

STATE DEVELOPMENT & CONSTRUCTION CORPORATION

“Pioneers in Infrastructure Construction”



ANNUAL REPORT

2017

Ministry of Housing & 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 shareholder 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 / Fax: 0112624191
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 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 research into Construction materials, methods and techniques utilized for the purposes referred 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 manage risk systematically.



CHAIRMAN'S MESSAGE

I am pleased to present the Annual Report of the State Development & Construction Corporation for the financial year ended 31st December 2017.

Overview of the Macroeconomic Environment

The country's GDP growth rate in 2017 is 3.2% compared to 4.5% in 2016. Industry related activities accounting for 26.8 % of real GDP grew by 3.9% in 2017. The growth in industrial activities was primarily supported by manufacturing activities, construction activities & mining & quarrying.

The four major components of the economy, Agriculture, Industries, Services and Taxes less subsidies contributed to the GDP 7.7%, 27.2 %, 55.8 % and 9.3% respectively for the year 2017.

The Value added growth in the agriculture declined due to the impact of adverse weather conditions during 2017 as in the previous year. The growth in industry added activities slowed during 2017 with the declaration in the growth of construction and mining and quarrying activities. The growth rate of services related activities which accounted for over 56 % of real GDP, also moderated during 2017.

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 development of the construction industry has closely followed the economic changes during the past years. The economic conditions were the main factors, which influenced demand trends in the industry. Most of the construction firms obtain a high percentage of their work through competitive bidding. Strong structural base for the construction industry through manpower training and appropriate construction recourses are the challenges faced by the construction firms in the industry.

SD & CC Performance

The corporation recorded a turnover of Rs.2,348Mn. during the year 2017 compared to Rs. 2,10Mn recorded in the previous year. The increase in turnover was due to higher number of projects available during the year. It earned a net profit (before tax) of Rs. 12.2 Mn. for the year 2017. This is a sharp decrease over the previous year's net profit of Rs.22.8 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 652.

Challenges faced by the Corporation

The decrease in government & foreign funded projects has caused difficulties to secure sufficient number of projects for the Corporation to survive in the industry. Restrictions 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.

Dr. Rajeev Herath Meewakkala
CHAIRMAN



BOARD OF DIRECTORS & SENIOR STAFF MEMBERS

BOARD OF DIRECTORS

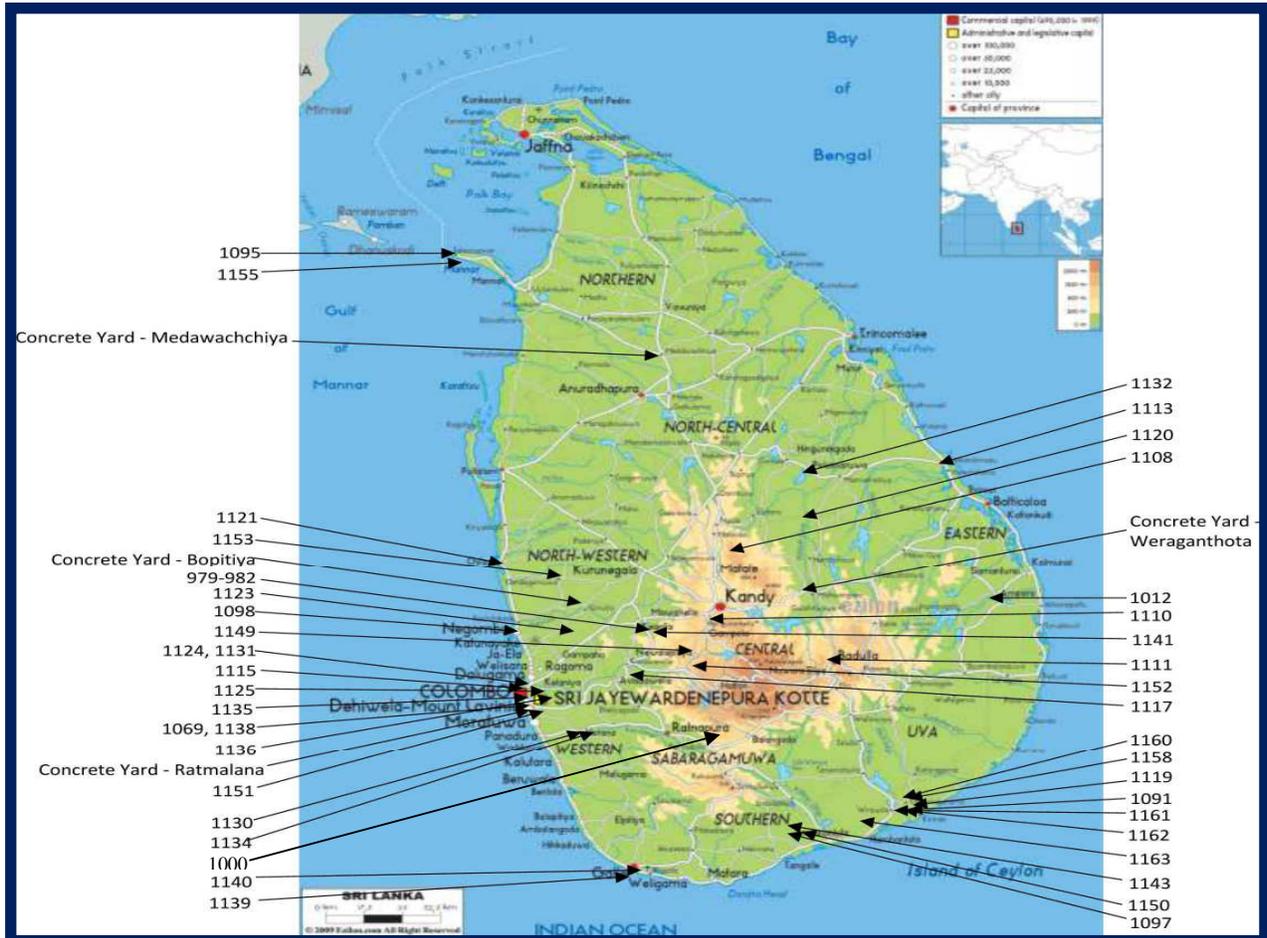
1. Dr. Rajeev Herath Meewakkala - Chairman
2. Mr. Mervyn N. De Silva. - Vice Chairman
3. Mr. G. A. Ajith Priyantha - Treasury Representative
4. Mr. S. A. D. P. Gunawardena - Director
5. Eng. Y. M. I. Bandara - Director
6. Mr. Nandana Mal Kumara - Director
7. Ms. Sandamali Chandrasekera - Directress

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. Mr.W. A. N. Asiri Fernando - Dep. General Manager (Finance)
6. Mr. K.A.G. Wickramasinghe - Senior Manager (Human Resources & Admin.)
7. Mr. R.A.K. Nishantha - Chief Internal Auditor
8. Mr. K.W.V.M.B. Wijesundera- Supplies Manager
9. Eng. W.A.D.R. Shantha Kumara- Chief Engineer - 1
10. Eng. K.A.U. Ranjan - Chief Engineer – 2
11. Eng. D.A.P. Damayanthi - Chief Engineer – 3
12. 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



- 979-982 Asphalt Surfacing of Provincial Roads in Kegalle District
- 1110 - Drawing Office II - Stage II & III - Faculty of Engineering - Peradeniya
- 1012 - Construction of Bridge over Galoya Connecting Salgashandiya Right Bank Canal Road
- 1069 - Road No. 8 at dehiwala Zoological Gardens
- 1091 - Construction of Weekly Fair at Pannegamuwa
- 1095 - Construction of 650m long new road closed to Talaimannar Pier
- 1097 - Bus Stand at Walasmulla
- 1098 - Rehabilitation of Negombo General Hospital
- 1108 - Ward complex for Divisional Hospital at Laggala
- 1111 - Rehabilitation of Madiriya Intake and balance work at Bandarapura treatment plant civil works
- 1113 Reconstruction of bridge no. 1/1 on Batticaloa - Thirukkondiyadimadu - Trincomalee road (A015)
- 1115 Renovation of Cardiology Unit - National Hospital of Sri Lanka
- 1117 Bridge No. 5/2 (Gurugalla) on Thalduwa - Meewitigammana road
- 1119 Implementation of proposed works to upgrade Tissamaharama Water supply scheme
- 1120 Remedial works of Moogammana Tank
- 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
- 1125 Design and construction of community hall at Gonothota Enderamulla

- 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 Const. of Auditorium at Polonnaruwa Royal College
- 1134 Design and Construction of Bulathsinhala Fair
- 1135 Improvement to Kinsey Road Drain.
- 1136 Madiwela East Diversion Scheme - Stage 1
- 1138 Dehiwala - Maharagama Road.
- 1139 Jetty facility for Galle Fishery Harbour
- 1140 Kahaduawatta Bridge across Moragoda Ela on Galle Baddegama Road.
- 1141 Polgahawela Kegalle Road (4+760 - 6+815km)
- 1142 General Hospital Polonnaruwa.
- 1143 Land clearing, Fence construction & Internal Gravel road construction in Australian Zone at Safari Park
- 1149 Landslide Disaster Protection Project of the National Road Network - Package 01
- 1150 Construction of Valve Chambers for Distribution System of Godakoggalla Area.
- 1151 CEB Training Centre, Piliyandala.
- 1152 Construction of closed conduits in Uma Oya Down Stream Development Project
- 1153 Pedestrian Underpasses - Kuliypitiya
- 1155 Station Master Bungalows at Thaleimannar, Murukkan, Elephantpass, Pallei.
- 1158 Bridge across Kirindi Oya between Vijithapura and Dambewelana.
- 1160 Bridge across Kirindi Oya at Allagala
- 1161 Bridge across Kirindi Oya at Modarapelessa
- 1162 Bridge at Welipothewela - Godadora
- 1163 Bridge across Walawe river between Thaligala and Ridiwasama



Moogamma



Polonnaruwa Auditorium



Ridiyagama



Bulathsinghala Weekly Fair



Horana Bus Stand



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 framework.

In terms of the constitution, Parliament has full control of public finance and therefore public enterprises are subject to Parliamentary control. The cabinet 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 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 2017 is given on page 27 to 42 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.



Direction	<p>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.</p> <p>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.</p> <p>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	
Availability of an audit committee comprising of independent non-executive directors and reporting thereon in the Annual Report.	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.
Maintaining appropriate relationships with the external auditors to ensure their objectivity and independence.	SD&CC maintains appropriate relationship with the Auditor General's Department.
Board of Survey	Annual Survey of property, plant & equipment and inventories was conducted as at 31.12.2017.
Corporate Governance Disclosures	
Disclosures of Corporate Governance practices adopted in the Corporation	<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>



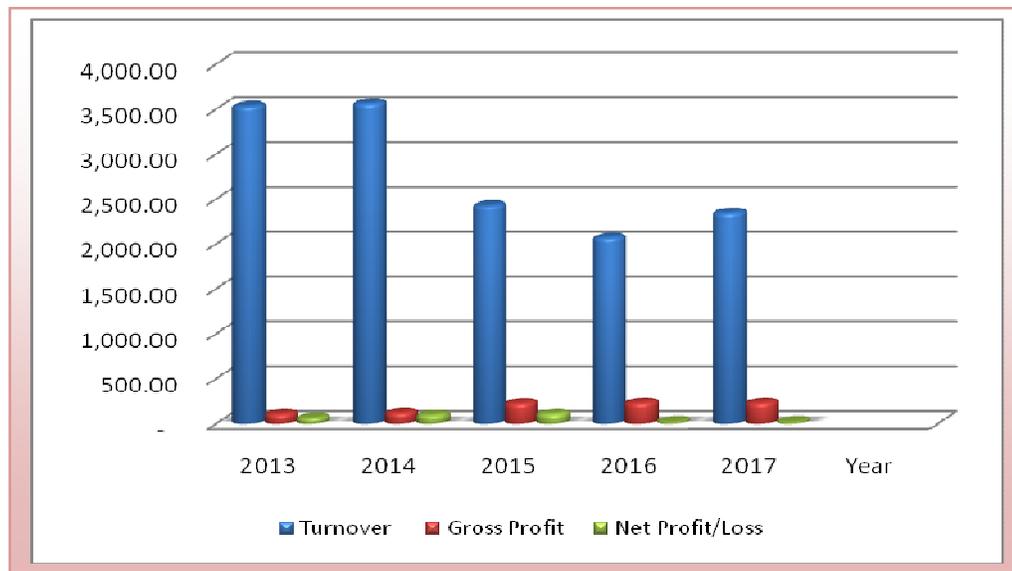
OPERATIONAL AND FINANCIAL REVIEW

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 overview of the SD&CC's operational and financial performance.

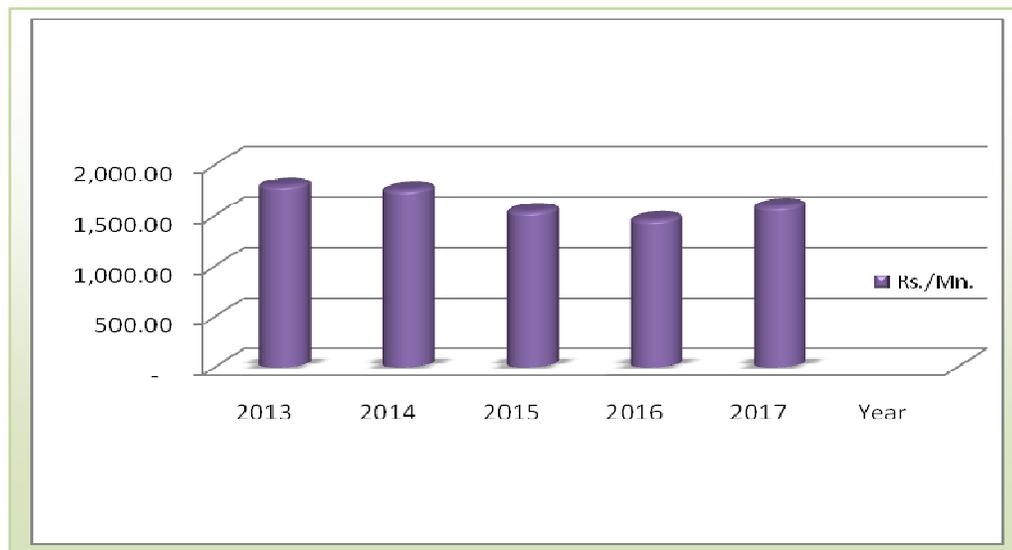
Performance of the Corporation

Corporation recorded a turnover of Rs. 2,348 Mn. in the year 2017 compared to the previous year's turnover of Rs. 2,102 Mn. The 12% increase of the revenue is an aggregate of 16% increase in Construction and 15% increase in concrete yards. Corporation earned a pretax Net Profit of Rs. 25.3 Mn. in the year 2017. It is an increase over the previous year after tax Net Profit of Rs. 14.8 Mn.

An Overview of Profit and Gross Profit to Turnover

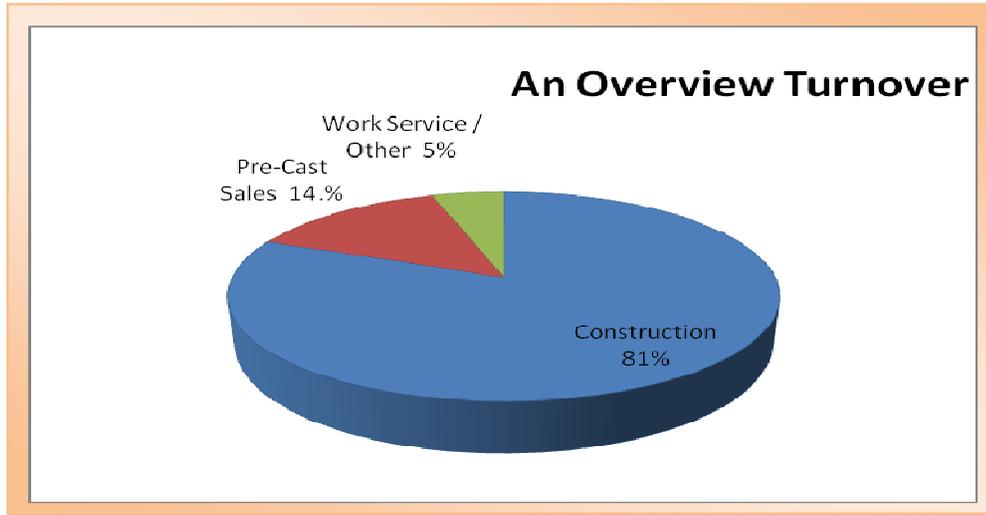


Net Assets





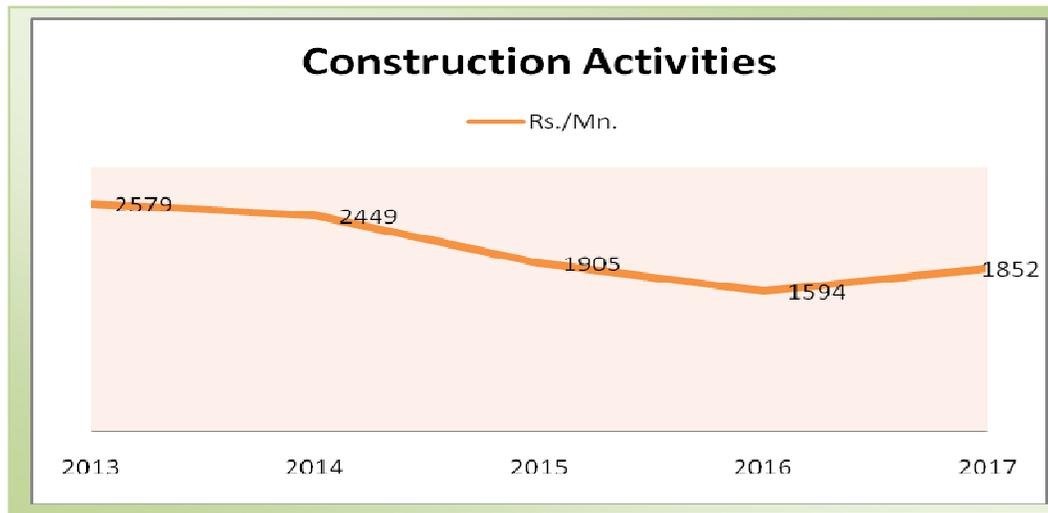
Sectorial Performance



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



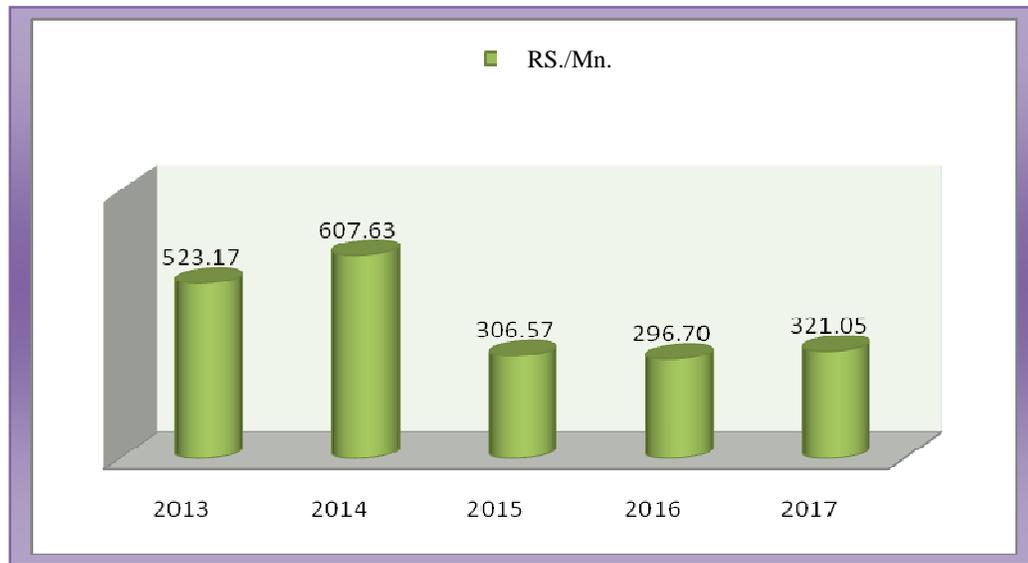
The value of recognized income on projects during the year under review has increased from Rs. 1,594 Mn. in 2016 to Rs. 1,852 Mn. in 2017. Construction Division has made 81% contribution to the total turnover of the Corporation. This division has made a pretax Net Profit of Rs. 372 Mn. during the year 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. 321 Mn. during the year under review compared to the previous year turnover of Rs. 296 Mn. and contributed to 14% of the total turnover of the Corporation. The pretax profit earned by the Concrete Yards has decreased from Rs.34 Mn. profit in year 2016 to Rs.4.6 Mn. profit in year 2017.

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 stood at Rs.174 Mn. and compared to the previous year turnover of Rs.211 Mn. The contribution of work services and others to the turnover of the Corporation in year 2017 is 5%.



SUMMARY OF THE PROGRESS OF ONGOING PROJECTS AS AT 31 st DECEMBER 2017					
Pro. code	Project	Client	Total Estimate Cost	Progress as at 31 st December 2017	
				Income (Rs. Mn.)	Physical %
Bridges					
1000	Dismantling old Steel Bridge at Muwagama & Installing at Thanakolawatta..	RDA	40.00	23.70	75%
1112	Reconstruction of Samagiwatta bridge across Moragoda Ela on Dangedara Samagiwatta road in Galle.	RDA	107.00	94.78	100%
1113	Reconstruction of bridge no. 1/1 on Batticaloa - Thirukkondiyadimadu - Trincomalee road (A015)	RDA	185.54	135.18	84%
1117	Bridge No. 5/2 (Gurugalla) on Thalduwa - Meewitigammana road.	RDA	93.38	31.13	33%
1118	Construction of bridge across spill tail canal of tank no.6 at 0+080 km of New Galeyya road.	MASL	19.10	112.11	85%
1126	Construction of bridge across Nikawathura oya at 0+020 km of Guruwela to Maduana new road.	MASL	64.15	56.11	34%
1137	Construction of Foot Bridge for Waters Edge.	Waters Edge Ltd	6.08	6.50	100%
1140	Kahaduwwatta Bridge across Moragoda Ela on Galle Baddegama Road	Ministry of Megapolis & Western Development	54.53	29.89	63%
1146	Repairing work of bridge No 7/1 on Kollupitiya - Sri Jayawardanapura road (A000) and No 31/1, 38/1 & 42/1 on Colombo - Ratnapura - Wellawaya Batticaloa (A004)	RDA	10.00	0.95	30%
1158	Bridge across Kirindi Oya between Vijithapura and Dambewelana.	National Housing Development Authority	40.00	13.73	39%
1160	Bridge across Kirindi Oya at Allagala.	NHDA	160.18	2.02	0.02%
1161	Bridge across Kirindi Oya at Modarapelessa.	NHDA	235.98	3.66	0.02%
1162	Bridge at Welipothewela – Godadora.	NHDA	63.63	0.40	0.01%
1163	Bridge across Walawe river between Thaligala and Ridiyagama.	NHDA	270.95	0.03	
Roads					
979-982	Kegalle District Asphalt Surfacing of Provincial Road.	District Secretary, Kegalle	3900 (Approx.)	3827.18	81%
1069	Road No. 08 Zoological Garden Dehiwala.	Depart. of National Zoological Garden	79.00	97.54	98%
1095	Construction of 650m long new road closed to Talaimannar Pier.	Railways Department	17.02	17.10	88%
1116	Dehiwala - Maharagama Road..	RDA & NWS&DB	186.98	74.89	45%
1141	Polgahawela Kegalle Road (4+760 - 6+815Km)	RDA	63.70	55.78	95%
1144	Improvements to Old Kottawa - Pannipitiya Road, Installation of Traffic Signals at Moraketiya.	PRDA	10.58	4.68	51%



1149	Landslide Disaster Protection Project (LDDP) of the National Road Network - Package 01	RDA	2.828.54	267.01	0.09%
Buildings					
1088	Karamatiya Weekly Fair	District Secretary, Hambantota	44.70	15.64	0.41%
1097	Bus Stand at Walasmulla.	-DO-	36.00	63.26	0.88%
1098	Rehabilitation of Negombo General Hospital.	Ministry of Health and Indigenous Medicine	500.00	517.58	0.86%
1108	Ward complex for Divisional Hospital at Laggala Town Centre under Moragahakanda & Kaluganga Development Project.	MASL	164.11	224.98	0.95%
1110	Modification to the Drawing Office II (DO II) Stage III, Faculty of Engineering, University of Peradeniya.	University of Peradeniya	32.10	32.78	100%
1115	Renovation of Cardiology Unit National Hospital of Sri Lanka.	Ministry of Health and Indigenous Medicine	62.40	104.63	0.62%
1121	Proposed buildings for Medical ward & operation theatres at Chilaw district General Hospital.	-DO-	94.56	27.08	30%
1123	Design and Construction of completion of commercial building at Meerigama.	Ministry of Megapolis & Western Development	70.81	17.62	25%
1124	Design and construction of multi purpose hall shops and improvement works of play ground and internal access roads at Borella.	-DO-	63.62	19.84	34%
1125	Design & Construction of community hall at Gongitota, Enderamulla.	-DO-	27.91	19.01	0.48%
1128	Refurbishment work of 1st floor (opposite side of elevator) at the Ministry of Fisheries & Aquatic Resources Development.	Ministry of Fisheries & Aquatic Resources Development	7.95	7.19	90%
1130	Design and Construction of proposed Bus Stand (stage II) Part I at Horana	Ministry of Megapolis & Western Development	51.60	41.49	70%
1131	Design & Construction of Land Development works for Commercial Complex at Battaramulla.	-DO-	133.74	86.81	61%
1132	Construction of Auditorium at Polonnaruwa.	District Secretary, Polonnaruwa.	106.10	142.70	0.93%
1134	Design & Construction of Bulathsinhala Fair.	Ministry of Megapolis & Western Development	54.47	32.87	0.59%
1142	General Hospital at Polonnaruwa.	Ministry of Health, Nutrition & Indigenous Medicine	152.81	35.37	0.25%
1151	CEB Training Centre, Piliyandala.	CEB	17.02	4.18	0.25%



1153	Pedestrian Underpass in front of the Bus stand, Kuliyaipitiya.	RDA	41.34	8.31	0.11%
1153	Pedestrian Underpass in front of the Hospital Kuliyaipitiya.	RDA	47.79	831	0.11%
Water Supply & Irrigation & Hydro Power					
1109	Construction of Delkanda Ela	SL Land Rec. & Develp. Corporation.	30.95	29.55	92%
1111	Rehabilitation of Madiriya Intake and balance work at Bandarapura treatment plant civil works.	NWS&DB	34.46	37.18	98%
1119	Implementation of proposed works to upgrade Tissamaharama Water supply scheme.	Ministry of City Planning & Water Supply	393.00	31.13	30%
1120	Remedial works of Moogamma Tank in Mahaweli system "C"	MASL	55.73	40.87	0.5%
1127	Construction of trough structure for Kandepitawala branch canal across the Thorapitiya spillway canal.	MASL	47.92	39.10	0.51%
1135	Improvements to Kynsey Road Drain.	Ministry of Defence & Urban Development	195.16	143.74	79%
1136	Madiwela East Diversion Scheme - Stage 1	-DO-	228.66	69.34	33%
1150	Construction of Valve Chambers & Distribution System of Godakoggalla Area.	NWS&DB	14.31	21.54	55%
Miscellaneous (Others)					
01. Projects					
1129	Development of Public Play Ground at Malwathuhiripitiya under "Sukhitha Purawara" regional town development programme	Ministry of Megapolis & Western Development	55.38	5.90	10%
1139	Jetty Facility for Galle Fishery Harbour.	Ministry of Fisheries & Aquatic Resources Development	79.87	21.83	29%
1143	Land Clearing, Fence Construction & Internal Gravel Road Construction in Australian Zone at Safari Park - Hambantota.	Department of National Zoological Gardens	51.86	26.22	51%
02. Concrete Yards					
051	Ratmalana			131.20	
052	Bopitiya			84.02	
053	Weragantota			91.77	
812	Medawachchiya			36.13	
03. Consultancy					
01	Consultancy			8.40	
04. Mechanical Division					
01	Transport			32.45	
02	Traffic Light signal system (TLS)			104.82	
03	Asphalt Plants			53.96	



Bridge at Godadora



Bridge at Batticaloa-Trincomalee Road.



Modarapelassa



Kuruduwatta



Laggala



Madiwela



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 2017 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 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 2017.

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

All employees benefited an Attendance Allowance granted by the Management.
For Engineers – RS. 20,000/- and others Rs.7,000/- per month

2. **Salary Increases**

According to the relevant Government instructions Basic Salary was increased according to the Government Circular.

3. **Health Campaign**

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

4. **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	2012	2013	2014	2015	2016	2017
Civil Engineers	54	44	40	47	56	73
Mechanical & Electrical Engineers	10	12	10	10	09	09
Senior Managers	03	03	03	03	03	03
Accountants	08	08	07	05	08	08
Other Staff Officers	17	16	14	16	17	19
Construction Superintendents (Civil/ Mechanical / Electrical)	23	26	23	24	28	28
Draftsman / Quantity Surveyor	03	02	02	04	04	03
Security Staff	25	29	35	39	43	56
Clerical & Allied Grades	98	86	90	91	105	107
Supervisory & Other Skill Grades	309	311	299	313	310	346
Total	550	537	523	552	583	652



AUDIT COMMITTEE REPORT

REPORT OF THE AUDIT COMMITTEE – 2017

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 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.

Representative of the National Audit Office participated as an observer as per the above Circular and Chief Internal Auditor of line Ministry also participated as an observer as appointed by the Ministry. During the financial year 2017, four (04) Audit Committee meetings were held. In the year 2017, the Committee.

1. Reviewed and Recommended the Internal Audit Programme - 2018.
2. Paid attention for the preparation and presentation of Annual Reports for the years 2013, 2014 and 2015.
3. Reviewed the Internal Audit Queries, Internal Audit Investigation 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.
4. 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.
5. Reviewed & made suitable recommendations about several internal control systems in the areas of Purchasing, Stores, Trade and Other Receivables, Project Operations, Billing, Fleet Management, Finance and Human Resources such as interdepartmental transactions in order to ensure the smooth operations of the Corporation.
6. Reviewed the financial statements to ensure to compliance with Sri Lanka Accounting Standards(SLFRS/LKAS)
7. Reviewed the follow up actions taken by the respective Manager /Officer on the recommendations of the Committee.



8. Paid attention to ensure that all relevant rules and regulations and circulars issued by the government are complied with.
9. Paid attention for the preparation and presentation of Financial Statements 2016.
10. Paid attention for the preparation and presentation of Action Plan 2018.
11. Paid attention for the preparation and presentation of Annual Budget 2018.
12. Paid attention for the preparation and presentation of Delegation & Financial Authority - 2018.
13. Paid attention for the preparation and presentation of Corporate Plan 2017.
14. 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. Ajith Priyantha - Chairman/Board Director/Treasury Representative
- Mr. NandanaMalkumara - Member/Board Director
- Mr. Mervyn De Silva - Member/Board Director(Up to 28th September 2017)
- Eng. Y.M.I.Bandara - Member/Board Director(From 29th September 2017)

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 2018, 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 read 'R. Herath Meewakkala', written over a horizontal dotted line.

Dr. Rajeev Herath Meewakkala
CHAIRMAN

**10 YEARS PERFORMANCE SUMMARY.**

Description	2008 (Rs.)	2009 (Rs.)	2010 (Rs.)	2011 (Rs.)	2012 (Rs.)	2013 (Rs.)	2014 (Rs.)	2015 (Rs.)	2016 (Rs.)	2017 (Rs.)
1.Turnover	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	2,348,272,403
2. Operating Expenses	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	2,175,009,845
3.Gross Profit	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	173,262,558
4.Other Income	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	171,592,907
5.Admin. Expenses	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	197,056,502
6.Other Expenses	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	(27,828,652)
7.Financial Expenses	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	(118,644,663)
8. Net Profit before Taxation	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	12,206,658
9.Total Assets	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	5,110,846,002
10.Net Assets	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	1,587,711,808
11.ROCE - %	5	11.1	5.5	7.2	3.6	5.89	6.85	3.5	6.71	6.43
12.Return on Assets	2.14	3.86	0.92	1.18	1.29	1.99	2.57	1.19	0.51	2.35
13.Gross Profit Ratio - %	14	23	13	10.77	3.19	3.54	6.7	9.71	12.70	7.38
14.Net Profit Ratio - %	3	7	1.34	1.64	1.86	2.73	3.2	2.0	1.1	0.52
15.Current Ratio - Times	1:28	1:47	1.30	1.10	1.20	1.06	1.02	1.04	1.04	1.10



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

CEN/C/SDCC/01/2017/12

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

24 December 2018

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 2017 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 2017 comprising the statement of financial position as at 31 December 2017 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 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 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 2017 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 Adherent with Sri Lanka Accounting Standards (LKAS/SLFRS)

The following observations are made.

- (a) **SLFRS 10 - Consolidated Financial Statements;** Even though an investment of Rs.9,210,740 was made in the Devcoshowa (Private) Ltd which is a fully owned Subsidiary of the Corporation, a consolidated financial statements had not been



prepared by the Corporation for the year under review. Further, a debtor balance of Rs.34,802,842 shown in the financial statements of the Corporation as receivable from this Subsidiary. However, there is no documentary evidence made available for audit in order to confirm this balance.

- (c) **LKAS 01- Presentation of Financial Statements:** Mobilization advances having debit balance of Rs.5,801,279 and debtors having credit balance of Rs.50,990,962 had been offset against the corresponding credit balances and debit balances respectively as at 31 December 2017 contrary to the provisions in the Standard.

- (b) **LKAS 16 – Property, Plant and Equipment:** Since failed to review the useful economic lifetime of non-current assets annually as mentioned in the Standard, 42 items of office equipment, 07 motor vehicles and 54 items of machinery costing Rs.2,318,571, Rs.3,558,000 and Rs.43,623,436 respectively are being continuously used although they were fully depreciated. Accordingly, action had not been taken to revise the error in the estimates. Further, 93 items of machinery and a motor vehicle which cost not furnished to audit are being continuously used although they were fully depreciated.

- (c) **LKAS 39 - Financial Instrument Recognition and Measurement;** Balances of trade and other receivable totaling Rs.188,544,980 had not been considered for impairment. Hence, these balances had not reflected at fair value in the financial statements.

2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) According to the assessments received from the Department of Inland Revenue up to 2015 an amount aggregating Rs.115,003,889 had to be paid as surcharge on Value Added Tax (VAT) as at the end of the year under review. However, no provision had been made in this regard in the financial statements for the year under review.

- (b) Debit balances aggregating Rs.23,598,467 had been included in the accrued expenses shown in the financial statements for the year under review. As a result, the accrued expenses had been understated by same amount.
- (c) An abnormal credit balance of Rs.6,533,077 was observed in the debtor balance due non availability of certified bills although the clients had settled the dues.
- (d) Payables of Economic Service Charge (ESC) and surcharges had been understated by Rs.37,635,363 due to error computation. Further, penalty on ESC payable amounting to Rs.2,182,836 for the assessment year 2014/2015 had not been accounted for.

2.2.3 Unreconciled Differences

The following differences were observed.

- (i) A difference of Rs. 825,850 was observed between the balance shown in the VAT control account and VAT payable schedule submitted for audit.
- (ii) According to the assessment made by the Department of Inland Revenue dated 25 July 2016, the penalty on VAT was Rs.115,003,889. However, according to the schedule submitted to audit it was shown as Rs. 28,849,344. Hence, a difference of Rs.86,154,545 was observed between those two figures.
- (iii) The differences of Rs. 5,182,912 was observed between the sundry advances, tender deposits, other deposits, deposits in the Ceylon Electricity Board and impairment of debtors shown in the financial statements and the corresponding balances shown in the respective schedules submitted for audit.

2.2.4 Lack of Evidences for Audit

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



<u>Item of Account</u>	<u>Value</u>	<u>Evidence not made available</u>
	<u>Rs.</u>	
(a) Withholding Tax	135,044,649	Copies of the Withholding Tax Certificates
(b) VAT Balances	561,047,472	Schedules and Age Analysis
(c) Opening Balance of NBT	5,335,464	-do-
Total	701,427,585	

2.2.5 Accounts Receivable and Payable

The following observations are made.

- (a) It was observed that out of the trade debtor balance of Rs.352,833,031 receivable from clients as at 31 December 2017, a sum of Rs.25,212,161 and Rs.27,938,734 had remained outstanding between 01 to 05 years and over 05 years respectively.
- (b) Out of balances in purchase advances, construction advances and sundry advances aggregating Rs.70,717,854, a sum of Rs.11,675,971 had remained outstanding for over 05 years without being settled.
- (c) Mobilization advances received from clients amounting to Rs.19,191,990 and Rs.9,447,187 had remained outstanding for over four years and six years respectively as at 31 December 2017.
- (d) Out of retention money amounting to Rs.503,047,861 shown in the financial statements, an amount of Rs.100,916,486 relating to 38 completed projects had remained outstanding for over a period of five years. Further, retention money relating to 40 projects totaling Rs.39,347,662 remained outstanding for a period of over 3 years. Although 8 Projects had been mutually terminated, the balances of retention money totaling Rs.21,408,189 had remained unrecovered as at 31 December 2017.



- (e) Out of liquidated damages receivable totaling Rs.157,934,872 from the clients, a sum of Rs.107,304,615 had remained outstanding over four years as at 31 December 2017 without being taken actions to recover those amounts.
- (f) The accrued expenses amounting to Rs.310,744,601 had remained outstanding for over three years without being settled. Hence, the accuracy and reliability of these expenses were doubt in audit.
- (g) According to the financial statements for the year under review, a loan balance of Rs.20,800,000 and interest thereon amounting to Rs.93,511,060 was payable to the Construction Guarantee Fund as at 31 December 2017. However, no meaningful action had been taken to settle these outstanding balances.
- (h) Value Added Tax (VAT) relating to the period of 2002 to 2017 totaling Rs.717,253,475 and penalty thereon amounting to Rs.28,849,344 and Nation Building Tax amounting to Rs.7,144,502 and surcharges thereon amounting to Rs.953,141 had not been remitted to the Department of Inland Revenue even up to the end of the year under review.

2.3 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 02 of the Economic Service Charge (Amended) Act, No: 13 of 2015 | Economic Service Charge (ESC) and surcharges thereon amounting to Rs.28,371,278 and Rs.13,654,032 respectively for the year ended 31 December 2017 had not been remitted. |
| (b) Financial Regulation 396 of the Government of the Democratic Socialist Republic of Sri Lanka | Action had not been taken in respect of 06 unrealized cheques and un-presented cheques valued at Rs.1,725,909 and Rs.1,533,131 respectively which were remained unrealized and un-presented for over 6 months. |



- | | |
|--|--|
| (c) Management Audit Circular
No: DMA/2009(2) Dated 01 July
2009 | Required Details had not been included in the Assets Register. |
| (d) General Treasury Circular
No. IAI/2002/02 Dated 28
November 2002 | Separate fixed assets register had not been maintained for Computers Accessories and Software. |

3. Financial Review

3.1 Financial Results

Operations of the Corporation during the year review, had resulted in a pre-tax net profit of Rs.12,206,658 as compared with the corresponding pre-tax net profit of Rs. 22,841,652 for the preceding year, thus indicating a severe deterioration of Rs10,634,994 in the financial results for the year under review. Increase of interest expense for 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

The value addition made by the Corporation has been gradually decreased since the year 2015. Accordingly, the value addition of Rs. 950,461,143 reported in the year 2015 was decreased to Rs. 895,895,814 in the year 2016 and Rs. 795,648,070 in the year 2017 after taking into account the employee benefits, tax expenses and depreciation charged to the accounts.

3.2 Analytical Financial Review

3.2.1 Significant Accounting Ratios

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



<u>Ratios</u>	<u>2017</u>	<u>2016</u>
	(Percentage)	(Percentage)
Gross Profit Margin	7.37	12.78
Profit mark up	1.08	1.08
Administrative Cost to Turnover	8.39	9.48
Finance Cost to Turnover	5.05	4.58
Current Assets Ratio	1.10	1.04
Acid Test Ratio	1.01	0.9

- (i) Although gross profit margin had decreased by 5.41 per cent as compared with the previous year, the net profit margin had decreased only by one per cent.
- (ii) The administrative cost and finance cost to turnover had decreased by 1.14 per cent and 23 per cent respectively as compared with the previous year.

4. Operating Review

4.1 Performance

4.1.1 Planning

Manufacture and sales in Sri Lanka or abroad of concrete, reinforce concrete and pre-stressed concrete product required for engineering undertakings is the one of main objective of the Corporation. However, according to the budgeted estimate and the progress report of the Corporation, the following targets with regard production and sales set out to be achieved in the year under review had not been achieved as expected.

(i) Production 2017

<u>Name of Yard</u>	<u>Planned</u>	<u>Actual</u>	<u>Not Achieved</u>
	Rs.	Rs.	Rs.
Rathmalana	153,486,720	135,584,764	17,901,955
Bopitiya	169,111,995	85,884,060	83,227,935
Weragantota	130,815,600	90,177,205	40,638,395
Medawachchiya	Not programed	36,828,574	-
Total	453,414,315	348,474,603	104,939,711



(ii) Sales 2017

<u>Name of Yard</u>	<u>Planned</u>	<u>Actual</u>	<u>Not Achieved</u>
	Rs.	Rs.	Rs.
Rathmalana	200,000,000	136,581,369	63,418,630
Bopitiya	125,000,000	72,912,122	52,087,877
Weragantota	125,000,000	78,771,952	46,228,047
Medawachchiya	50,000,000	34,763,072	15,236,928
Total	500,000,000	323,028,517	176,971,482

4.1.2 **Construction Contracts**

Investigation, investment, planning, designing, construction operation and management of building, civil engineering, other engineering projects or other ventures in Sri Lanka or abroad is the primary objective of the Corporation. The activities performed by the Corporation in order to achieve this objective are given below.

- (a) The construction contract of Land Slide Disaster Protection Project had been handed over to the Corporation by Road Development Authority and it was expected to construct of Countermeasures at ten locations in Central, Uva and Sabaragamuwa Provinces. The commencement date of the project was on 24 March 2017 and it should be completed on 22 March 2019 i.e. within 728 days. The Corporation had given this works to the Italian company as a sub-contract. The following weaknesses were revealed in this regard.
- (i) Although the total value of the project was Rs.1,931 million, the works valued at Rs.140 million or 6.8 per cent of the total works only had been completed up to 30 April 2018. Therefore, the possibility of completing the balance works to the value of Rs.1,791 million within next 11 month was doubt in audit. The consultant of the project also informed that the capacity of the sub-contractor was not adequate to complete the works within the agreed time period.
- (ii) The Corporation had not obtained the performance bond to the value of 10 per cent of the contract value from the sub-contractor according to the conditions in the letter of acceptance.



- (iii) The financial strength and technical strength of the sub-contractor had not been evaluated by the Corporation in selecting the sub-contractor. Further, the inadequate supervision and project management affected to the low progress of the project.
- (b) The renovations of the Cardiology Unit of the General Hospital had been handed over to the Corporation by the Ministry of Health on 02 December 2015 and it had to be completed by 10 July 2016. The following observations are made in this regard.
 - (i) The renovation works had not been completed even up to 09 April 2018. The Director of the General Hospital had informed to the Corporation that the Hospital is facing severe problems due to delaying the renovations.
 - (ii) The Corporation had failed to enter into a contract agreement with the Ministry of Health in terms of Guideline 8.9.1 of Procurement Guidelines.
- (c) Six contracts projects to the total value of Rs.65,124,932 had been abandon without performing the works and reasons for that had not been furnished to audit.

4.2 **Operating Inefficiencies**

The following observations are made.

- (a) Rathmalana and Madawachchiya Concrete Yards had sustained a net loss of Rs.23.6 million and Rs 2.1 million respectively in the year under review though they were reported net profit of Rs.20 million and Rs.3.2 million respectively in the previous year.
- (b) The orders received for supply of goods should be fulfilled during the year which the orders received. However, orders to the value of Rs.71,598,000 received for supply of concrete products in previous year and during the year under review had not been fulfilled up to the date of audit on 30 July 2018.
- (c) The turnover and gross loss of the Amitirigala Aspphalt Site for the year under review were Rs.47.56 million and Rs.6.7 million respectively. However, these were 2969 per cent decrease as compared with the previous year.



- (d) A gross loss of Rs.10,200,719 was sustained by the Polonnaruwa Asphalt Site during the year under review due to no operation carried out during the under review by this Site. In the meantime, a gross loss of Rs.6,937,591 was reported at the Bopitiya crusher plant during the year under review

4.3 Weaknesses in Financial Management

The following observations are made.

- (a) The Corporation had obtained an aggregated overdraft facility of Rs.908 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 only Rs.580 million. Further, these overdraft 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.111.6 million had been paid in respect of those bank overdrafts during the year under review.
- (b) Notwithstanding the existence of bank overdraft of Rs.908,175,280 as at 31 December of the year under review, fixed deposits and saving deposits of Rs.67,526,650 and Rs.116,028,219 respectively had also been maintained by the Corporation.

4.4 Management Activities

The following observations are made.

- (a) 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, no action had been taken by the management of the Corporation to recover the dues.
- (b) The cost incurred for payment of overtime had been increased by Rs.25 million or 41 per cent during the year under review as compared with previous year.



- (c) In some instances the approval for variation and the extra works done had not been obtained from the clients by the Corporation. As a result, the Corporation could not be taken actions against the clients when they were defaulted the payments for such works done.

4.5 Irregular Transactions

The following observations are made.

- (i) Out of the cash fraud of Rs.633,414 committed in Bopitiya Concrete Yards in the year 2014, only Rs.268,000 had been recovered from the respective parties and no actions had been taken to recover the balance amount.
- (ii) The Corporation had given a cheque advance of Rs.739,000 to an officer attached to the Mechanical Division for purchase of spare parts to the Corporation for the year 2017. Subsequently, this cheque was irregularly encashed by him without purchasing the particular spare parts. However, no actions had been taken against this officer by the Corporation as per Section 5.3 of Chapter XLVII of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.

4.6 Idle and Underutilized Assets

- (a) Out of the asphalt plant received from the Ministry of Economic Development, one plant valued at Rs.101 million had been located at Polonnaruwa and 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.1,748,322 as wages and security expenses during the year under review.
- (b) The main stores at Rathmalana of the Corporation only utilized for stock of small quantity of vehicle spare parts. The major area of the main stores remained idle.

4.7 Identified Losses

A loss of Rs.115,210,487 had been sustained to the Corporation due to exceeding the cost of the contracts than contract value of 11 projects.

4.8 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 654. Accordingly, there were 165 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 the 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, 111 vacancies in approved posts had remained vacant up to 31 December 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, creations of posts and filling of vacancies shall not be done without the approval of the Department of Management Services. Nevertheless, 168 contract basis employees and 61 casual employees had been recruited for those posts.
- (d) Scheme of Recruitments and Promotions had been prepared and approved only for the managerial and lower level posts. Further, According to the Management Services 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 except the Post of Chief Internal Auditor. Post of JM 1-1 category had been promoted to MM 1-2 category except the Post of Internal Auditor. Reasons for that had not been explained to audit.
- (e) Five employees had been released to the Ministry of Housing and Construction. According to the Public Enterprises Circular No.12 of 2003, salaries of those employees should be reimbursed from relevant institutions. However, salaries of Rs.2,061,545 paid those employees for the year 2017 had not been reimbursed.



5. Accountability and Good Governance

5.1 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 2017 – 2021 had not been prepared.
- (b) Although, an Action plan for the year under review had been prepaid 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) Annual Procurement Plan Including proposed major investments capacity building and major procurement had not been included
 - (iii) Loan repayment plan had not been included
 - (v) Only financial target were given to each Division without including commercial activities to be implemented in the financial year.
 - (vi) Requirement of resources had not been identified in order to accomplish the targets.

5.2 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.

5.3 Procurement Plan

Procurement Plan for the year 2017 had not been prepared.

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.



Areas	Observations
(a) Accounting	(i) Failure to adhere with Sri Lanka Accounting Standards. (ii) Un-accounted of taxes payable and surcharges thereon. (iii) Failure to reconcile control accounts and submit the financial statements on due dates.
(b) Control over Receivables and Payables.	(i) Poor control over debtors. (ii) Gradually increase of Government debts. (iii) Prevailing long outstanding debtors. (iv) Considerable delays in submission of invoices to relevant clients. (v) Long outstanding purchase and mobilization advances construction retentions and taxes and surcharges thereon.
(c) 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.
(d) Assets Management	(i) Idling asphalt plant at Polonnaruwa since 2014. (ii) Failure to acquire the ownership of all lands even as at the end of the year.
(e) Financial Management	Obtain bank overdraft facilities to remediate short term financial issues exceeding the approved limits due to poor working capital management
(f) Procurement Process	Unavailability of Master Procurement Plan and delay in preparing of Annual Procurement Plan.



(g) Inventory Control

- (i) Non maintenance of Bin Cards for the stock items.
- (ii) Un-executed the reconciliations for differences between the physical stock balance and ledger stock balance reported in each and every site.
- (iii) Failure to adopt proper quotation calling system especially for the spare parts of 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	2017	2016
Revenue	01	2,348,272,403	2,102,584,401
Cost Of Sales	02	(2,175,009,845)	(1,833,679,730)
Gross Profit / (Loss)		173,262,558	268,904,671
Other Income	03	171,592,907	147,891,323
Profit / (Loss) Before Operating Expenses		344,855,465	416,795,995
Administrative Expenses	04	(197,056,502)	(199,344,818)
Distribution Costs	05	-	-
Other Expenses	06	(27,828,652)	(104,152,652)
Results From Operating Activities		119,970,312	113,298,524
Financial Income	07	10,881,009	5,950,510
Financial Expenses	07	(118,644,663)	(96,407,382)
Profit Before Tax		12,206,658	22,841,652
Tax Expenses	08	13,182,175	(8,053,113)
Profit From Continuing Operations		25,388,833	14,788,538
Profit/(Loss) From Discontinued Operation Net Of Tax		-	-
Profit For The Year		25,388,833	14,788,538
Other Comprehensive Income			
Defined Benefit Plan Actuarial Gains (Losses)	19.01	5,541,247	6,354,263
Tax On Other Comprehensive Income		(1,551,549)	(762,512)
Other Comprehensive Income Net of Tax		3,989,698	5,591,751
Total Comprehensive Income		29,378,531	20,380,289

The Significant Accounting Policies and Notes on pages 47 to 77 form an integral part of these Financial Statements.

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

2017

2016

(All Amounts Are In Sri Lanka Rupees)

Note

ASSETS

Non - Current Assets

Property, Plant & Equipment	09	1,302,611,788	1,393,845,275
Investments In Government Owned Companies	10	8,541,524	9,210,740
Deferred Tax Assets	12	214,244,937	97,654,933
Total Non Current Assets		1,525,398,250	1,500,710,948

Current Assets

Inventories	13	298,995,116	304,884,066
Other Investments, Including Derivatives	11	67,526,650	62,595,583
Income Tax Assets	14	67,913,148	81,957,886
Trade & Other Receivables	15	2,999,095,069	2,457,217,632
Cash & Cash Equivalents	16	151,917,768	64,772,550
Total Current Assets		3,585,447,752	2,971,427,717

Total Assets

5,110,846,002 **4,472,138,666**

EQUITY & LIABILITIES

Capital & Reserves

Capital		16,671,650	16,671,651
Capital Grant		51,140,000	51,140,000
Capital Reserves		6,629,760	6,629,760
Government Grant		524,183,174	612,667,305
Revaluation Reserve		763,088,808	763,088,808
Retained Earnings		225,998,416	50,182,358
Total Equity		1,587,711,808	1,500,379,882

Non - Current Liabilities

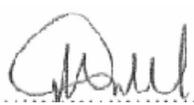
Lease Creditors	17	12,033,333	-
Loans & Borrowings	18	20,800,000	35,050,000
Retirement Benefit Obligation	19	67,810,446	66,918,947
Deferred Tax Liabilities	12	176,691,748	86,662,277
Total Non Current Liabilities		277,335,527	188,631,224

Current Liabilities

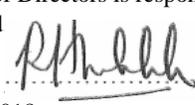
Trade & Other Payables	20	2,318,135,887	2,030,308,729
Lease Creditors	17	19,487,500	-
Bank Overdrafts	21	908,175,280	752,818,831
Total Current Liabilities		3,245,798,666	2,783,127,560

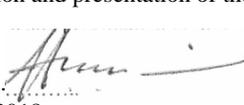
Total Equity & Liabilities

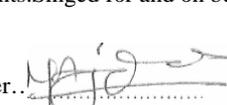
5,110,846,002 **4,472,138,666**

Chief Financial Officer... 
25th May 2018

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

Chairman... 
25th May 2018

Director... 
25th May 2018

General Manager... 
25th May 2018

The Significant Accounting Policies and Notes on pages 47 to 77 form an integral part of these Financial Statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2017

(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 2016	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)
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
Prior year adjustments	-	-	-	-	-	-	-
Balance As At 31stDecember 2016 (Restated)	16,671,651	51,140,000	6,629,760	763,088,808	612,667,305	50,182,358	1,500,379,882
Adjustments	-	-	-	-		146,437,527	146,437,527
profit For The Year						25,388,833	25,388,833
Government Grant					(88,484,131)		(88,484,131)
Other Comprehensive Income						3,989,698	3,989,698
Balance As At 31stDecember 2017	16,671,651	51,140,000	6,629,760	763,088,808	524,183,174	225,998,416	1,587,711,809

The Significant Accounting Policies and Notes on pages 47 to 77 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)

	2017	2016
	Note	
Cash Flow From Operating Activities		
Profit / (Loss) Before Tax	12,206,658	22,841,652
Adjustments For ;		
Depreciation	106,776,808	112,182,570
Staff Pre Paid Cost		
Prior Year Adjustment	(14,200,000)	
Provision For Defined Benefit Plan	10,152,855	8,751,209
(Gain)/Loss On Disposal Of Property, Plant & Equipment	(1,831,037)	(5,329,927)
(Gain)/Loss On Translation Of Foreign Currency Loans		
Impairment Loss On Trade & Other Receivables	26,602,192	103,497,708
Interest In Suspense	-	-
Finance Expenses	118,644,663	96,407,382
Deferred Income	(88,484,131)	(86,993,410)
Provision for Slow & Non Moving Stock	(2,047,898)	(1,933,795)
Finance Income	(10,881,009)	(5,950,510)
Operating Profit / (Loss) Before Working Capital Changes	156,939,101	243,472,880
(Increase) / Decrease In Inventory	7,936,848	(31,464,325)
(Increase) / Decrease In Trade & Other Receivables	(376,955,200)	(514,519,573)
(Increase) / Decrease In Purchases & Sub Contract Advances	(72,235,755)	(3,523,359)
Increase / (Decrease) In Loans & Advances	133,816,868	231,713,888
Increase / (Decrease) In Trade & Other Payables	189,921,778	(4,156,295)
Cash Generated From / (Used In) Operations	39,423,640	(78,476,784)
Finance Cost Paid	(126,667,407)	(86,943,882)
Gratuity Paid	(3,720,110)	(6,447,182)
Tax Paid	(885,170)	(3,813,637)
Net Cash Flow From / (Used In) Operating Activities	(91,849,046)	(175,681,485)
Cash Flows From / (Used In) Investing Activities		
Acquisition Of Property, Plant & Equipment	22,815,236	(9,205,446)
Proceeds From Disposal Of Property, Plant & Equipment	2,447,480	6,952,144
Investment in Fixed Deposits	(4,931,067)	(8,842,425)
Finance Income Received	10,760,334	5,405,035
Net Cash Flow From / (Used In) Investing Activities	31,091,983	(5,690,692)
Cash Flows From / (Used In) Financing Activities		
Repayment Of Loans & Borrowings	-	(8,459,720)
Proceeds From Borrowings	-	-
Repayment Of Finance Leases	(7,454,167)	(396,602)
Net Cash Flow From / (Used In) Financing Activities	(7,454,167)	(8,856,322)
Net Increase / (Decrease) In Cash & Cash Equivalents	(68,211,230)	(190,228,499)
Cash & Cash Equivalents At The Beginning Of The Year	(688,046,282)	(497,817,782)
Cash & Cash Equivalents At The End Of The Year	(756,257,512)	(688,046,281)

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The Significant Accounting Policies and Notes on pages 47 to 77 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 **652**.

1.5 Date of Authorization for Issue

The Financial Statements were authorised for issue by the Board of Directors on **25th May 2018**.

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	2017	2016
NOTE 01 - REVENUE			
Construction Income		1,852,645,554	1,594,393,354
External Sales - Concrete Products		289,790,958	268,077,660
Internal Sales - Concrete Products		31,266,900	28,713,341
Work Services		118,069,943	150,206,944
Asphalt External Sales		6,034,139	-
Asphalt Internal Sales		41,565,349	58,360,357
Metal Products		8,899,560	2,832,745
Total		2,348,272,403	2,102,584,401

NOTE 02 - COST OF SALES

Operating Expenses

Employee Benefits	04.01	676,073,334	569,207,981
Cement		75,722,124	63,193,078
Sand		39,624,062	26,270,093
Metal		66,760,883	62,628,110
Steel		112,490,700	93,852,764
Timber		10,274,800	9,775,004
Fuel & Lubricants		73,025,092	70,413,138
Explosive & Blasting Materials		399,374	631,501
Rady Mix Concrete		26,057,967	37,703,214
Concrete Products		36,038,298	20,447,106
Machinery & Vehicle Spare Parts		20,899,908	20,492,063
Stationery Consumption		1,930,639	1,518,795
Tar Consumption		74,287,967	78,963,674
Electrical Spare Parts Consumption		64,519,354	54,860,284
Pipes & Drainages Items Consumption		7,539,061	6,990,966
Other Stocks		176,193,042	140,232,978
Landslide Capital Item Expenditure		82,404,832	-
Earth Gravel		13,677,456	18,812,322
Hire Charges (External)		101,247,073	98,788,272
Transport Charges (Material)		7,933,056	14,268,788
Transport Charges (Others)		12,728,866	9,720,700
Storage Charges		51,600	35,840
Insurance Fidelity Guarantee		-	1,200
Vehicle Insurance		1,836,026	18,666
Stores Insurance		202,539	-
Depreciation On Plant, Machinery & Equipment		83,665,496	83,948,717
Depreciation On Motor Vehicles		10,960,847	15,166,995
Depreciation On Computers, Accessories & Software		511,011	-
Repairs & Maintenance -Plant, Machinery & Equipment		1,924,828	2,673,872
Repairs & Maintenance - Vehicles (Work Shop)		1,006,428	1,284,323
Repairs & Maintenance -Plant, Machinery & Equipment (Transport)		790,938	761,132
Repairs & Maintenance -Plant, Machinery & Equipment (Other)		369,869	885,812

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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
Operating Expenses (Contd...)		
Registration & Licence Fees	1,011,525	1,030,928
Sub Contracts	257,469,051	255,465,126
Discounts	288,512	941,769
Liquidation Damages	8,319,009	2,979,848
Fines	1,010	-
Assignments	8,168,842	2,297,942
Charges For Bonds	41,063,338	13,263,993
Telephone - Sites	7,042,598	2,603,347
Postage & Telex - Sites	27,219	30,602
Printing & Stationery - Sites	777,702	829,080
Travelling - Sites	7,614,161	7,159,119
Entertainment	2,565,460	1,742,578
Stamp Fees - Sites	6,697	9,435
Rent - Sites	22,005,980	12,931,891
Electricity - Sites	4,955,350	5,929,358
Computer	353,600	52,932
Water - Sites	2,490,652	2,400,089
Tender Fees -Sites	84,850	143,500
Security Expences - Sites	2,500	-
Welfare & Recreation - Sites	47,620	161,296
Insurance - Sites	8,843,519	1,849,318
Insurance All Risk Policy - Sites	10,153,861	3,464,492
Newspapers & Periodicals - Sites	89,620	84,126
Sundry - Sites	10,288,006	4,030,142
Consultancy & Professional Fees	1,823,648	3,200,000
CIGFL	3,031,229	2,830,735
Building Repairs -Sites	21,125	18,702
Service Charges - Sites	1,635,290	4,747,105
Testing Charges -Sites	3,687,717	2,747,082
Advertisements	112,300	144,075
Repairs & Maintanance - Office Equipment	53,732	140,337
Rates & Taxes	138,202	5,339
Impairment provision for Slow & Non Moving Stock	(2,047,898)	(1,933,795)
Labour charges -Material	2,145	107,813
Personal Accident Insurance	1,617,896	-
Cost of scrap Items sold	-	4,071,048
Sub Total	2,184,893,535	1,839,026,738
Add - Opening Stock	143,841,783	138,494,775
Less - Closing Stock	(153,725,473)	(143,841,783)
Cost Of Sales	2,175,009,845	1,833,679,730

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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2017	2016
NOTE 03 - OTHER INCOME			
Transport Hire Charges		17,031,040	13,349,316
Metal & Rubble Sale		3,468,433	6,156,110
Deferred Income		88,484,131	86,993,410
Consultancy Fee		36,373,292	1,914,690
Sundry Income		7,853,541	18,552,147
Insurance Receivable		1,937,595	1,054,975
Income On House Rent (Head Office)		14,414,000	14,418,550
Miscellaneous		99,900	122,200
Foreing Exchange Gain\Loss		99,938	-
Profit On Disposal Of Property, Plant & Equipment		1,831,037	5,329,927
Total		171,592,907	147,891,323
NOTE 04 - ADMINISTRATIVE EXPENSES			
Employee Benefits	04.01	138,811,772	127,408,889
Corporate Social Responsibility		54,890	-
Telephone		2,282,000	2,229,105
Postage & Telex		97,485	207,828
Printing & Stationery		21,850	11,288
Travelling & Subsistence		1,518,215	1,287,337
Entertainment		571,411	538,278
Advertising		331,500	761,925
Legal Charges		1,783,000	286,300
Rate & Taxes		-	287,640
Electricity		4,124,355	4,641,412
Computer Expenses		207,451	227,988
Depreciation - Land & Buildings		6,395,198	6,351,770
Depreciation - Furniture & Fixture, Office & Welfare		676,993	1,498,610
Depreciation - Computer Accessories & Software		340,674	-
Depreciation - Other Assets		4,226,588	5,216,479
Water		639,826	784,427
Non Refundable Tender Fees		1,008,350	1,360,777
Security Expenses		-	375,769
Service Charges		1,651,615	2,076,186
Sundry Expenses		2,152,425	3,290,124
Consultancy & Professional Fees		880,000	960,000
Welfare & Recreation Expenses		113,000	278,550
Repairs & Maintenance - Land & Buildings		974,170	3,760,932
Repairs & Maintenance - Plant & Machineries		-	16,800
Repairs & Maintenance - Other Assets		609,734	959,415
Insurance Contractors All Risk Policy		6,256,290	10,164,938
Tax Surcharges		-	63,695

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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
Administration Expenses (Contd...)		
Death Donation	-	160,000
Newspapers & Periodicals	46,260	45,200
Vehicle Repair HO	76,877	229,168
Timber Consumption	2,000	102,039
Fuel Consumption	4,510,548	5,672,556
Spare Parts	7,930	350
Stationery	2,415,775	2,210,790
Electrical Items Consumption	30,790	44,655
Water Supply Items	79,909	5,655
Other Stocks Consumption	361,595	349,238
Sub Contracts	5,251,114	4,190,584
Repairs - Light Vehicles	1,271,751	909,043
Registration & Licence Fees	144,539	167,380
Bond Charges - Head Office	2,752,624	7,434,589
Assignment - Head Office	3,213,544	2,510,491
Training & Development - Head Office	212,350	233,775
Vehicle Allowance (Executive)	950,000	-
External Hire - Head Office	100	2,650
Insurance	-	30,192
Total	197,056,502	199,344,818

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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2017	2016
NOTE 04 . 01 - EMPLOYEE BENEFIT EXPENSES			
<u>Operating Expenses</u>			
Work Services		5,590,820	2,287,515
Salaries & Wages -Permanent		178,312,689	178,974,665
Overtimes -Permanent		49,759,173	39,901,012
Employees' Provident Fund - Permanent Staff		15,335,699	14,317,907
Employees' Trust Fund -Permanent Staff		3,833,925	3,579,477
Salaries & Wages -Casual Staff		17,872,121	8,142,491
Overtime -Casual staff		3,936,590	1,611,526
Employees' Provident Fund -Casual Staff		1,406,558	519,010
Employees' Trust Fund -Casual Staff		351,640	129,752
Sub Contract Labour		298,292,026	255,710,984
surcharges		-	140
Training & Development		-	3,160,000
Special Allowances		1,439,750	1,070,509
Workmen Compensation		11,396	-
Encashment Of Leave		708,917	619,656
Bonus Payment		3,181,250	-
Incentive Payments		-	545,265
Risk Allowances		427,380	209,473
Salaries - Contract		69,840,901	45,189,591
Overtime - Contract		19,027,532	9,227,726
Employees' Provident Fund - Contract		5,395,973	3,209,025
Employees' Trust Fund - Contract		1,348,993	802,256
Sub Total		676,073,334	569,207,981
<u>Administrative Expenses</u>			
Defined Benefit Pension Cost	19.01	10,152,855	8,751,209
Directors Fees		1,550,800	1,561,600
Chairman's Remuneration		1,129,670	1,438,680
Salaries & Wages		97,210,302	86,638,876
Overtime		14,236,195	10,497,228
Employees' Provident Fund		8,476,796	6,971,999
Employees' Trust Fund		2,119,199	1,743,000
Professional Subscription		50,812	388,805
Special Allowance		2,700	553,600
Workmen Compensation		32,974	-
Bonus Payment		3,873,118	-
Incentive Payments		7,438	7,071,535
Pay As You Earn (PAYE) Tax		(31,089)	1,792,357
Sub Total		138,811,772	127,408,889
Total Employee Benefit Expenses		814,885,105	696,616,869

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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
NOTE 05 - DISTRIBUTION EXPENSES		
Business Promotion	-	-
Total	-	-
NOTE 06 - OTHER EXPENSES		
Impairment Loss On Trade Receivables	26,602,192	103,497,708
Bank Charges	1,226,459	654,944
Total	27,828,652	104,152,652
NOTE 07 - FINANCIAL INCOME & FINANCIAL EXPENSES		
<u>Financial Income</u>		
Interest Income On Available-For-Sale Financial Assets	3,658,785	951,579
Interest Income On Held - To - Maturity Investments	6,904,777	4,685,454
Interest Income On Loans & Receivables	317,447	313,476
Total Finance Income Recognized In Profit Or Loss	10,881,009	5,950,510
<u>Financial Expenses</u>		
Interest On Bank Overdrafts	111,625,714	86,406,410
Interest Expense on Financial Liabilities Measured At Amortized Cost	5,616,000	9,964,892
Lease Interest	959,919	-
Other Financial Expenses	443,029	36,081
Total Financial Expenses Recognized In Profit Or Loss	118,644,663	96,407,382
NOTE 08 - TAX EXPENSES		
<u>Current Tax Expense</u>		
Current Tax On Profits For The Year	11,036,358	9,062,933
Adjustment For Under Provision In Prior Periods	3,893,550	-
Total Current Tax	14,929,908	9,062,933
<u>Deferred Tax Expense</u>		
Change In Recognized Taxable Temporary Differences	(28,112,082)	(1,009,820)
Change In Recognized Deductible Temporary Differences	12	
Total Tax Expenses On Continuing Operations	(13,182,175)	8,053,113

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31st DECEMBER 2017

(All amounts are in Sri Lanka Rupees)

NOTE 09 - PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation

Description	Note	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance at 1st January 2016		635,312,513	126,687,121	39,422,151	-	962,732,976	184,023,965	77,853,647	2,026,032,374
Additions		-	1,055,835	584,606	-	8,986,375	11,022,000	1,860,147	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
Additions		-	259,851	1,141,591	943,555	6,727,858	-	6,867,230	15,940,086
Disposals		-	-	23,970	-	6,934,298	494,611	2,052,572	9,505,450
Adjustment		-	-	(16,127,299)	16,127,299	(37,500)	-	-	(37,500)
Balance at 31st December 2017		635,312,513	128,002,807	24,997,080	17,070,854	954,327,552	194,016,094	84,528,452	2,038,255,351

771,820,094

79,713,793

2,046,760,125

Accumulated Depreciation

Description	Note	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance at 1st January 2016		-	57,731,430	28,523,472	-	266,342,826	140,223,184	57,488,728	550,309,642
Depreciation charge for the year		-	6,351,770	1,498,610	-	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	154,881,683	62,705,207	646,431,308
Depreciation charge for the year		-	6,395,198	676,993	851,685	83,665,496	10,960,847	4,226,588	106,776,808
Disposals		-	-	22,772	-	6,696,355	480,129	1,832,023	9,031,278
Adjustment		-	-	(10,600,885)	10,600,885	(28,501)	-	-	(28,501)
Balance at 31st December 2017		-	70,478,398	20,075,419	11,452,570	411,679,777	165,362,400	65,099,773	744,148,337

Balance at 31st December 2016	635,312,513	63,659,756	9,984,675	-	619,832,354	39,629,022	17,008,587	1,385,426,907
Balance at 31st December 2017	635,312,513	57,524,409	4,921,661	5,618,284	542,647,774	28,653,694	19,428,679	1,294,107,014

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31st DECEMBER 2017

(All amounts are in Sri Lanka Rupees)

NOTE 09. 01 - CAPITAL WORKING PROGRESS

DESCRIPTION	NEW LABOUR QUARTERS CONSTRUCTI ON (CY 51)	GRANTY RUNNER BASE (CY 52)	NEW BEAM BED (CY 812)	GUARD WALL CONSTRUCTI ON - C/Y 812	CONCRETE MIXING PLANT (CM 38) - C/Y 812	UPGRADE BUILDING OF CONSTRUCTI ON (HO 001)	WATER FILTER HUT - C/Y 812	TOTAL
Cost								
Balance at 1st January 2017	99,722	2,330,019	3,915,380	60,529	124,285	1,755,161	133,272	8,418,368
Additions	99,600	-	370,139	0	-	9,791	-	479,530
Transfers to Building Projects cancelled	(199,322)	-	-	-60528.91	-	-	(133,272)	(259,851)
Total	(0)	2,330,019	4,285,519	-	124,285	1,764,952	133,272	8,504,774
Accumulated Depreciation								
Depreciation 1st January 2017	-	-	-	-	-	-	-	-
Depreciation charge for the year	5,024	-	-	3,026	-	-	-	8,050
Depreciation for Transfers	(5,024)	-	-	(3,026)	-	-	-	(8,050)
Total	-	-	-	-	-	-	-	-
Balance at 31st December 2017	(0)	2,330,019	4,285,519	-	124,285	1,764,952	133,272	8,504,774

Carrying Amounts	Capital Work in Progress	Land	Buildings	Office Equipme nt	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
At 31st December 2016	8,418,368	635,312,513	63,659,756	9,984,675	-	619,832,354	39,629,022	17,008,587	1,393,845,275
At 31st December 2017	8,504,774	635,312,513	57,524,409	4,921,661	5,618,284	542,647,774	28,653,694	19,428,679	1,302,611,788

(Contd...)

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

AS AT 31ST DECEMBER 2017

(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	Block 01	16.45 perches	1.00	} 19,500,000
Peliyagoda	Block 02	12.22 perches	3.00	
Veragantota		4 Acr & 0.8 perches	-	} 7,080,000
Peradeniya	Block 01	2 Hect. & 0.95 perches	2.00	} 13,990,875
Peradeniya	Block 02	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)

	Note	2017	2016
NOTE 10 - INVESTMENTS IN GOVERNMENT OWNED COMPANIES			
Devcoshwa (Pvt) Ltd		9,210,740	9,210,740
Sub Total		9,210,740	9,210,740
Provision For Investments		(669,216)	
Total		8,541,524	9,210,740
NOTE 11 - OTHER INVESTMENTS			
<u>Non - Current Investments</u>			
		-	-
Total		-	-
<u>Current Investments</u>			
Fixed Deposits		67,526,650	62,595,583
Total		67,526,650	62,595,583
Total Investment		67,526,650	62,595,583
NOTE 12 - DEFERRED TAX ASSETS & LIABILITIES			
At The Beginning Of The Year		10,992,656	10,745,348
Transfer To / (From) Income Statements		26,560,533	247,308
At The End Of The Year	12.01	37,553,189	10,992,656
NOTE 12.01 - DEFERRED TAX ASSETS / LIABILITIES			
Deferred Tax Liability			
Capital Allowances For Tax Purpose		176,691,748	86,662,277
Retirement Benefit Obligation		-	-
Total		176,691,748	86,662,277
Deferred Tax Assets			
Capital Allowances For Tax Purpose		214,244,937	97,654,933
Retirement Benefit Obligation		-	-
Total		214,244,937	97,654,933
Net Tax Assets / (Liabilities)		37,553,189	10,992,656

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2017	2016
NOTE 13 - INVENTORIES			
Cement		1,417,135	2,178,873
Sand		2,475,404	2,007,600
Metal		1,663,696	3,690,195
Steel		16,385,797	41,284,254
Timber		486,320	1,315,743
Fuel & Lubricants		2,282,970	2,906,136
Explosive & Blasting Materials		313,362	295,888
Concrete Items		9,463,208	12,248,939
Vehicle Spare Parts		17,384,388	17,691,177
Stationery		907,907	674,716
Tar		470,893	1,558,806
Electrical Goods		16,801,671	19,977,818
Pipes & Drainage Items		2,444,622	1,785,245
Other Stock Items		60,670,193	57,585,635
Earth Gravel Stock		90,833	44,000
Fabrication		8,500,950	5,161,075
Finished Goods - Concrete Items		152,524,211	141,766,693
Finished Goods - Metal Products		1,201,262	2,075,090
Stock Adjustments		9,093,164	(1,733,048)
		304,577,988	312,514,836
Provision for Slow & Non Moving stock		(5,582,871)	(7,630,769)
Total		298,995,116	304,884,066
NOTE 14 - INCOME TAX ASSETS			
Economic Service Charge		16,205,264	31,135,172
With Holding Tax On Projects		128,336,127	128,336,127
With Holding Tax On Interest		6,708,522	6,698,738
		151,249,914	166,170,037
Provision For Tax		(83,336,766)	(84,212,151)
Total		67,913,148	81,957,886
NOTE 15 - TRADE & OTHER RECEIVABLES			
Trade Debtors	15.01	2,251,937,434	1,856,364,811
Retention	15.02	523,991,294	446,676,598
Sundry Debtors	15.03	34,621,362	37,863,565
Loans & Advances	15.04	7,652,930	5,696,681
Advances On Purchases & Sub Contracts	15.05	162,023,640	93,706,163
Other Advances & Deposits	15.06	18,868,410	16,909,815
Total		2,999,095,069	2,457,217,632
Non Current Trade & Other Receivables			
Current Trade & Other Receivables		2,999,095,069	2,457,217,632
Total		2,999,095,069	2,457,217,632

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
NOTE 15.01 - TRADE DEBTORS		
Construction Debtors	188,148,399	257,047,424
Concrete Yard Debtors	71,369,957	76,280,957
Traffic Light System Debtors	93,260,075	114,094,259
Asphalt Debtors	54,600	3,136,549
Provision for Doubtful Debtors	(123,956,380)	(165,806,962)
Dues From Customers	2,232,000,756	1,820,512,010
Dues to Customers	(181,422,712)	(212,772,496)
	2,279,454,696	1,892,491,741
Unfavourable Debtor Balances	(27,517,262)	(36,126,929)
Total	2,251,937,434	1,856,364,811
NOTE 15.02 - RETENTION		
Retention - Construction	503,047,861	526,118,776
Provision for Retention - Construction	(73,750,023)	(114,749,678)
Liquidated Damages Receivables	157,934,872	133,727,421
Provision for Liquidated Damages Receivables	(63,241,415)	(98,419,922)
Total	523,991,294	446,676,598
NOTE 15.03 - SUNDRY DEBTORS		
Security Deposits Of Employees	862,060	849,602
Interest Receivable	1,442,697	1,322,022
Rent receivable	-	889,100
NBT Payment	42,401	-
Ready Mixed Debtors (Devcoshowa)	34,802,842	34,802,842
Provision For Doubtful Sundry Debtors	(2,528,637)	-
Total	34,621,362	37,863,565
NOTE 15.04 - LOANS AND ADVANCES		
Prepaid Cost On Distress Loans	528,340	528,340
Salaries & Wages Advances	(37,620)	(1,328,151)
Festival Advances	869,637	861,137
Travelling Advances	380,495	282,570
Distress Loans	4,560,781	3,852,874
Bicycle Loan	5,000	-
House Rent -Dayata Kirula Katupotha	70,000	70,000
Wages Advance - Casual	18,933	70,933
Contract Employees Salary Advances	1,308,600	1,417,500
Medical Insurance	(51,235)	(58,521)
Total	7,652,930	5,696,681
NOTE 15.05 - ADVANCES ON PURCHASES & SUB CONTRACTS		
Letter Of Credit Margin Account	74,995,446	1,833,253
Purchase Advances - Head Office	496,509	644,271
Purchase Advances - Sites	33,693,303	37,364,003
Purchase Advances - Construction	7,851,433	7,851,433
Purchase Advances - Concrete Yard	509,789	1,743,929
Sundry Advances	7,688,424	7,049,203
MPCS Polonnaruwa	5,000	5,000
Fuel Advances	-	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	162,023,640	93,706,163

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
NOTE 15.06 - OTHER ADVANCES AND DEPOSITS		
Tender Deposits (Refundable)	199,875	199,875
Other Deposit	1,819,458	1,749,458
Fuel Deposit -Amithirigala 992	2,400,000	2,400,000
Telephone Deposits	8,000	-
Electricity Board Deposits	1,860,700	1,715,105
Fuel Deposits - Dehiwala	200,000	200,000
Fuel Deposits -Galoya	200,000	200,000
Fuel Deposits -Kottawa	100,000	100,000
Water Deposit	535,661	635,661
Fuel Deposit - Weeragantota	90,000	90,000
Fuel Deposit - Rattanapitiya	2,475	2,475
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	3,395,000	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 - Sengaloya	300,000	300,000
Fuel Deposit - Gregory Canel	-	500,000
Fuel Deposit - Pannegamuwa Weekly fair	50,000	50,000
Fuel Deposit - Moragahakanda - Amban	700,000	700,000
Fuel Deposit - Yatiyantota Deraniyagala Road	1,300,000	1,300,000
Fuel Deposit - Medawachchiya	75,000	75,000
Fuel Deposit - Polonnaruwa	1,000,000	1,000,000
Fuel Deposit - Kegalle Rambukkana	400,000	400,000
Fuel Deposit - Walasmulla	-	300,000
Fuel Deposit - Galpottagama & Thanthirimale	49,993	49,993
Fuel Deposit - Manick Farm -Chettikulam	200,000	200,000
Fuel Deposit -Badulla Water Project	100,000	100,000
Other Deposit - Rathkinda	250,000	10,000
Fuel Deposit - Road close to Talaimannar	400,000	400,000
Fuel Deposit - Bopitiya Quarry Crusher -	-	405,000
Fuel Deposit - Monaragala	7,726	7,726
MPCS - Moratuwa	250,000	250,000
Fuel Deposit - Ulapane	600,000	600,000
Fuel Deposit - Blumendhal	200,000	200,000
Fuel Deposit - Muwagama	50,000	50,000
Total	18,868,410	16,909,815

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AS AT 31ST DECEMBER

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	2017	2016
	Note	
Note 16 - Cash At Bank		
Sampath Bank 001860000985 -(985)	-	1,066,201
Bank Of Ceylon - 682972	2,860,540	
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
Margin Account - Sampath Bank	2,966,759	1,463,477
Bank Of Ceylon Peradeniya - 1274460	38,148	38,148
Sampath Bank - 1860000195 (195)	19,627	2,953,409
People's Bank - Ratmalana - 080100381101178 (38)	813,918	66,192
People's Bank - Ratmalana -08010047110178	263,887	-
People's Bank - Ratmalana 83080100831101178 (83)	-	6,122
People's Bank - Ratmalana 91101178	-	28,297,599
Bank Of Ceylon - 0080490546 9546)	8,526,804	-
Bank Transfer HO	19,248,821	11,670,998
Saving Deposits	116,028,219	12,376,984
Sub Total	151,220,587	64,392,994
Cash In Hand - Petty Cash		
Rathmalana - Petty Cash	64,904	59,904
Construction Division	533,387	200,539
Haputale	50,000	50,000
Hildamahal Housing scheme	47,062	50,000
Walasmulla Bus stand	(2)	17,283
Peliyagoda -Petty Cash	965	965
K' galle -980	865	865
Sub Total	697,181	379,556
Total	151,917,768	64,772,550
Investments With Short Maturity		
Unfavourable Cash & Cash Equivalents	(908,175,280)	(752,818,831)
Total Cash & Cash Equivalents for the purpose of Cash Flow Statement	(756,257,512)	(688,046,281)

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2017	2016
NOTE 17 - LEASE CREDITORS			
Balance As At The Beginning Of The Year		-	396,602
Obtained During The Year		38,975,000	-
		<u>38,975,000</u>	<u>396,602</u>
Repaid During the Year		(7,454,167)	(396,602)
		<u>31,520,833</u>	<u>-</u>
Interest In Suspense		-	-
Net		<u>31,520,833</u>	<u>-</u>
Lease Creditors Due Within One Year		19,487,500	
Lease Creditors Due After One Year		12,033,333	
Total Lease Creditors		<u>31,520,833</u>	<u>-</u>
NOTE 18 - LOANS & BORROWINGS			
Balance As At The Beginning Of The Year		20,800,000	43,509,720
Borrowings During The Year		-	-
Total		<u>20,800,000</u>	<u>43,509,720</u>
Repaid During The Year			(8,459,720)
Net		<u>20,800,000</u>	<u>35,050,000</u>
Repayable Within One Year		-	-
Repayable After One Year		20,800,000	35,050,000
Total Loans & Borrowings		<u>20,800,000</u>	<u>35,050,000</u>
NOTE 19 - RETIREMENT BENEFIT OBLIGATIONS			
Balance As At The Beginning Of The Year		66,918,947	70,969,182
Charges To / (Reverse From) Income Statement	19.01	4,611,608	2,396,946
Payments Made During The Year		(3,720,110)	(6,447,181)
Balance As At End Of The Year		<u>67,810,446</u>	<u>66,918,947</u>
NOTE 19.01 - PROVISION MADE DURING THE YEAR			
Interest Cost		6,858,595	5,433,450
Current Service Costs		3,294,260	3,317,759
Net Actuarial (Gain) / Loss Recognized Immediately		(5,541,247)	(6,354,263)
Total		<u>4,611,608</u>	<u>2,396,946</u>
NOTE 20 - TRADE & OTHER PAYABLES			
Trade Payables	20.01	271,634,587	285,772,002
Value Added Tax	20.02	718,537,739	575,647,554
Sundry Payables	20.03	594,174,992	583,944,934
Employee Benefit Payables	20.04	30,178,365	15,163,438
Refundable Advances & Retentions	20.05	702,714,102	568,897,234
Refundable Deposits	20.06	896,101	883,568
Total		<u>2,318,135,887</u>	<u>2,030,308,729</u>
Current Trade & Other Payables		<u>2,318,135,887</u>	<u>2,030,308,729</u>
Total		<u>2,318,135,887</u>	<u>2,030,308,729</u>

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AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
NOTE 20 . 01 - TRADE PAYABLES		
Creditors - Head Office	71,654,094	39,484,543
Creditors - Sites	199,306,478	223,555,203
Creditor - Landslide Project	(47,816,869)	
ESC Control AC	4,389,947	4,389,947
Nation Building Tax	6,094,126	5,321,812
Nation Building Tax	57,124	80,804
Payment Received Material - Sites	38,035,931	12,785,793
Advances Control Account	(86,244)	153,900
Total	271,634,587	285,772,002
NOTE 20 . 02 - VALUE ADDED TAX		
Value Added Tax Receivable	(157,982)	(631,417)
Value Added Tax Payable	(29,563,152)	(29,563,152)
Value Added Tax Control Account	748,258,873	605,842,123
Total	718,537,739	575,647,554
NOTE 20 . 03 - SUNDRY PAYABLES		
Accrued Expenses	495,726,834	477,587,535
Auditor General	2,825,200	2,825,200
Refundable Deposits	2,088,762	1,975,626
Interest On Cgf 100Mn Loan Payable	93,511,060	101,533,804
Janashakthi Insurance	22,955	22,589
Refundable Loan	180	180
Total	594,174,992	583,944,934
NOTE 20 . 04 - EMPLOYEE BENEFIT PAYABLES		
Net Salaries & Wages	6,967,483	755,137
Casual Wages Control Account	3,786,650	2,159,447
Cash Abatements -Control Account	4,658,319	2,453,782
PAYE payable	9,000	4,000
Employees' Provident Fund	4,696,028	3,735,634
Employees' Trust Fund	1,072,263	941,300
Contract Employees - Salaries	6,902,026	3,015,781
Medical Insurance	512,879	524,641
Unpaid Bonus	6,000	6,000
Unpaid Salaries & Wages	1,438,293	1,438,293
Unpaid Salaries & Wages - Advances	129,424	129,424
Total	30,178,365	15,163,438
NOTE 20 . 05 - REFUNDABLE ADVANCES & RETENTIONS		
Mobilization Advances From Clients	600,310,222	502,051,136
Advances Against Orders -Concrete Yards	102,266,990	66,709,208
Advances Against Orders -Asphalt Plant	136,890	136,890
Total	702,714,102	568,897,234
NOTE 20 . 06 - REFUNDABLE DEPOSITS		
Security Deposits - Employees	896,101	883,568
Total	896,101	883,568

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2017	2016
	Note	
NOTE 21 - BANK OVERDRAFTS		
Bank Of Ceylon - 75416320	421,279,607	411,902,973
Bank Of Ceylon - 682972	-	2,052,032
Bank Of Ceylon - 683116 (657)	109,119,991	102,276,062
Bank Of Ceylon - 683114 (657)	31,706,987	36,702,923
Bank Of Ceylon - 0610213103	91,151,412	2,413,430
Bank Of Ceylon - 6510876	78,994	113,373
Sampath Bank - 1860000241	197,477,104	122,672,582
Sampath Bank - 1860000365	4,035,191	3,115,094
Sampath Bank - 001860000 349 -(349)	26,721,859	53,273,070
Sampath Bank - 18600001620	2,982,575	16,876,108
Sampath Bank 001860000985 -(985)	425,447	-
Peoples Bank 08010047110178	-	1,062,540
People's Bank - Ratmalana 91101178	22,837,467	-
Bank Transfer Site	358,645	358,645
Total	908,175,280	752,818,831

STATE DEVELOPMENT & CONSTRUCTION CORPORATION**NOTES TO THE FINANCIAL STATEMENTS (Contd.)****FOR THE YEAR ENDED 31ST DECEMBER****2017****2016***(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 State Corporation (Pvt) Ltd.

Devcoshowa (Pvt) Ltd. is a fully owned subsidiary of the State Development and Construction Corporation. However, Board of Directors independent from SD&CC had been 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	-	-
Total		-	-

NOTE 23.02 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Salaries To Key Management Personnel	2,680,470	3,000,280
Total	2,680,470	3,000,280

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)

2017

2016

NOTE 26 - SEGMENT INFORMATION

Segment Income and Expenses	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Revenue	321,057,858	1,852,645,554	174,568,991	2,348,272,403	296,791,001	1,594,393,354	211,400,046	2,102,584,401
Cost Of Sales	(333,310,469)	(1,534,705,139)	(306,994,237)	(2,175,009,845)	(264,849,258)	(1,238,297,047)	(330,533,426)	(1,833,679,730)
Other Income	22,317,259	80,506,952	68,768,696	171,592,907	25,655,744	47,752,771	74,482,808	147,891,323
Administrative Expenses	(2,191,170)	(3,644,902)	(191,220,431)	(197,056,502)	(2,317,612)	(4,391,577.00)	(192,635,629)	(199,344,818)
Distribution Costs	-	-	-	-	-	-	-	-
Other Expenses	(3,187,702)	(15,665,497)	(8,975,453)	(27,828,652)	(21,183,451)	(71,753,669)	(11,215,533)	(104,152,653)
Financial Income	-	-	10,881,009	10,881,009	-	-	5,950,510	5,950,510
Financial Expenses	-	(7,018,948)	(111,625,714)	(118,644,663)	-	(9,463,500)	(86,943,882)	(96,407,382)
Profit Before Tax	4,685,776	372,118,019	(364,597,138)	12,206,658	34,096,424	318,240,332	(329,495,106)	22,841,651

Segment Assets

Non - Current Assets

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Property, Plant & Equipment	11,978,836	788,765,556	501,867,396	1,302,611,788	18,373,622	850,065,451	525,406,202	1,393,845,275
Other Investments, Including Derivatives	-	-	8,541,524	8,541,524	-	-	9,210,740	9,210,740
Deferred Tax Assets	-	-	214,244,937	214,244,937	-	-	97,654,933	97,654,933

Current Assets

Inventories	221,034,526	43,682,651	34,277,940	298,995,116	208,109,022	48,204,294	48,570,750	304,884,066
Other Investments, Including Derivatives	-	-	67,526,650	67,526,650	-	-	62,595,583	62,595,583
Income Tax Assets	28,166,800	106,899,913	(67,153,564)	67,913,148	28,166,800	106,979,192	(50,722,239)	81,957,886
Trade & Other Receivables	110,972,890	2,744,471,045	143,651,134	2,999,095,069	(133,105,978)	2,239,899,769	306,955,686	2,457,217,632
Cash & Cash Equivalents	3,417,455	9,158,116	139,342,197	151,917,768	492,012	41,060,261	23,220,277	64,772,550
Total	375,570,507	3,692,977,281	1,042,298,214	5,110,846,002	122,035,478	3,286,208,967	1,022,891,932	4,472,138,665

Segment Liabilities

Non - Current Liabilities

Lease Creditors	-	12,033,333	-	12,033,333	-	-	-	-
Loans & Borrowings	-	20,800,000	-	20,800,000	-	-	35,050,000	35,050,000
Retirement Benefit Obligation	4,245,820	12,353,401	51,211,225	67,810,446	4,801,035	13,521,240	48,596,672	66,918,947
Deferred Tax Liabilities	-	-	176,691,748	176,691,748	-	-	86,662,277	86,662,277

Current Liabilities

Trade & Other Payables	169,935,678	1,179,817,047	968,383,162	2,318,135,887	71,288,768	1,046,922,613	912,097,348	2,030,308,729
Loans & Borrowings	-	-	-	-	-	-	-	-
Lease Creditors	-	19,487,500	-	19,487,500	-	-	-	-
Bank Overdrafts	-	167,699,637	740,475,642	908,175,280	2,052,032	142,094,079	608,672,720	752,818,831
Total	174,181,498	1,412,190,918	1,936,761,777	3,523,134,194	78,141,835	1,202,537,932	1,691,079,017	2,971,758,784

Other Segment - Head office, Mechanical Section (CMC) & Other Parts Of The Corporation
Cost Allocation - Based on the operating cost incurred by each segment