-
Concrete Items	12,248,939	1,802,502
Vehicle Spare Parts	17,691,177	18,154,077
Stationery	674,716	749,628
Tar	1,558,806	2,893,732
Electrical Goods	19,977,818	12,495,076
Pipes & Drainage Items	1,785,245	2,471,569
Other Stock Items	57,585,635	42,944,597
Earth Gravel Stock	44,000	33,600
Fabrication	5,161,075	5,184,700
Finished Goods - Concrete Items	141,766,693	136,431,187
Finished Goods - Metal Products	2,075,090	2,063,588
Stock Adjustments	(1,733,048)	610,414
	312,514,836	281,050,511
Provision for Slow & Non Moving stock	(7,630,769)	(9,564,564)
Total	304,884,066	271,485,946

NOTE 14 - INCOME TAX ASSETS

Economic Service Charge	31,135,172	36,754,239
With Holding Tax On Projects	128,336,127	128,336,127
With Holding Tax On Interest	6,698,738	6,698,738
	166,170,037	171,789,105
Provision For Tax	(84,212,151)	(84,581,931)
Total	81,957,886	87,207,174

NOTE 15 - TRADE & OTHER RECEIVABLES

Trade Debtors	15.01	1,856,364,811	1,415,032,980
Retention	15.02	446,676,598	473,798,409
Sundry Debtors	15.03	37,863,565	43,506,250
Loans & Advances	15.04	5,696,681	5,965,324
Advances On Purchases & Sub Contracts	15.05	93,706,163	90,493,167
Other Advances & Deposits	15.06	16,909,815	16,330,809
Total		2,457,217,632	2,045,126,939
Non Current Trade & Other Receivables			
Current Trade & Other Receivables		2,457,217,632	2,045,126,939
Total		2,457,217,632	2,045,126,939

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note

2016

2015

NOTE 15.01 - TRADE DEBTORS

Construction Debtors	163,135,345	239,155,959
Concrete Yard Debtors	25,885,184	26,890,371
Traffic Light System Debtors	95,731,698	54,335,049
Dues From Customers	1,820,512,010	1,381,647,023
Dues to Customers	(212,772,496)	(247,193,195)

1,892,491,741 **1,454,835,207**

Unfavourable Debtor Balances

(36,126,929) (39,802,227)

Total

1,856,364,811 **1,415,032,980**

NOTE 15.02 - RETENTION

Retention - Construction	411,369,098	444,031,811
Liquidated Damages Receivables	35,307,499	29,766,598

Total

446,676,598 **473,798,409**

NOTE 15.03 - SUNDRY DEBTORS

Security Deposits Of Employees	849,602	834,261
Interest Receivable	1,322,022	776,548
Rent receivable	889,100	6,223,700
Prepayments	-	868,899
Ready Mixed Debtors (Devcoshowa)	34,802,842	34,802,842
Provision For Doubtful Sundry Debtors		

Total

37,863,565 **43,506,250**

NOTE 15.04 - LOANS AND ADVANCES

Prepaid Cost On Distress Loans	528,340	528,340
Salaries & Wages Advances	(1,328,151)	(1,384,951)
Festival Advances	861,137	849,387
Travelling Advances	282,570	239,734
Distress Loans	3,852,874	4,342,428
08 Year Loan	-	30,000
House Rent -Dayata Kirula Katupotha	70,000	25,000
Wages Advance - Casual	70,933	50,933
Contract Employees Salary Advances	1,417,500	1,355,500
Medical Insurance	(58,521)	(71,046)

Total

5,696,681 **5,965,324**

NOTE 15.05 - ADVANCES ON PURCHASES & SUB CONTRACTS

Letter Of Credit Margin Account	1,833,253	6,626,792
Purchase Advances - Head Office	644,271	559,739
Purchase Advances - Sites	37,364,003	29,540,370
Purchase Advances - Construction	7,851,433	7,851,433
Purchase Advances - Rathmalana Concrete Yard	1,743,929	1,294,387
Sundry Advances	7,049,203	7,418,174
MPCS Polonnaruwa	5,000	5,000
Fuel Advances	413,537	413,537
Service Advances	17,800	-
Purchase Advances - Peliyagoda (CE)	21,484,694	21,484,694
Sub Contract Advances	15,299,042	15,299,042

Total

93,706,163 **90,493,167**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note

2016

2015

NOTE 15.06 - OTHER ADVANCES AND DEPOSITS

Tender Deposits (Refundable)	199,875	199,875
Other Deposit	1,749,458	1,494,458
Fuel Deposit -Amithirigala 992	2,400,000	2,300,000
Electricity Board Deposits	1,715,105	1,342,105
Fuel Deposits - Dehiwala	200,000	200,000
Fuel Deposits -Galoya	200,000	200,000
Fuel Deposits -Kottawa	100,000	100,000
Water Deposit	635,661	433,561
Fuel Deposit - Weeragantota	90,000	90,000
Fuel Deposit - Rattanapitiya	2,475	100,000
Fuel Deposit - Head Office - Transport	300,100	300,100
Fuel Deposit - CME	415,000	415,000
Fuel Deposit - Katugastota WP -	4,421	4,421
Fuel Deposit Control A/C	1,000,000	-
Fuel Deposit - Mawanella Aranayake Road	400,000	400,000
Fuel Deposit - Kegalle -Rambukkana Road	300,000	300,000
Fuel Deposit - Negombo General Hospital	300,000	300,000
Fuel Deposit - Madawachchiya	-	75,000
Fuel Deposit - Sengaloya	300,000	-
Fuel Deposit - Gregory Canal	500,000	200,000
Fuel Deposit - Palavi & Kodikamam	-	300,000
Fuel Deposit - Pannegamuwa Weekly fair	50,000	-
Fuel Deposit - Haputale Bridge	-	150,000
Fuel Deposit - Moragahakanda - Amban	700,000	700,000
Fuel Deposit - Yatiantota Deraniyagala Road	1,300,000	1,300,000
Fuel Deposit - Medawachchiya	75,000	-
Fuel Deposit - Lunugamwehera	-	50,000
Fuel Deposit - Polonnaruwa	1,000,000	1,000,000
Fuel Deposit - Sewanagala	-	250,000
Fuel Deposit - 980	400,000	400,000
Fuel Deposit - Walasmulla	300,000	300,000
Fuel Deposit - Galpottagama & Thanthirimale-	49,993	49,993
Fuel Deposit - Manick Farm -Chettikulam	200,000	200,000
Fuel Deposit - 1081	-	50,000
Fuel Deposit - Kolamunuoya	-	200,000
Fuel Deposit -Badulla Water Project	100,000	100,000
Other Deposit - Rathkinda	10,000	213,570
Fuel Deposit - Road close to Talaimannar	400,000	400,000
Fuel Deposit - Bopitiya Quarry Crusher -	405,000	405,000
Fuel Deposit - Dedigama Galigamuwa	-	300,000
Fuel Deposit - Monaragala	7,726	7,726
MPCS - Moratuwa	250,000	250,000
Fuel Deposit - Ulapane	600,000	900,000
Fuel Deposit - Blumendhal	200,000	200,000
Fuel Deposit -Hildamahala Dehiwala	-	100,000
Fuel Deposit - Muwagama	50,000	50,000
Total	16,909,815	16,330,809

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note 16 Cash At Bank

	2016	2015
Sampath Bank 001860000985 -(985)	1,066,201	363,773
Bank Of Ceylon - Idamamoruwa-682972	-	3,017,380
Bank Of Ceylon - -683114	-	2,633,422
Bank Of Ceylon - -9826701	20,563	20,563
Savings Deposits - People's Bank	6,000,000	-
Bank Of Ceylon Giriulla - Bopitiya 3441284	433,300	433,300
Sampath Bank - 001860000365 (365)	-	212,572
Margin Account - Sampath Bank	1,463,477	1,463,477
Sampath Bank- 001860000 1620 -(1620)	-	98,106
Bank Of Ceylon Peradeniya - 1274460	38,148	38,148
Sampath Bank - 1860000195 (195)	2,953,409	113,496
People's Bank - Ratmalana - 080100381101178 (38)	66,192	119,178,373
People's Bank - Ratmalana -08010047110178	-	163,409
People's Bank - Ratmalana 83080100831101178 (83)	6,122	6,122
People's Bank - Ratmalana 91101178	28,297,599	-
Bank Of Ceylon Idama - 0610213103	-	3,578,796
Bank Of Ceylon Idama - 6510876	-	27,408,322
Bank Transfer HO	11,670,998	-
Sub Total	52,016,010	158,729,260

Cash In Hand - Petty Cash

Rathmalana	59,904	60,783
Baticaloa Bridge	-	9,386
Bloumendhal Road	-	39,746
Bandarawatte Weekly Fair	-	601
Wadigala Weekly Fair	-	3,473
Maternity Clinic Horatha pola	-	10
Sewanagala	-	22,495
Gregory Canal	-	8,943
Construction Division	200,539	-
Haputale	50,000	-
Hildamahhal Housing scheme	50,000	-
Walasmulla Bus stand	17,283	-
Colombo 06	-	25,213
Amithirigala	-	12,357
Kegalle Rambukkana	-	865
PUM ISO-1224	-	(15,000)
Peliyagoda	965	965
Blumendhal Housing Scheme	-	45,872
Alokapura -Hambantota	-	15,391
National Hospital -Cardiology Unit	-	17,480
Kegalle -1397	-	104
Lunugamvehera Bus Stand	-	14
Kegalle -980	865	2,907
Head Office - 1201	-	20
Work Shop-1465	-	(27)
Sub Total	379,556	251,597

Total

Total	52,395,565	158,980,858
Investments With Short Maturity		
Unfavourable Cash & Cash Equivalents	(752,818,831)	(666,030,002)
Total Cash & Cash Equivalents for the purpose of Cash Flow Statement	(700,423,266)	(507,049,145)

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2016	2015
NOTE 17 - LEASE CREDITORS			
Balance As At The Beginning Of The Year		396,602	6,937,907
Obtained During The Year		-	-
		<u>396,602</u>	<u>6,937,907</u>
Repaid During the Year		(396,602)	(6,541,305)
		-	396,602
Interest In Suspense		-	(394,651)
Net		<u>-</u>	<u>1,950</u>
Lease Creditors Due Within One Year			396,602
Lease Creditors Due After One Year			
Total Lease Creditors		<u>-</u>	<u>396,602</u>
NOTE 18 - LOANS & BORROWINGS			
Balance As At The Beginning Of The Year		43,509,720	56,023,023
Borrowings During The Year		-	-
Total		<u>43,509,720</u>	<u>56,023,023</u>
Repaid During The Year		(8,459,720)	(12,513,304)
Net		<u>35,050,000</u>	<u>43,509,719</u>
Repayable Within One Year		-	8,459,720
Repayable After One Year		35,050,000	35,050,000
Total Loans & Borrowings		<u>35,050,000</u>	<u>43,509,720</u>
NOTE 19 - RETIREMENT BENEFIT OBLIGATIONS			
Balance As At The Beginning Of The Year		70,969,182	58,825,334
Charges To / (Reverse From) Income Statement	19.01	2,396,946	21,418,255
Payments Made During The Year		(6,447,181)	(9,274,407)
Balance As At End Of The Year		<u>66,918,947</u>	<u>70,969,182</u>
NOTE 19.01 - PROVISION MADE DURING THE YEAR			
Interest Cost		5,433,450	3,798,224
Current Service Costs		3,317,759	3,442,666
Net Actuarial (Gain) / Loss Recognized Immediately		(6,354,263)	14,177,364
Total		<u>2,396,946</u>	<u>21,418,255</u>
NOTE 20 - TRADE & OTHER PAYABLES			
Trade Payables	20.01	285,772,002	278,090,473
Value Added Tax	20.02	575,647,554	561,051,351
Sundry Payables	20.03	583,944,934	605,204,154
Employee Benefit Payables	20.04	15,163,438	10,890,100
Refundable Advances & Retentions	20.05	568,897,234	337,183,345
Refundable Deposits	20.06	883,568	868,212
Total		<u>2,030,308,729</u>	<u>1,793,287,634</u>
Current Trade & Other Payables		<u>2,030,308,729</u>	<u>1,793,287,634</u>
Total		<u>2,030,308,729</u>	<u>1,793,287,634</u>

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

2016 **2015**

Note

NOTE 20 . 01 - TRADE PAYABLES

Creditors - Head Office	39,484,543	35,553,338
Creditors - Sites	223,555,203	223,576,248
ESC Control AC	4,389,947	4,389,947
Nation Building Tax	5,321,812	5,335,464
Nation Building Tax	80,804	80,804
Payment Received Material - Sites	12,785,793	9,000,771
Advances Control Account	153,900	153,900
Total	285,772,002	278,090,473

NOTE 20 . 02 - VALUE ADDED TAX

Value Added Tax Receivable	(631,417)	(625,125)
Value Added Tax Payable	(29,563,152)	12,616,160
Value Added Tax Control Account	605,842,123	549,060,316
Total	575,647,554	561,051,351

NOTE 20 . 03 - SUNDRY PAYABLES

Accrued Expenses	477,587,535	509,896,594
Auditor General	2,825,200	2,825,200
Refundable Deposits	1,975,626	371,909
Interest On Cgf 100Mn Loan Payable	101,533,804	92,070,304
Janashakthi Insurance	22,589	40,125
Refundable Loan	180	22
Total	583,944,934	605,204,154

NOTE 20 . 04 - EMPLOYEE BENEFIT PAYABLES

Net Salaries & Wages	755,137	2,048,563
Casual Wages Control Account	2,159,447	912,381
Cash Abatements -Control Account	2,453,782	370,845
PAYE payable	4,000	8,000
Employees' Provident Fund	3,735,634	3,546,787
Employees' Trust Fund	941,300	915,500
Contract Employees - Salaries	3,015,781	1,045,725
Medical Insurance	524,641	468,583
Unpaid Bonus	6,000	6,000
Unpaid Salaries & Wages	1,438,293	1,438,293
Unpaid Salaries & Wages - Advances	129,424	129,424
Total	15,163,438	10,890,100

NOTE 20 . 05 - REFUNDABLE ADVANCES & RETENTIONS

Mobilization Advances From Clients	502,051,136	302,887,089
Advances Against Orders -Concrete Yards	66,709,208	34,159,366
Advances Against Orders -Asphalt Plant	136,890	136,890
Total	568,897,234	337,183,345

NOTE 20 . 06 - REFUNDABLE DEPOSITS

Security Deposits - Employees	883,568	868,212
Total	883,568	868,212

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2016	2015
	Note	
NOTE 21 - BANK OVERDRAFTS		
Bank Of Ceylon - 75416320	411,902,973	404,607,443
Bank Of Ceylon - 682972	2,052,032	-
Bank Of Ceylon - 683116 (657)	102,276,062	100,164,991
Bank Of Ceylon - 683114 (657)	36,702,923	-
Bank Of Ceylon - 0610213103	2,413,430	-
Bank Of Ceylon - 6510876	113,373	-
Sampath Bank - 1860000241	122,672,582	131,052,403
Sampath Bank - 1860000365	3,115,094	-
Sampath Bank - 001860000 349 -(349)	53,273,070	28,922,619
Sampath Bank - 18600001620	16,876,108	-
Peoples Bank 08010047110178	1,062,540	-
Bank Transfer- HO	-	923,902
Bank Transfer Site	358,645	358,645
Total	752,818,831	666,030,002

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

2016

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(All Amounts Are In Sri Lanka Rupees)

NOTE 22 - RELATED PARTIES

Corporation has entered into a Joint Venture agreement with Mass Trust Holdings (Pvt) Ltd. to form a Company, Fujima State Corporation (Pvt) Ltd. SD&CC owns 51% of the authorized share capital of this Company and Mass Trust Holdings (Pvt) Ltd. 49% . Mr. A.V.P.V. Pandithasekara, Chairman of SD&CC as at the reporting date is a Director of Fujima Sate Corporation (Pvt) Ltd.

Devcoshowa (Pvt) Ltd. is a fully owned subsidiary of the Sate Development and Construction Corporation. However, Board of Directors independent from SD&CC had being managing the company's affairs since the year 1997. Currently, the entire operation of the Company has been closed down. As such the Ministry of Agriculture, Irrigation and Mahaweli Development has appointed a Board of Directors to liquidate the Company. This Board of Directors has paid compensation to all employees of this Company.

Related Party Balances In Statement Of Financial Position

Investment In Devcoshowa (Pvt) Ltd	9,210,740	9,210,740
Ready Mixed Debtors (Devcoshowa)	34,802,842	34,802,842

NOTE 23 - TRANSACTIONS WITH RELATED PARTIES

NOTE 23.01 - TRANSACTIONS WITH PARENT / SUBSIDIARIES/ASSOCIATES

<u>Company</u>	<u>Transactions</u>		
Devcoshowa (Pvt) Ltd	Cash Receipts		-
	Cash Payments	-	316,800
Total		-	316,800

NOTE 23.02 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Salaries To Key Management Personnel	3,000,280	2,232,246
Total	3,000,280	2,232,246

NOTE 24 - ASSETS PLEDGED

<u>Nature of Asset</u>	<u>Nature of Liability</u>		
Property Indicated In Note. 09			
Land & Buildings at Gregory's Avenue	Land & Buildings have been pledged against a bond & guarantee facility (LKR 380,000,000) and an overdraft facility (LKR 50,000,000) in Sampath Bank.	355,000,000	355,000,000
Land & Buildings at Rathmalana	Land & Buildings have been pledged against a bank facility (LKR 700,000,000) in Bank of Ceylon.	800,000,000	800,000,000

NOTE 25 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

2016

2015

NOTE 26 - SEGMENT INFORMATION

Segment Income and Expenses

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Revenue	296,791,001	1,594,393,354	211,400,046	2,102,584,401	306,570,623	1,905,477,660	217,464,748	2,429,513,031
Cost Of Sales	(264,849,258)	(1,238,297,047)	(330,533,426)	(1,833,679,730)	(322,179,029)	(1,424,943,910)	(446,292,008)	(2,193,414,947)
Other Income	25,655,744	47,752,771	74,482,808	147,891,323	123,000	156,024,901	20,483,123	176,631,024
Administrative Expenses	(2,317,612)	(4,391,577,000)	(192,635,629)	(199,344,818)	(29,537,015)	(130,637,272,000)	(40,915,555)	(201,089,843)
Distribution Costs	-	-	-	-	-	-	-	-
Other Expenses	(21,183,451)	(71,753,669)	(11,215,533)	(104,152,653)	(11,314,043)	(50,040,046)	(15,672,620)	(77,026,709)
Financial Income	-	-	5,950,510	5,950,510	-	-	2,920,398	2,920,398
Financial Expenses	-	(9,463,500)	(86,943,882)	(96,407,382)	(12,807,419)	(56,644,990)	(17,741,299)	(87,193,708)
Profit Before Tax	34,096,424	318,240,332	(329,495,106)	22,841,651	(69,143,883)	399,236,343	(279,753,213)	50,339,247

Segment Assets

Non - Current Assets
Property, Plant & Equipment
Investments In Government Owned Companies
Other Investments, Including Derivatives
Deferred Tax Assets

Current Assets

Inventories
Other Investments, Including Derivatives
Income Tax Assets
Trade & Other Receivables
Cash & Cash Equivalents ;

Total

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Non - Current Assets	18,373,622	850,065,451	525,406,202	1,393,845,275	33,674,065	911,765,106	538,305,447	1,483,744,618
Property, Plant & Equipment	208,109,022	48,204,294	48,570,750	304,884,066	199,790,600	32,822,448	38,872,898	271,485,946
Investments In Government Owned Companies	28,166,800	12,376,984	(50,722,239)	12,376,984	-	-	9,231,363	9,231,363
Other Investments, Including Derivatives	(133,105,978)	106,979,192	(50,722,239)	81,957,886	35,146,681	1,934,832,009	87,207,174	87,207,174
Deferred Tax Assets	492,012	2,239,899,769	306,955,686	2,457,217,632	3,078,163	128,494,380	27,408,315	2,045,126,938
Current Assets	122,035,478	28,683,277	23,220,277	52,395,565	271,689,509	3,007,913,943	944,021,320	4,223,624,771
Total	122,035,478	3,286,208,967	1,022,891,932	4,472,138,665	271,689,509	3,007,913,943	944,021,320	4,223,624,771

Segment Liabilities

Non - Current Liabilities

Loans & Borrowings
Retirement Benefit Obligation
Deferred Tax Liabilities

Current Liabilities

Trade & Other Payables
Loans & Borrowings
Lease Creditors
Bank Overdrafts

Total

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Non - Current Liabilities	-	-	35,050,000	35,050,000	-	-	35,050,000	35,050,000
Loans & Borrowings	4,801,035	13,521,240	48,596,672	66,918,947	5,355,910	14,108,821	51,504,451	70,969,182
Retirement Benefit Obligation	71,288,768	1,046,922,613	912,097,348	2,030,308,729	86,190,852	941,106,112	765,990,670	1,793,287,634
Deferred Tax Liabilities	2,052,032	142,094,079	608,672,720	752,818,831	100,164,991	358,645	396,602	8,459,720
Current Liabilities	78,141,835	1,202,537,932	1,691,079,017	2,971,758,784	191,711,753	955,573,578	1,521,046,438	2,668,331,768
Total	78,141,835	1,202,537,932	1,691,079,017	2,971,758,784	191,711,753	955,573,578	1,521,046,438	2,668,331,768

Cost Allocation - Based on the operating cost incurred by each segment