



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
"Pioneers in Infrastructure Construction"



2018

ANNUAL REPORT

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 share holder of the Corporation.

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

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

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



CORPORATE INFORMATION

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



VISION, MISSION AND OBJECTIVES

VISION

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

MISSION

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

OBJECTIVES

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



CHAIRMAN'S MESSAGE

I am pleased to present the Annual Report of the State Development & Construction Corporation for the financial year ended 31st December 2018.

Overview of the Macroeconomic Environment

The country's real GDP growth was recorded at 3.2 per cent in 2018, compared to 3.4 per cent in the previous year. The growth was largely supported by services activities that expanded by 4.7 per cent and the recovery in agricultural activities, which recorded a growth of 4.8 per cent. Industry activities slowed down significantly to 0.9 per cent during the year mainly as a result of the contraction in Construction.

The four major components of the economy, Agriculture, Industries, Services and Taxes less subsidies contributed to the GDP 7.9%, 27%, 56.8%, and 8.3% respectively for the year 2018.

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.2,878Mn. during the year 2018 compared to Rs. 2,348Mn 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. 18.5 Mn. for the year 2018. This is An increase from the previous year's net profit of Rs.12.2 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 629.



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 Cultural Affairs, and Hon. Deputy Minister and secretary to the Ministry of Housing, Construction and Cultural Affairs, 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.

Eng. D. P.M. Chandana
CHAIRMAN



BOARD OF DIRECTORS & SENIOR STAFF MEMBERS

BOARD OF DIRECTORS

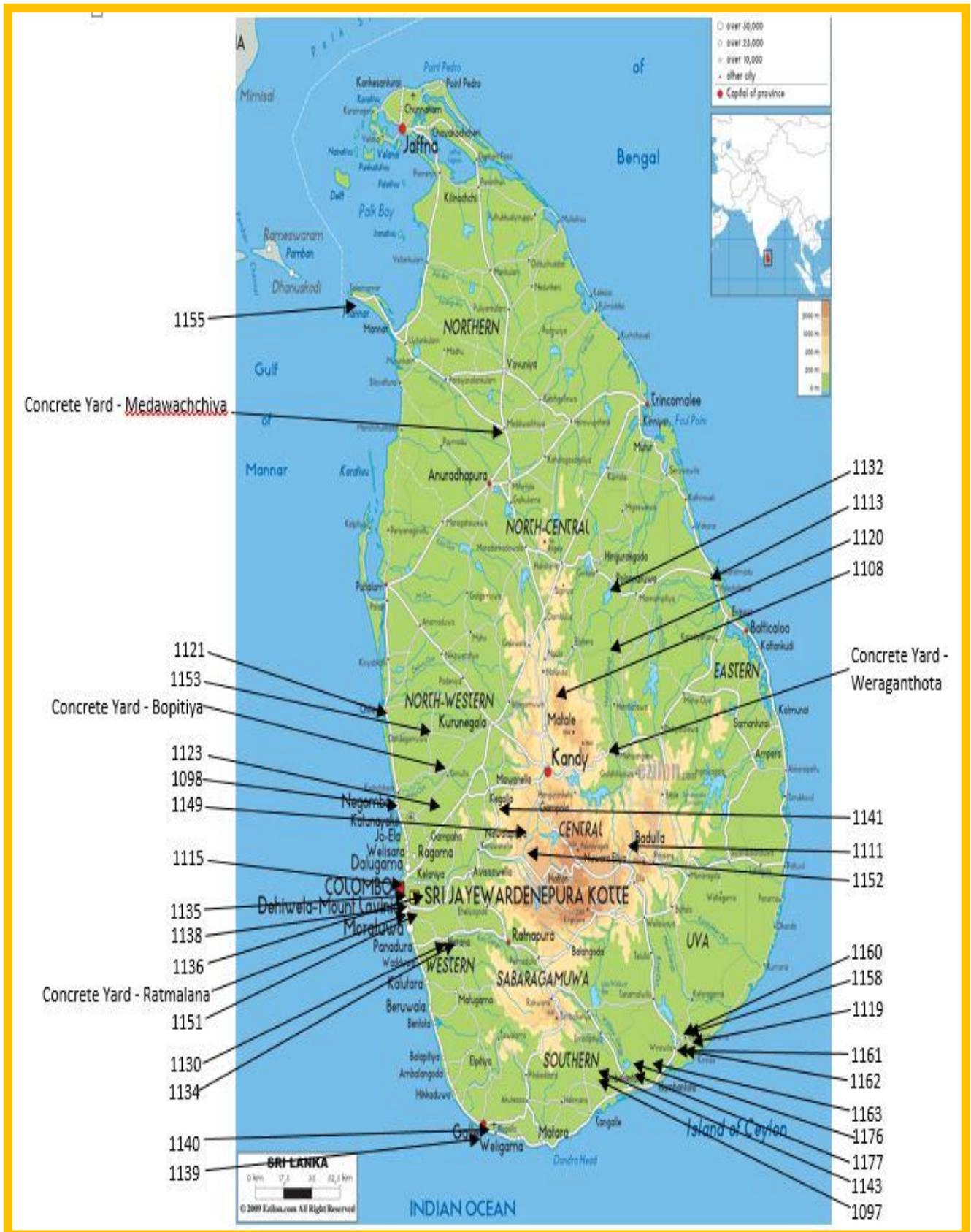
1. Dr. Rajeev Herath Meewakkala - Chairman
2. Mr. Mervyn N. De Silva. - Vice Chairman
3. Mr. G. A. Ajith Priyantha - Treasury Representative
4. Eng. Y. M. I. Bandara - Director
5. Mr. Nandana Mal Kumara - Director
6. Ms. Sandamali Chandrasekera - Directress
7. Eng. P. Amarasooriya - Director

SENIOR STAFF MEMBERS

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



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





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

- 1088 - Construction of Weekly Fair at Karametiya
- 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
- 1119 Implementation of proposed works to upgrade Tissamaharama Water supply scheme
- 1120 Remedial works of Moogamma 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
- 1130 Design and Construction of proposed Bus Stand (stage II) Part I at Horana
- 1132 Construction of Auditorium at Polonnaruwa Royal College
- 1134 Design and Construction of Bulathsinhala Fair
- 1135 Improvement to Kynsey 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
- 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 Ridiyagama
- 1167 Godakoggalla Water Supply Scheme Stage II
- 1171 Bridge across Kirindi Oya between Uduwila & Rubberwatta
- 1172 Bridge across Urubokka Oya at Keselwatta in Katuwana
- 1173 Bridge at Kudagammana 6 in Lunugamwehera Right Bank
- 1174 Bridge across Weligaththara in Rambukwewa Division
- 1175 Bridge across Weerawil Ara between Muwanwewa & Weerawil Ara
- 1176 Diyabandiya Bridge between Abhayapura division and Pannegamuwa division
- 1177 Bridge across Walawe River between Badiganthota and Liyangasthota.

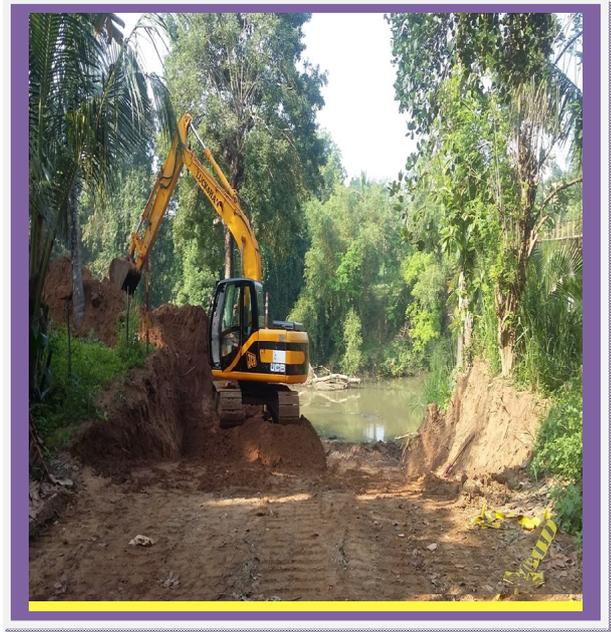


Agbopura Bridge

Kukule Ganga Tunnel



Trinco Bridge



Thaligala - Ridiyagama



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 Cultural Affairs, and the General Treasury. Board of Directors is directly accountable to the Government through the line ministry. Therefore the Board of Directors and the senior management of SD&CC have a duty to ensure that the organization is governed and operated in the best interest of the Corporation and its stake holders in full compliance with the regulatory frame work.

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

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

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

**CORPORATE GOVERNANCE PRINCIPLES**

Principles of Corporate Governance	Methodology & Extent of Adherence
Board of Directors	
Composition of the Board	Board comprises of five non-executive directors, an executive director and Chairman. One non-executive director out of five non-executive directors is appointed by the General Treasury. They encompass a range of multi skills talents and expertise required to provide prudent and a reasonable guidance with respect to the operations and interest of the Corporation.
Holding of regular Board Meetings	Regular Board Meetings are held monthly, while special Board meetings are convened whenever necessary.
Availability of formal schedule of matters specially reserved for the decision making of the board.	<p><u>Board is responsible for:</u></p> <ul style="list-style-type: none"> • Ensuring satisfactory performance of the Corporation as representatives of the line Ministry and the General Treasury. • <u>Formulation of policies and strategies</u> and monitoring successful implementation thereof • Appointment of the General Manger and key Management staff, approving the Organization structure and planning for succession of Senior Management. • Ensuring the implementation of an effective internal control system. • Ensuring compliance with highest ethical, legal standards. Treasury Circulars, Public administration circulars and direction by the Ministry of Housing, Construction and Cultural Affairs, • 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	<p>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.</p> <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 27 of this Annual Report. Auditors report on the financial statements of the Corporation for the year ended December 31 st 2018 is given on page 29 to 39 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	<ul style="list-style-type: none"> i. Decisions made at the Meeting of the Board of Directors were communicated to the relevant officials for implementation and the outcomes were reported back to the Board of Directors. ii. Senior Staff Meeting with the participation of all the Heads of Divisions & Chief Engineers are held monthly to discuss the operational, financial & personnel matters and matters arising are brought to the notice of Board of Directors. iii. Progress monitoring meetings for Construction Division and the Concrete Yards are held every month with the participation of all the project/ yard managers and the outcome is reported to the Board of Directors.
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 31.12.2018.
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>



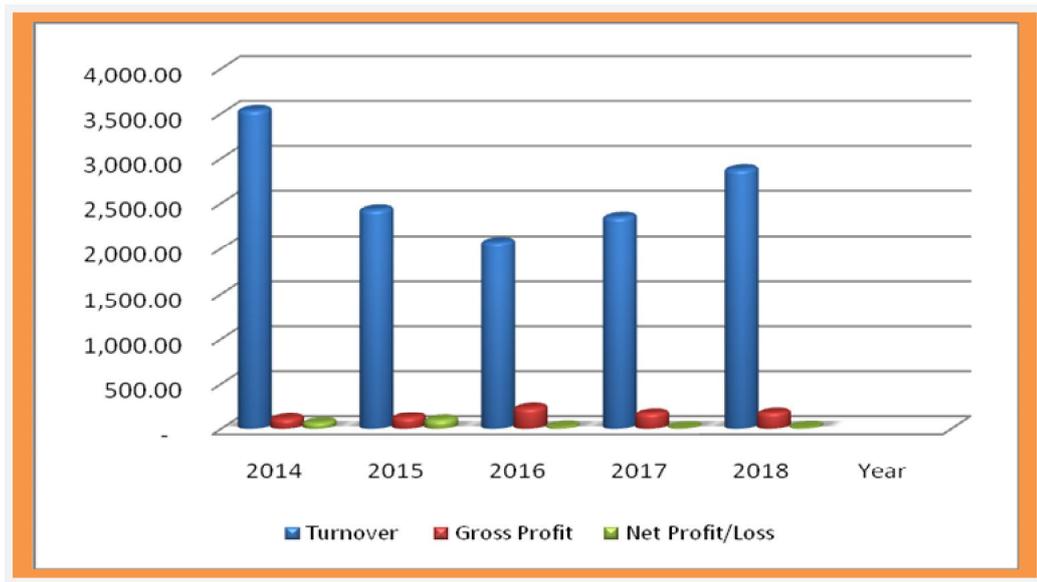
OPERATIONAL AND FINANCIAL REVIEW

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.

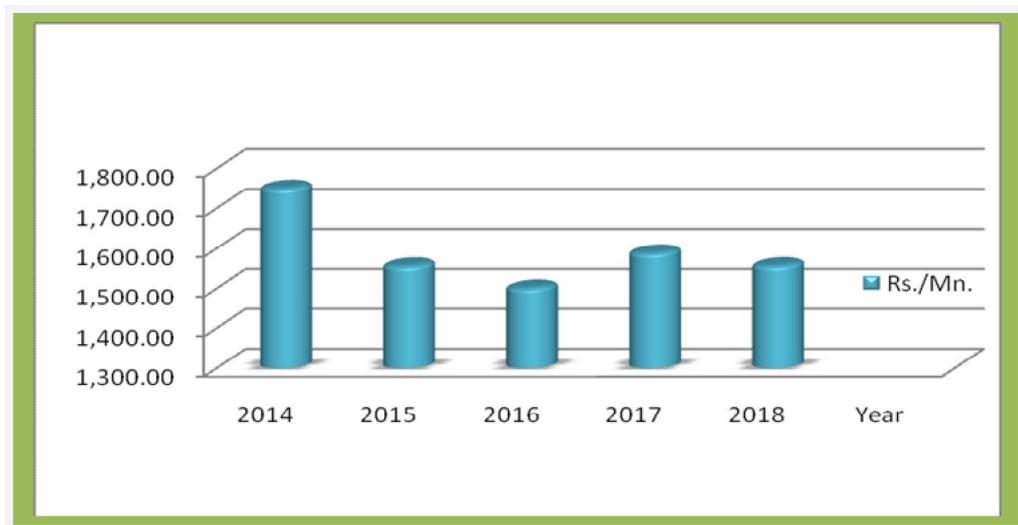
Performance of the Corporation

Corporation recorded a turnover of Rs. 2,878 Mn. in the year 2018 compared to the previous year's turnover of Rs. 2,348 Mn. The 23% increase of the revenue is an aggregate of 27% increase in Construction and 10% increase in concrete yards. Corporation earned a pre tax Net Profit of Rs. 18.5 Mn. in the year 2018. It is an increase over the previous year pre tax Net Profit of Rs. 12.2 Mn.

An Overview of Profit and Gross Profit to Turnover

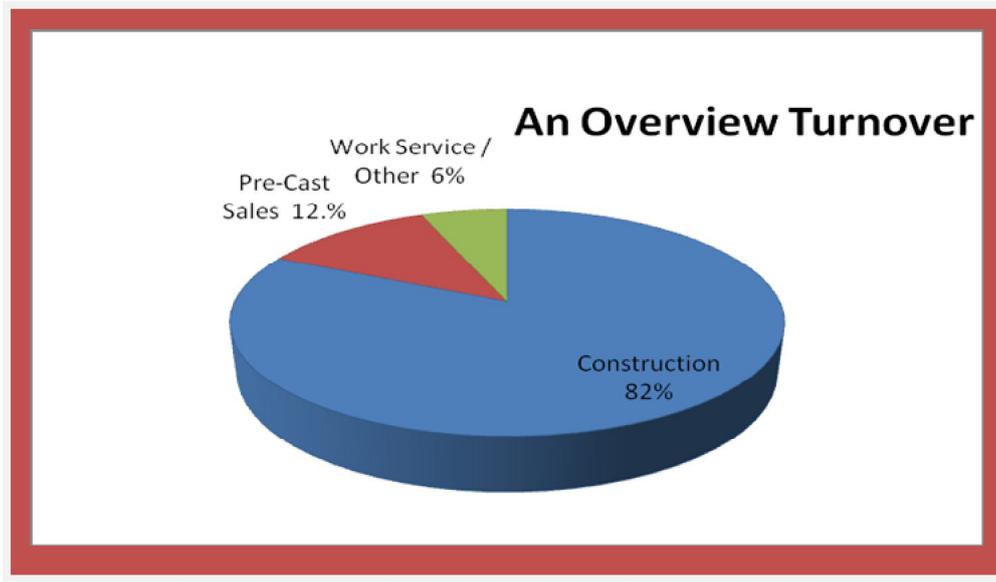


Net Assets





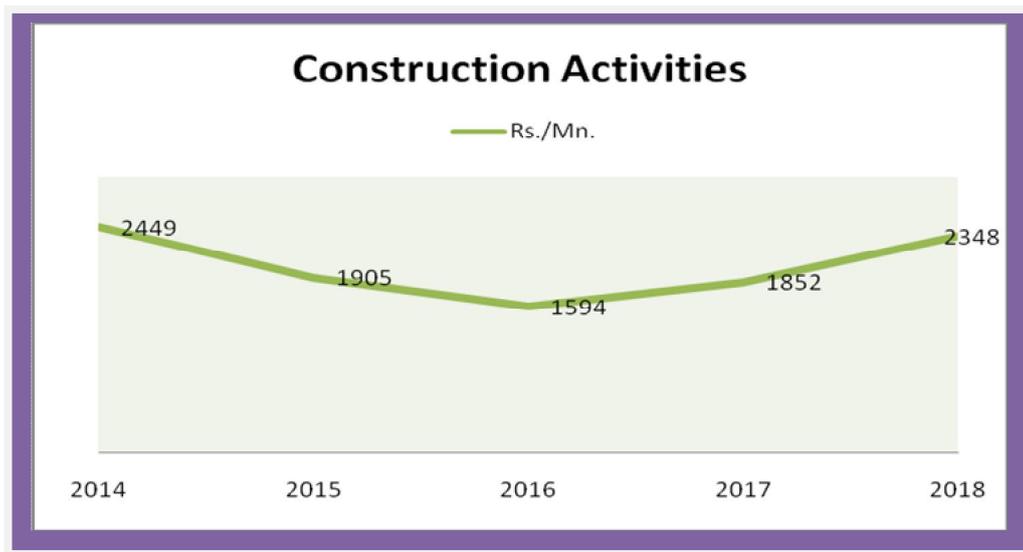
Sectorial Performance



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



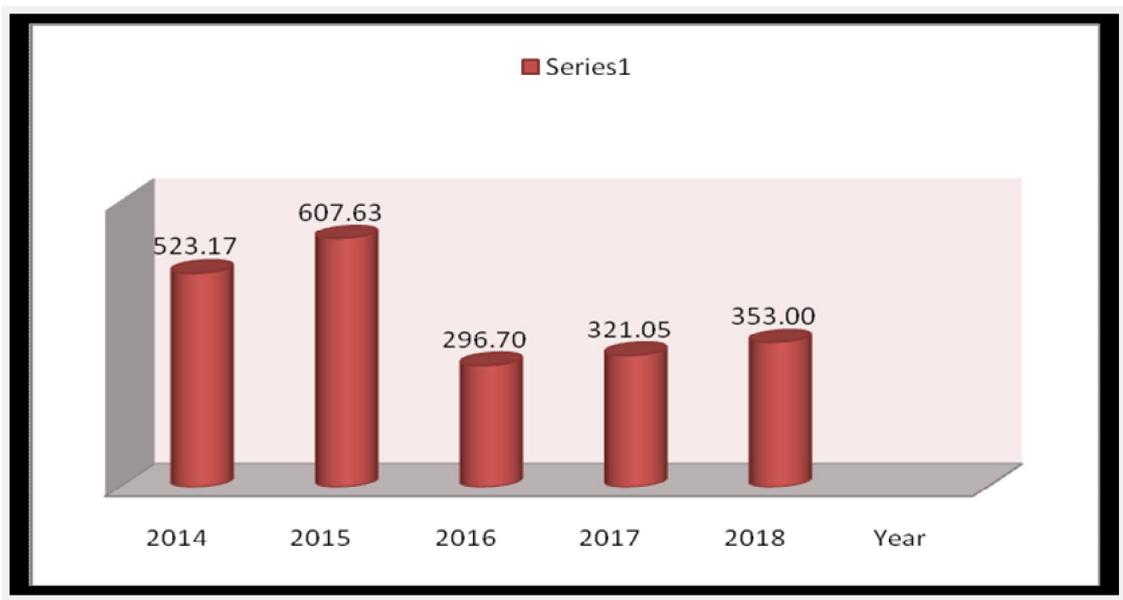
The value of recognized income on projects during the year under review has increased from Rs. 1,852 Mn. in 2017 to Rs. 2,348 Mn. in 2018. Construction Division has made 82% contribution to the total turnover of the Corporation. This division has made a pretax Net Profit of Rs. 218 Mn. during the year 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. 353 Mn. during the year under review compared to the previous year turnover of Rs. 321 Mn. and contributed to 12% of the total turnover of the Corporation. This division has made a pretax profit of Rs. 15.9 Mn.

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.175.0 Mn. and compared to the previous year turnover of Rs.118.0 Mn. The contribution of work services and others to the turnover of the Corporation in year 2018 is 6%.



SUMMARY OF THE PROGRESS OF ONGOING PROJECTS AS AT 31 st DECEMBER 2018					
Pro. code	Project	Client	Total Estimate Cost	Progress as at 31 st December 2018	
				Income (Rs. Mn.)	Physical %
Bridges					
1000	Dismantling old Steel Bridge at Muwagama & Installing at Thanakolawatta..	RDA	40.00	28.30	82%
1112	Reconstruction of Samagiwatta bridge across Moragoda Ela on Dangedara Samagiwatta road in Galle.	RDA	107.00	105.00	100%
1113	Reconstruction of bridge no. 1/1 on Batticaloa - Thirukkondiyadimadu - Trincomalee road (A015)	RDA	185.54	161.79	100%
1140	Kahaduawatta Bridge across Moragoda Ela on Galle Baddegama Road	Ministry of Megapolis & West. Devpnt.	54.53	47.49	100%
1154	Bridge Across Diggalpuraoya under Moragahakanda kaluganga Development	NHDA		44.73	84%
1171	Construction of Bridge Across Kirindioya between Uduwila & Rubberwatta	NHDA	163.69	8.57	06%
1172	Construction of Bridge Across Urubokka oya at Keselwatta in Katuwana	NHDA	55.49	6.38	13%
1173	Construction of Bridge at Kudagammana 6 in Lunugamwehera Right Bank	NHDA	28.10	6.24	24%
1174	Construction of Bridge Across Weligaththara in Rambukwewa Division	NHDA	48.77	5.14	12%
1175	Construction of Bridge Across Weerawilara Between Muwanwewwa & weerawilara	NHDA	94.26	7.27	8%
1176	Construction of Diyabandiya Bridge Between Abayapura Division & Pannegamuwa	NHDA	99.07	7.76	09%
1177	Construction of Bridge Across Walawe river Between Bandigantota & Liyangastota	NHDA	245.71	7.88	04%
1178	Construction of Bridge Across Malalara on Ranmaduwewa Thanamalvila Road.	NHDA	90.19	3.36	40%
1179	Yaya Brdge on Walasmulla Pallekanda Road	NHDA	83.76	4.30	06%
1180	Bridge on Urubokka oya in Kumbukmulla Medagoda.	NHDA	93.94	4.17	06%
1181	Bridge Joining Thalunna & Andupelena	NHDA	93.04	4.71	06%
1182	Bridge widening in pahala beragama	NHDA	18.61	0.67	04%
1183	Design and Construction of Pedestrian Bridge across kirama oya at Batagassa	NHDA	8.79	0.53	07%
1184	Design & construction of Tharuna sewa Bridge across kirama ara in Hadugala.	NHDA	85.76	1.85	06%
1185	Design & Construction of Bridge Across Urubokka oya at Kammale Thotupola	NHDA	43.98	1.24	03%
1186	Design and Construction of Brdge Across Thundola	NHDA	39.76	2.80	08%
1187	Design & Construction of Pedestrian overhead Bridge for Tangalee Boys School	NHDA	9.10	2.24	27%



1188	Design & Construction of Bridge across Kirama oya on Angulmaduwa Aranwela Road.	NHDA	97.63	2.33	03%
1158	Bridge across Kirindi Oya between Vijithapura and Dambewelana.	National Hou. Devpt. Athoty.	116.00	46.56	79%
1160	Bridge across Kirindi Oya at Allagala.	NHDA	139.29	60.99	50%
1161	Bridge across Kirindi Oya at Modarapelessa.	NHDA	205.20	60.35	29%
1162	Bridge at Welipothewela – Godadora.	NHDA	55.33	19.54	39%
1163	Bridge across Walawe river between Thaligala and Ridiyagama.	NHDA	235.61	33.89	17%
Roads					
979-982	Kegalle District Asphalt Surfacing of Provincial Road.	District Secretary, Kegalle	3900 (Approx.)	3.86	52%
1095	Construction of 650m long new road closed to Talaimannar Pier.	Railways Department	17.02	17.10	88%
1141	Polgahawela Kegalle Road (4+760 - 6+815Km)	RDA	63.70	58.63	100%
1149	Landslide Disaster Protection Project (LDDP) of the National Road Network - Package 01	RDA	2.828.54	1386.72	48%
Buildings					
1088	Karamatiya Weekly Fair	District Secretary, Hambantota	44.70	13.14	35%
1097	Bus Stand at Walasmulla.	-DO-	36.00	68.29	95%
1098	Rehabilitation of Negombo General Hospital.	Ministry of Health and Indigenous Medicine	500.00	584.17	97%
1108	Ward complex for Divisional Hospital at Laggala Town Centre under Moragahakanda & Kaluganga Development Project.	MASL	164.11	236.82	100%
1115	Renovation of Cardiology Unit National Hospital of Sri Lanka.	Ministry of Health and Indigenous Medicine	62.40	167.86	100%
1121	Proposed buildings for Medical ward & operation theatres at Chilaw district General Hospital.	-DO-	94.56	48.46	54%
1123	Design and Construction of completion of commercial building at Meerigama.	Ministry of Megapolis & Western Development	76.67	46.96	61%
1098	Rehabilitation of Negombo General Hospital	Ministry of Health and Indigenous Medicine	500.00	584.17	97%
1097	Bus stand at Walasmulla	District Secretary, Hambantota	36.00	68.29	95%
1111	Rehabilitation of Madiriya Intake and work at Bandarapura Treatment plant civil works.	NWS&DB	34.46	30.61	100%



1130	Design and Construction of proposed Bus Stand (stage II) Part I at Horana	Ministry of Megapolis & Western Development	51.60	59.00	100%
1132	Construction of Auditorium at Polonnaruwa.	District Secretary, Polonnaruwa.	106.10	116.10	100%
1134	Design & Construction of Bulathsinhala Fair.	Ministry of Megapolis & Western Development	57.47	55.47	100%
1142	General Hospital at Polonnaruwa.	Ministry of Health, Nutrition & Indigenous Medicine	152.81	106.94	75%
1151	CEB Training Centre, Piliyandala.	CEB	17.02	19.28	100%
1153	Pedestrian Underpass in front of the Bus stand, Kuliypitiya.	RDA	41.34	33.72	43%
1153	Pedestrian Underpass in front of the Hospital Kuliypitiya.	RDA	47.79	33.72	44%
Water Supply & Irrigation & Hydro Power					
1109	Construction of Delkanda Ela	SL Land Rec. & Develp. Corporation.	30.95	31.96	100%
1111	Rehabilitation of Madiriya Intake and balance work at Bandarapura treatment plant civil works.	NWS&DB	34.46	30.61	100%
1119	Implementation of proposed works to upgrade Tissamaharama Water supply scheme.	Ministry of City Plann. & Water Supply	393.00	64.44	62%
1120	Remedial works of Moogamma Tank in Mahaweli system "C"	MASL	55.73	50.34	100%
1135	Improvements to Kynsey Road Drain.	Ministry of Defence & Ur. Development	195.16	181.38	100%
1136	Madiwela East Diversion Scheme - Stage 1	-DO-	228.66	207.88	100%
1156	Tunnel in left Bank Main Canal of Kaluganga Reservoir Project	NWS&DB		40.91	66%
1164	Polpitiya Tunnel	NWS&DB	19.60	29.46	100%
1167	Godakoggalla Water Supply Scheme – Stage II	NWS&DB	42.36	5.38	18%
Miscellaneous (Others)					
01. Projects					
1139	Jetty Facility for Galle Fishery Harbour.	Ministry of Fisheries & Aquatic Reso' Development	79.87	57.55	72%



1143	Land Clearing, Fence Construction & Internal Gravel Road Construction in Australian Zone at Safari Park - Hambantota.	Department of National Zoological Gardens	51.86	51.87	100%
1152	Construction of closed conduits in Uma Oya Dam Stream Development Project.	NWS&DB	44.45	14.95	34%
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	



Delkanda Ela



Allagala



Polonnaruwa Auditorium



Horana



Polonnaruwa Hospital





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 2018 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 2018.

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	2013	2014	2015	2016	2017	2018
Civil Engineers	44	40	47	56	73	73
Mechanical & Electrical Engineers	12	10	10	09	09	08
Senior Managers	03	03	03	03	03	03
Accountants	08	07	05	08	08	08
Other Staff Officers	16	14	16	17	19	18
Construction Superintendents (Civil/ Mechanical / Electrical)	26	23	24	28	28	22
Draftsman / Quantity Surveyor	02	02	04	04	03	03
Security Staff	29	35	39	43	56	52
Clerical & Allied Grades	86	90	91	105	107	105
Supervisory & Other Skill Grades	311	299	313	310	348	337
Total	537	523	552	583	654	629



AUDIT COMMITTEE REPORT

REPORT OF THE AUDIT COMMITTEE – 2018

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 2018, three (03) Audit Committee meetings were held. In the year 2018, the Committee

1. Paid attention for the preparation and presentation of Annual Reports for the years 2014, 2015 and 2016.
2. 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.
3. 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.
4. Paid attention for the Auditor General's Interim Reports Issued in 2018 and reviewed follow up actions for rectifying accounting deficiencies and non - compliance of rules mentioned therein.
5. Reviewed the Auditor General's Final report 2017 and made follow up action for rectifying accounting deficiencies and non-compliance of rules mentioned therein.
6. Paid attention to ensure that all relevant rules and regulations and circulars issued by the government are complied with.
7. Reviewed the follow up actions taken by the respective Manager /Officer on the recommendations of the Committee.
8. Reviewed the financial statements 2017 to ensure to compliance with Sri Lanka Accounting Standards(SLFRS/LKAS)
9. Paid attention for the preparation and presentation of Action Plan 2019.



10. Paid attention for the preparation and presentation of Annual Budget 2019.
11. Paid attention for the preparation and presentation of Corporate Plan 2018.
12. Paid attention for the implementation & COPE decisions.

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

Audit Committee Members.

- Mr. G.A. AjithPriyantha - Chairman/Board Director/Treasury Representative (up to 2nd Meeting held on 08th June 2018)
- Ms. H.D.R.Sujeewani - Chairman/Board Director/Treasury Representative (From 3rd Meeting held on 17th October 2018)
- Mr. NandanaMalkumara - Member/Board Director
- Eng. Y.M.I.Bandara - Member/Board Director

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 2019, 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.

Dr. Rajeev Herath Meewakkala
CHAIRMAN



10 YEARS PERFORMANCE SUMMARY.

Description	2009 (Rs.)	2010 (Rs.)	2011 (Rs.)	2012 (Rs.)	2013 (Rs.)	2014 (Rs.)	2015 (Rs.)	2016 (Rs.)	2017 (Rs.)	2018 (Rs.)
1.Turnover	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	2,878,188,260
2. Operating Expenses	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	2,695,978,650
3.Gross Profit	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	182,209,610
4.Other Income	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	192,102,685
5.Admin. Expenses	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	199,602,006
6.Other Expenses	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	23,395,705
7.Financial Expenses	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	144,776,454
8. Net Profit before Taxation	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	18,523,726
9.Total Assets	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	6,148,278,911
10.Net Assets	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	1,555,932,204
11.ROCE - %	11.1	5.5	7.2	3.6	5.89	6.85	3.5	6.71	6.43	5.41
12.Return on Assets	3.86	0.92	1.18	1.29	1.99	2.57	1.19	0.51	2.35	2.46
13.Gross Profit Ratio - %	23	13	10.77	3.19	3.54	6.7	9.71	12.70	7.38	6.33
14.Net Profit Ratio - %	7	1.34	1.64	1.86	2.73	3.2	2.0	1.1	0.52	0.64
15.Current Ratio - Times	1:47	1:30	1:10	1:20	1:06	1:02	1:04	1:04	1:1	1:4



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

CEN/C/SDCC/01/2018/16

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

05 December 2019

Chairman
State Development and Construction Corporation

Report of the Auditor General on the Financial Statements and other legal and regulatory requirement of the State Development and Construction Corporation for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Development and Construction Corporation (“the Corporation”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and *Finance Act No. 38 of 1971*. My comments and observations which I consider should be published with the annual report of the Corporation in terms of Section 12 of the National Audit Act, appear in this report. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2018, and of its financial





performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a) **LKAS 01 – Presentation of Financial Statements:**

Credit balances of Debtors amounting to Rs.39,388,893 had been offset against the debit balances of such accounts while debit balances of Mobilization advances and Creditors totaling to Rs.521,242,734 had been offset against the credit balances of such accounts as at 31 December 2018 contrary to the provision in *LKAS 1 – Presentation of financial statements*. Hence, current assets and current liabilities had been understated by Rs.39,388,893 and Rs.521,242,743 respectively.

(b) Fully depreciated assets approximately costing to Rs.17,844,731 are being continuously used by the Cooperation without reassessing the useful economic lifetime of those assets and accounted them accordingly as per the provisions in Section 51 of *LKAS 16 – Property, Plant and Equipment*.

(c) According to the assessment notices received up to 2015 from Department of Inland Revenue (IRD) sums of Rs.338,733,800 and Rs.115,003,889 were shown as payable balance of Value Added Tax (VAT) and surcharges on VAT respectively as at the end of the year under review. However, provision for surcharges on VAT had not been made in the financial statements of 2018.

(d) An unexplained difference of Rs.4,728,291 was observed between the Value Added Tax payable balance shown in the financial statements for the year under review and the corresponding amounts shown in the detailed schedules presented for audit by the Corporation.



- (e) Difference aggregating Rs.294,253,472 was observed between the VAT payable balance, Nation Building Tax payable balance and penalty charges thereon shown in the financial statements and the respective balance confirmed by IRD.
- (f) Difference of Rs.14,665,991 was observed between the stock balance shown in the financial statements and annual stock verification summary sheets submitted to the audit for the year under review.
- (g) According to the financial statements of the Corporation, receivable balance shown in respect of Installation of traffic light system assigned by Road Development Authority (RDA) as at 31 December 2018 was Rs.57,313,904. However, as per the confirmation received from RDA, balance was Rs.81,218,448. which shows a difference of Rs.23,904,544.
- (h) According to section 02 of the Economic Service Charges Amendment Act No.13 of 2015, Economic Service Charges (ESC) and surcharges thereon amounting to Rs.45,009,460 and Rs.13,654,032 respectively had not been paid or brought to the financial statements for the year 2018.
- (i) Evidences such as, detail schedules, age analysis, etc with regard to the following items of accounts to the total value of Rs.113,315,382 were not made available for audit. Detail are shown below.

Item of Account	Value	Evidence not made available
	Rs.	
(i) VAT balances carried forward	11,362,032	Schedules and age analysis since 2013
VAT payable balances	29,568,451	Schedules and age analysis
(ii) Loan balance of Construction Guarantee Fund	20,800,000	Loan Agreement
(iii) Refundable deposits	2,043,712	Age analysis



(iv) Purchase Advance (Peliyagoda)	21,484,694	Age Analysis
(v) Sundry Advances	12,757,451	Age Analysis
(vi) Sub contract Advances	15,299,042	Age Analysis

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

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

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

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

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



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

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



• Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

The National Audit Act No, 19 of 2018 include specific provisions for following requirements.

- Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018
- The Financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No, 19 of 2018.



- The Financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act No, 19 of 2018.

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

- to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to Laws/Directions

Description

Financial Regulations of the
Government of the Democratic
Socialist Republic of Sri Lanka

(i) Financial Regulation 396

Action had not been taken in respect of 04
unrealized cheques valued at Rs.846,280 for over
seven years and two unrepresented cheques valued at
Rs.212,527 for over one year.



(ii) Financial Regulation 156(b) The officer at all time be responsible for the proper use of any property issued to him. However, the fixed assets valued at Rs.98 million used for road projects at Kegalle area had remained idle at sites since 2016.

(c) Paragraph 5.1.3 at of Public Enterprises Updated Corporate Plan approved by the Board Circular No.PED/12 of 02 June 2003 together with the updated Annual Budget had not on Public Enterprises Guidelines for been forwarded to the Line Ministry, Department of Good Governance. of Public Enterprises and the Auditor General as requested.

- to state that the corporation has not performed according to its powers, functions and duties as per the requirement of section 12(g) of the National Audit Act, No.19 of 2018.
- to state that the resources of the corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12(h) of the National Audit Act, No. 19 of 2018.

3. Other Audit Observations

a. Accounts Receivable and Payable

- (i) Recoverability of debtor balances of Rs.22,658,412 and Rs.14,257,844 shown in the financial statements is doubt since these balances had been remain outstanding for more than 3 years and 5 years respectively as at 31 December 2018. Further provision for impairment had not been made in the financial statements for the year under review.



- (ii) The advances received totaling to Rs.11,939,738 in respect of supply of concrete products shown in the financial statements had remained over 05 years as at 31 December 2018 without being settled.
- (iii) Mobilization advances received amounting to Rs.15,523,744 with regard to 11 completed construction projects and suspended projects had remained in the accounts as at 31 December 2018 without been settled. The possibility for settlement of these advances is in doubt.
- (iv) The retention receivable with related to the completed and abundant projects amounting to Rs.111,390,740 and Rs.131,651,672 were outstanding between 3 to 5 years and over five years respectively and the recoverability of such balances are in doubt.
- (v) Liquidated damages receivable from subcontractors amounting to Rs.31,088,182 and Rs.57,230,998 shown in the financial statement of 2018 had remained outstanding for the period of 4 to 6 years and over 6 years as at 31 December 2018. But, Cooperation had not taken action to recover those receivable balances.
- (vi) Outstanding loan balance of Rs.20,800,000 had been shown in the financial statements of 2018 from Construction Guarantee Fund. In addition to that, payable interest balance of Rs.99,127,060 shown in the financial statements of 2018 relating to the above loan balance. Action had not been taken to settle the outstanding balances.
- (vii) The advance payment made to the suppliers amounting to Rs.903, 070 had remained over 05 years without taking any action to recover even up to 31 December 2018.



b. Utilization of funds

A Loan amounting to Rs.1, 000 million had been obtained from the Bank of Ceylon during the year under review. An amount of Rs.432 million out of this loan had been utilized for the settlement of overdraft balance and Rs.273 million had been spent to pay salaries of the employees of the Corporation . In addition to that Rs.284 million was utilized for the operation of concrete yards and construction project works. Even though the corporation had expected cash inflow amounting to Rs.584 million from the aforesaid concrete yards and construction projects, the actual income received was only Rs.123 million during the year under review.

c. Personnel Management

- (i) The approved cadre of the Corporation as at 31 December 2018 was 489 while the actual cadre was 628. Accordingly, this shows an excess recruitment of 139 employees to the Corporation to the various positions.
- (ii) The Corporation had recruited employees on contract basis from time to time including the officers of senior management. Two senior management personnel were recruited on contract basis during the year under review, and it had considerable affect to the performance of the Corporation. Further, 84 vacancies in approved cadre had remained vacant as at 31 December 2018.
- (iii) 737 sub contract labours had been employed at the end of the year under review and a sum of Rs.232,789,955 had been paid as salaries for the said labours during the year 2018.

d. Operating inefficiencies

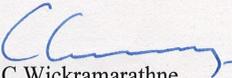
- (i) According to the revenue recognition statement of the corporation, 15 projects had incurred losses amounting to Rs.176,424,600 during the year 2018.



- (ii) It was observed that, the actual financial progress of the 07 Bridges, 06 roads, 07 buildings, 03 water and Electricity projects and 01 other project's progress was below 50 per cent comparing with the targeted financial progress as at the end of the year 2018.
- (iii) It was observed that the actual physical progress was below 50 per cent compared with the targeted physical progress in respect of 04 Bridges, 05 Roads, 07 building, 05 water supply and irrigation projects and 01 other project as at the end of the year 2018. Further two road projects had shown no any progress during the year under review.
- (iv) Pre cast concrete production orders received from outside parties valued at Rs.10,587,000 and internal orders valued of Rs.19,883,000 for the period from 2017 to 2018 had not been supplied on due dates. It was further observed that the above orders were not supplied even up to date of audit on August 2019.

(e) Corporate Plan and Action Plan

According to the Public Finance circular No. PFD/RED/01/04/2014/01 of 12 February 2014, the Corporate Plan for the period covering 2018 – 2021 and action plan for the year under review had not been prepared.


W.P.C. Wickramaratne
Auditor General

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2018	2017
Revenue	01	2,878,188,260	2,348,272,403
Cost Of Sales	02	(2,695,978,650)	(2,175,009,845)
Gross Profit / (Loss)		182,209,610	173,262,558
Other Income	03	192,102,685	171,592,907
Profit / (Loss) Before Operating Expenses		374,312,295	344,855,465
Administrative Expenses	04	(199,602,006)	(197,056,502)
Distribution Costs	05	-	-
Other Expenses	06	(23,395,705)	(27,828,652)
Results From Operating Activities		151,314,583	119,970,312
Financial Income	07	11,985,598	10,881,009
Financial Expenses	07	(144,776,454)	(118,644,663)
Profit Before Tax		18,523,726	12,206,658
Tax Expenses	08	20,969,674	13,182,175
Profit From Continuing Operations		39,493,400	25,388,833
Profit/(Loss) From Discontinued Operation Net Of Tax		-	-
Profit For The Year		39,493,400	25,388,833
Other Comprehensive Income			
Defined Benefit Plan Actuarial Gains (Losses)	19.01	3,742,730	5,541,247
Tax On Other Comprehensive Income		(1,047,964)	(1,551,549)
Other Comprehensive Income Net of Tax		2,694,765	3,989,698
Total Comprehensive Income		42,188,166	29,378,531

The Significant Accounting Policies and Notes on pages 44 to 74 form an integral part of these Financial Statements.

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

2018

2017

(All Amounts Are In Sri Lanka Rupees)

Note

ASSETS

Non - Current Assets

Property, Plant & Equipment	09	1,237,026,547	1,302,611,788
Investments In Government Owned Companies	10	5,735,038	8,541,524
Deferred Tax Assets	12	212,279,090	214,244,937
Total Non Current Assets		1,455,040,675	1,525,398,250

Current Assets

Inventories	13	306,093,752	298,995,116
Other Investments, Including Derivatives	11	72,792,766	67,526,650
Income Tax Assets	14	69,828,810	67,913,148
Trade & Other Receivables	15	3,857,682,274	2,999,095,069
Cash & Cash Equivalents	16	386,840,635	151,917,768
Total Current Assets		4,693,238,236	3,585,447,752

Total Assets

6,148,278,911 **5,110,846,002**

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		454,413,701	524,183,174
Revaluation Reserve		763,088,808	763,088,808
Retained Earnings		263,988,285	225,998,416
Total Equity		1,555,932,204	1,587,711,809

Non - Current Liabilities

Lease Creditors	17	-	12,033,333
Loans & Borrowings	18	1,019,374,483	20,800,000
Retirement Benefit Obligation	19	67,106,942	67,810,446
Deferred Tax Liabilities	12	154,804,191	176,691,748
Total Non Current Liabilities		1,241,285,616	277,335,527

Current Liabilities

Trade & Other Payables	20	2,861,489,603	2,318,135,887
Loans & Borrowings	18	126,225,517	-
Lease Creditors	17	12,033,333	19,487,500
Bank Overdrafts	21	351,312,638	908,175,280
Total Current Liabilities		3,351,061,091	3,245,798,666

Total Equity & Liabilities

6,148,278,911 **5,110,846,002**

Chief Financial Officer..

30th May 2019



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

Chairman.....

30th May 2019



Director

30th May 2019



General Manager....

30th May 2019



The Significant Accounting Policies and Notes on pages 44 to 74 form an integral part of these Financial Statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2018
(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 2017	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 31st December 2017	16,671,651	51,140,000	6,629,760	763,088,808	524,183,174	225,998,416	1,587,711,809
Prior year adjustments	-	-	-	-	-	-	-
Balance As At 31st December 2017 (Restated)	16,671,651	51,140,000	6,629,760	763,088,808	524,183,174	225,998,416	1,587,711,809
Adjustments						(4,198,297)	(4,198,297)
profit For The Year						39,493,400	39,493,400
Government Grant					(69,769,473)		(69,769,473)
Other Comprehensive Income						2,694,765	2,694,765
Balance As At 31st December 2018	16,671,651	51,140,000	6,629,760	763,088,808	454,413,701	263,988,285	1,555,932,205

The Significant Accounting Policies and Notes on pages 44 to 74 form an integral part of these Financial Statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER

2018

2017

(All Amounts Are In Sri Lanka Rupees)

Note

Cash Flow From Operating Activities

Profit / (Loss) Before Tax	18,523,726	12,206,658
Adjustments For ;		
Depreciation	105,199,371	106,776,808
Staff Pre Paid Cost		
Prior Year Adjustment	3,136,767	(14,200,000)
Provision For Defined Benefit Plan	10,060,108	10,152,855
(Gain)/Loss On Disposal Of Property, Plant & Equipment	(511,887)	(1,831,037)
(Gain)/Loss On Translation Of Foreign Currency Loans		
Impairment Loss On Trade & Other Receivables	21,952,670	26,602,192
Interest In Suspense	-	-
Finance Expenses	144,776,454	118,644,663
Deferred Income	(89,269,473)	(88,484,131)
Provision for Slow & Non Moving Stock	(2,915,957)	(2,047,898)
Finance Income	(11,985,598)	(10,881,009)
Operating Profit / (Loss) Before Working Capital Changes	198,966,183	156,939,101
(Increase) / Decrease In Inventory	(9,260,938)	7,936,848
(Increase) / Decrease In Trade & Other Receivables	(820,449,725)	(376,955,200)
(Increase) / Decrease In Purchases & Sub Contract Advances	(36,734,241)	(72,235,755)
Increase / (Decrease) In Loans & Advances	174,297,407	133,816,868
Increase / (Decrease) In Trade & Other Payables	325,043,171	189,921,778
Cash Generated From / (Used In) Operations	(168,138,143)	39,423,640
Finance Cost Paid	(123,684,317)	(126,667,407)
Gratuity Paid	(7,020,882)	(3,720,110)
Tax Paid	(1,915,662)	(885,170)
Net Cash Flow From / (Used In) Operating Activities	(300,759,004)	(91,849,046)
Cash Flows From / (Used In) Investing Activities		
Acquisition Of Property, Plant & Equipment	(20,976,568)	22,815,236
Proceeds From Disposal Of Property, Plant & Equipment	1,494,386	2,447,480
Investment in Fixed Deposits	(5,266,115)	(4,931,067)
Finance Income Received	11,980,310	10,760,334
Net Cash Flow From / (Used In) Investing Activities	(12,767,988)	31,091,983
Cash Flows From / (Used In) Financing Activities		
Repayment Of Loans & Borrowings	(15,200,000)	-
Proceeds From Borrowings	1,140,000,000	-
Repayment Of Finance Leases	(19,487,500)	(7,454,167)
Net Cash Flow From / (Used In) Financing Activities	1,105,312,500	(7,454,167)
Net Increase / (Decrease) In Cash & Cash Equivalents	791,785,508	(68,211,230)
Cash & Cash Equivalents At The Beginning Of The Year	(756,257,511)	(688,046,282)
Cash & Cash Equivalents At The End Of The Year	35,527,997	(756,257,512)

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The Significant Accounting Policies and Notes on pages 44 to 74 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 **629**.

1.5 Date of Authorization for Issue

The Financial Statements were authorised for issue by the Board of Directors on **25th May 2019**.

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

2018

2017

(All Amounts Are In Sri Lanka Rupees)

Note

NOTE 01 - REVENUE

Construction Income		2,348,144,548	1,852,645,554
External Sales - Concrete Products		306,631,181	289,790,958
Internal Sales - Concrete Products		46,961,555	31,266,900
Work Services		175,416,117	118,069,943
Asphalt External Sales		-	6,034,139
Asphalt Internal Sales		-	41,565,349
Metal Products		1,034,859.00	8,899,560
Total		2,878,188,260	2,348,272,403

NOTE 02 - COST OF SALES

Operating Expenses

Employee Benefits	04.01	689,010,068	676,073,334
Cement		58,610,230	75,722,124
Sand		29,382,465	39,624,062
Metal		42,138,926	66,760,883
Steel		135,572,706	112,490,700
Timber		9,196,420	10,274,800
Fuel & Lubricants		90,572,607	73,025,092
Explosive & Blasting Materials		3,009,616	399,374
Rady Mix Concrete		47,208,852	26,057,967
Concrete Products		43,337,946	36,038,298
Machinery & Vehicle Spare Parts		21,514,927	20,899,908
Stationery Consumption		2,421,237	1,930,639
Tar Consumption		12,341,491	74,287,967
Electrical Spare Parts Consumption		65,751,307	64,519,354
Pipes & Drainages Items Consumption		4,785,072	7,539,061
Other Stocks		167,349,558	176,193,042
Landslide Capital Item Expenditure		(3,101)	82,404,832
Earth Gravel		7,928,893	13,677,456
Hire Charges		124,729,053	101,247,073
Transport Charges (Material)		3,581,899	7,933,056
Transport Charges (Others)		11,597,586	12,728,866
Storage Charges		68,000	51,600
Vehicle Insurance		1,716,884	1,836,026
Stores Insurance		-	202,539
Depreciation On Plant, Machinery & Equipment		83,246,139	83,665,496
Depreciation On Motor Vehicles		10,960,847	10,960,847
Depreciation On Computers, Accessories & Software		534,311	511,011
Repairs & Maintenance -Plant, Machinery & Equipment		2,195,374	1,924,828
Repairs & Maintenance - Vehicles (Work Shop)		1,542,160	1,006,428
Repairs & Maintenance -Plant, Machinery & Equipment (Transport)		1,181,256	790,938
Repairs & Maintenance -Plant, Machinery & Equipment (Other)		697,217	369,869

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

FOR THE YEAR ENDED 31ST DECEMBER

2018

2017

(All Amounts Are In Sri Lanka Rupees)

Note

Operating Expenses (Contd...)

Registration & Licence Fees	632,087	1,011,525
Sub Contracts	921,432,540	257,469,051
Discounts	188,925	288,512
Liquidation Damages	13,165,225	8,319,009
Fines	-	1,010
Assignments	8,756,600	8,168,842
Charges For Bonds	13,186,379	41,063,338
Telephone - Sites	3,962,371	7,042,598
Postage & Telex - Sites	13,530	27,219
Printing & Stationery - Sites	1,006,776	777,702
Travelling - Sites	8,030,828	7,614,161
Entertainment	3,363,209	2,565,460
Stamp Fees - Sites	3,870	6,697
Rent - Sites	22,746,473	22,005,980
Electricity - Sites	6,902,827	4,955,350
Computer	46,630	353,600
Water - Sites	2,116,626	2,490,652
Tender Fees -Sites	69,243	84,850
Security Expences - Sites	-	2,500
Welfare & Recreation - Sites	105,340	47,620
Insurance - Sites	2,682,833	8,843,519
Insurance All Risk Policy - Sites	6,170,385	10,153,861
Newspapers & Periodicals - Sites	109,315	89,620
Sundry - Sites	12,254,785	10,288,006
Consultancy & Professional Fees	1,380,094	1,823,648
CIGFL	287,079	3,031,229
Building Repairs -Sites	35,235	21,125
Service Charges - Sites	1,871,711	1,635,290
Testing Charges -Sites	10,252,205	3,687,717
Advertisements	121,450	112,300
Repairs & Maintanance - Office Equipment	68,767	53,732
Rates & Taxes	11,417	138,202
Impairment provision for Slow & Non Moving Stock	(2,915,957)	(2,047,898)
Labour charges -Material	-	2,145
Personal Accident Insurance	1,128,793	1,617,896
Sub Total	2,711,367,539	2,184,893,535
Add - Opening Stock	153,507,196	143,841,783
Less - Closing Stock	(168,896,086)	(153,725,473)
Cost Of Sales	2,695,978,650	2,175,009,845

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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2018	2017
NOTE 03 - OTHER INCOME			
Transport Hire Charges		25,170,897	17,031,040
Metal & Rubble Sale		3,234,733	3,468,433
Deferred Income		89,269,473	88,484,131
Machinery Hire Charges		36,000	-
Consultancy Fee		11,898,831	36,373,292
Sundry Income		4,395,884	7,853,541
Insurance Receivable		2,710,387	1,937,595
Income On House Rent (Head Office)		15,735,300	14,414,000
Miscellaneous		669,284	99,900
Foreing Exchange Gain\Loss		38,470,008	99,938
Profit On Disposal Of Property, Plant & Equipment		511,887	1,831,037
Total		192,102,685	171,592,907

NOTE 04 - ADMINISTRATIVE EXPENSES

Employee Benefits	04.01	147,917,217	138,811,772
Corporate Social Responsibility		-	54,890
Telephone		1,773,611	2,282,000
Postage & Telex		85,660	97,485
Printing & Stationery		60,130	21,850
Travelling & Subsistence		1,445,599	1,518,215
Entertainment		610,086	571,411
Advertising		834,055	331,500
Legal Charges		127,416	1,783,000
Rate & Taxes		2,944,869	-
Electricity		4,112,554	4,124,355
Computer Expenses		480,151	207,451
Depreciation - Land & Buildings		6,401,190	6,395,198
Depreciation - Furniture & Fixture, Office & Welfare		766,443	676,993
Depreciation - Computer Accessories & Software		356,207	340,674
Depreciation - Other Assets		2,934,235	4,226,588
Water		729,292	639,826
Non Refundable Tender Fees		449,500	1,008,350
Service Charges		1,822,903	1,651,615
Sundry Expenses		2,277,550	2,152,425
Consultancy & Professional Fees		436,650	880,000
Welfare & Recreation Expenses		107,500	113,000
Repairs & Maintenance - Land & Buildings		24,999	974,170
Repairs & Maintenance - Other Assets		819,471	609,734
Insurance Contractors All Risk Policy		1,874,053	6,256,290

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

FOR THE YEAR ENDED 31ST DECEMBER

2018

2017

(All Amounts Are In Sri Lanka Rupees)

Note

Administration Expenses (Contd...)

Death Donation	100,000	-
Newspapers & Periodicals	203,780	46,260
Vehicle Repair HO	-	76,877
Timber Consumption	1,600	2,000
Fuel Consumption	577,705	4,510,548
Spare Parts	1,361,762	7,930
Stationery	2,284,687	2,415,775
Electrical Items Consumption	56,861	30,790
Water Supply Items	15,778	79,909
Other Stocks Consumption	846,300	361,595
Sub Contract Labour	4,669,157	5,251,114
Repairs - Light Vehicles	5,791,671	1,271,751
Registration & Licence Fees	155,939	144,539
Bond Charges - Head Office	886,206	2,752,624
Assignment - Head Office	2,598,390	3,213,544
Training & Development - Head Office	305,925	212,350
Subscription	4,905	
Vehicle Allowance (Executive)	350,000	950,000
External Hire - Head Office		100
Total	199,602,006	197,056,502

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

FOR THE YEAR ENDED 31ST DECEMBER

2018

2017

(All Amounts Are In Sri Lanka Rupees)

Note

NOTE 04 . 01 - EMPLOYEE BENEFIT EXPENSES

Operating Expenses

Work Services		2,181,467	5,590,820
Salaries & Wages -Permanent		173,699,033	178,312,689
Overtimes -Permanent		53,389,830	49,759,173
Employees' Provident Fund - Permanent Staff		16,079,088	15,335,699
Employees' Trust Fund -Permanent Staff		4,019,772	3,833,925
Salaries & Wages -Casual Staff		25,192,076	17,872,121
Overtime -Casual staff		5,745,457	3,936,590
Employees' Provident Fund -Casual Staff		2,049,135	1,406,558
Employees' Trust Fund -Casual Staff		512,284	351,640
Sub Contract Labour		285,868,364	298,292,026
Special Allowances		824,750	1,439,750
Workmen Compensation		18,767	11,396
Encashment Of Leave		1,205,916	708,917
Bonus Payment		5,586,031	3,181,250
Incentive Payments		734,170	-
Professional Subscription		12,236	
Risk Allowances		-	427,380
Salaries - Contract		77,999,128	69,840,901
Overtime - Contract		25,439,202	19,027,532
Employees' Provident Fund - Contract		6,762,689	5,395,973
Employees' Trust Fund - Contract		1,690,672	1,348,993

Sub Total

689,010,068

676,073,334

Administrative Expenses

Defined Benefit Pension Cost	19.01	10,060,108	10,152,855
Directors Fees		1,363,500	1,550,800
Chairman's Remuneration		1,036,666	1,129,670
Salaries & Wages		103,521,273	97,210,302
Overtime		16,732,133	14,236,195
Employees' Provident Fund		9,663,666	8,476,796
Employees' Trust Fund		2,415,916	2,119,199
Professional Subscription		383,056	50,812
Special Allowance		5,850	2,700
E.T.F. Surcharges		93,987	
Workmen Compensation		-	32,974
Bonus Payment		1,990,292	3,873,118
Incentive Payments		650,769	7,438
Pay As You Earn (PAYE) Tax		-	(31,089)

Sub Total

147,917,217

138,811,772

Total Employee Benefit Expenses

836,927,285

814,885,105

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

FOR THE YEAR ENDED 31ST DECEMBER

2018

2017

(All Amounts Are In Sri Lanka Rupees)

Note

NOTE 05 - DISTRIBUTION EXPENSES

Business Promotion

-

-

Total

-

-

NOTE 06 - OTHER EXPENSES

Impairment Loss On Trade Receivables

21,952,670

26,602,192

Bank Charges

1,443,035

1,226,459

Total

23,395,705

27,828,652

NOTE 07 - FINANCIAL INCOME & FINANCIAL EXPENSES

Financial Income

Interest Income On Available-For-Sale Financial Assets

4,712,771

3,658,785

Interest Income On Held - To - Maturity Investments

6,945,940

6,904,777

Interest Income On Loans & Receivables

326,887

317,447

Total Finance Income Recognized In Profit Or Loss

11,985,598

10,881,009

Financial Expenses

Interest On Bank Overdrafts

74,515,721

111,625,714

Interest Expense on Financial Liabilities Measured At Amortized Cost

67,502,784

5,616,000

Lease Interest

2,509,532

959,919

Other Financial Expenses

248,417

443,029

Total Financial Expenses Recognized In Profit Or Loss

144,776,454

118,644,663

NOTE 08 - TAX EXPENSES

Current Tax Expense

Current Tax On Profits For The Year

-

11,036,358

Adjustment For Under Provision In Prior Periods

-

3,893,550

Total Current Tax

-

14,929,908

Deferred Tax Expense

Change In Recognized Taxable Temporary Differences

(20,969,674)

(28,112,082)

Change In Recognized Deductible Temporary Differences 12

Total Tax Expenses On Continuing Operations

(20,969,674)

(13,182,175)

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER 2018

(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 As at 1st January 2017		635,312,513	127,742,956	40,006,757	-	954,571,491	194,510,704	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 As 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
Additions		19,500,000	247,173	708,708	1,018,310	5,835,414	-	8,300,596	35,610,201
Disposals		-	-	(14,700)	-	(9,869,366)	(2,305,744)	-	(12,189,810)
Adjustment		-	-	-	-	-	-	-	-
Balance As at 31st December 2018		654,812,513	128,249,980	25,691,088	18,089,164	950,293,600	191,710,349	92,829,047	2,061,675,742

796,433,634

Accumulated Depreciation

Description	Note	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance As at 1st January 2017		-	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 As 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
Depreciation charge for the year		-	6,401,190	766,443	890,518	83,246,139	10,960,847	2,934,235	105,199,371
Disposals		-	-	(13,965)	-	(8,988,374)	(2,265,003)	-	(11,267,342)
Adjustment		-	-	-	-	(60,030)	-	-	(60,030)
Balance As at 31st December 2018		-	76,879,588	20,827,897	12,343,088	485,877,512	174,058,244	68,034,007	838,020,336

Balance As 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

Balance As at 31st December 2018 654,812,513 51,370,392 4,863,191 5,746,076 464,416,088 17,652,105 24,795,040 1,223,655,406

(Contd....)

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

AS AT 31ST DECEMBER 2018

(All amounts are in Sri Lanka Rupees)

NOTE 09.01 - CAPITAL WORKING PROGRESS

Description	CONSTRUCTION OF WELFARE BUILDING AT H/O 001	GRANTY RUNNER BASE (CY 52)	New Beam Bed (CY 812)	CONSTRUCTION OF LAMP POST BED - C/Y 052	CONCRETE MIXING PLANT (CM 38) - C/Y 812	Upgrade building of construction (HO 001)	WATER FILTER HUT - C/Y 812	CONSTRUCTION OF NEW ROOM AT QUARTERS - C/Y 053	CONSTRUCTION OF ASPHALT PLANT - C/Y 053	CONSTRUCTION OF LAMP POST BED C/Y 812	Total
Cost											
Balance As at 1 st January 2018	-	2,330,019	4,285,519	-	124,285	1,764,952	133,272	-	-	-	8,504,774
Additions	742,823	-	1,521,472	419,412	396,562	-	73,930	35,154	824,776	852,239	4,866,367
Transfers to Building	-	-	-	-	-	-	-	-	-	-	-
Projects cancelled	-	-	-	-	-	-	-	-	-	-	-
Total	742,823	2,330,019	5,806,991	419,412	520,846	1,764,952	207,202	35,154	824,776	852,239	13,371,141
Accumulated Depreciation											
Depreciation 1st January 2018	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-	-	-	-	-	-
Depreciation for Transfers	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-
Balance As at 31st December 2018	742,822.89	2,330,019	5,806,991	419,412	520,846	1,764,952	207,202	35,154	824,776	852,239	13,371,141

Carrying Amounts

Capital Work in Progress

Land

Buildings

Office Equipment

Computers, Accessories & Software

Plant & Machineries

Motor Vehicles

Other Assets

Total

At 31st December 2017

At 31st December 2018

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
13,371,141	654,812,513	51,370,392	4,863,191	5,746,076	464,416,088	17,652,105	24,795,040	1,237,026,547

(Contd...)

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

AS AT 31ST DECEMBER 2018

(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	Block	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

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note

2018

2017

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	(3,475,702)	(669,216)
Total	5,735,038	8,541,524

NOTE 11 - OTHER INVESTMENTS

Non - Current Investments

Total - -

Current Investments

Fixed Deposits 72,792,766 67,526,650

Total 72,792,766 67,526,650

Total Investment 72,792,766 67,526,650

NOTE 12 - DEFERRED TAX ASSETS & LIABILITIES

At The Beginning Of The Year 37,553,189 10,992,656

Transfer To / (From) Income Statements 19,921,710 26,560,533

At The End Of The Year 12.01 **57,474,899** **37,553,189**

NOTE 12.01 - DEFERRED TAX ASSETS / LIABILITIES

Deferred Tax Liability

Capital Allowances For Tax Purpose 154,804,191 176,691,748

Retirement Benefit Obligation - -

Total 154,804,191 176,691,748

Deferred Tax Assets

Capital Allowances For Tax Purpose 212,279,090 214,244,937

Retirement Benefit Obligation - -

Total 212,279,090 214,244,937

Net Tax Assets / (Liabilities) 57,474,899 37,553,189

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2018	2017
NOTE 13 - INVENTORIES			
Cement		1,295,207	1,417,135
Sand		552,723	2,475,404
Metal		1,713,795	1,663,696
Steel		23,638,403	16,385,797
Timber		952,000	486,320
Fuel & Lubricants		2,439,118	2,282,970
Explosive & Blasting Materials		816,068	313,362
Concrete Items		17,022,240	9,463,208
Vehicle Spare Parts		18,385,031	17,384,388
Stationery		901,728	907,907
Tar		471,796	470,893
Electrical Goods		12,777,928	16,801,671
Pipes & Drainage Items		2,729,506	2,444,622
Other Stock Items		62,184,177	60,670,193
Earth Gravel Stock		452,800	90,833
Fabrication		10,153,450	8,500,950
Finished Goods - Concrete Items		168,252,620	152,524,211
Finished Goods - Metal Products		861,743	1,201,262
Stock Adjustments		(14,665,991)	9,093,164
		310,934,340	304,577,988
Provision for Slow & Non Moving stock		(4,840,588)	(5,582,871)
Total		306,093,752	298,995,116
NOTE 14 - INCOME TAX ASSETS			
Economic Service Charge		16,205,264	16,205,264
With Holding Tax On Projects		128,336,127	128,336,127
With Holding Tax On Interest		6,708,522	6,708,522
With Holding Tax On Rent		1,212,235	
		152,462,149	151,249,914
Provision For Tax		(82,633,339)	(83,336,766)
Total		69,828,810	67,913,148
NOTE 15 - TRADE & OTHER RECEIVABLES			
Trade Debtors	15.01	3,010,331,851	2,251,937,434
Retention	15.02	597,735,910	523,991,294
Sundry Debtors	15.03	24,331,859	34,621,362
Loans & Advances	15.04	10,538,103	7,652,930
Advances On Purchases & Sub Contracts	15.05	194,734,654	162,023,640
Other Advances & Deposits	15.06	20,009,897	18,868,410
Total		3,857,682,274	2,999,095,069
Non Current Trade & Other Receivables			
Current Trade & Other Receivables		3,857,682,274	2,999,095,069
Total		3,857,682,274	2,999,095,069

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note	2018	2017
NOTE 15.01 - TRADE DEBTORS		
Construction Debtors	253,710,932	188,148,399
Concrete Yard Debtors	74,151,940	71,369,957
Traffic Light System Debtors	107,729,489	93,260,075
Asphalt Debtors	1,622,511	54,600
Provision for Doubtful Debtors	(117,614,137)	(123,956,380)
Dues From Customers	2,844,791,869	2,232,000,756
Dues to Customers	(135,285,165)	(181,422,712)
	3,029,107,439	2,279,454,696
Unfavourable Debtor Balances	(18,775,589)	(27,517,262)
Total	3,010,331,851	2,251,937,434
NOTE 15.02 - RETENTION		
Retention - Construction	558,075,230	503,047,861
Provision for Retention - Construction	(79,287,932)	(73,750,023)
Liquidated Damages Receivables	191,536,220	157,934,872
Provision for Liquidated Damages Receivables	(72,587,608)	(63,241,415)
Total	597,735,910	523,991,294
NOTE 15.03 - SUNDRY DEBTORS		
Security Deposits Of Employees	891,658	862,060
Interest Receivable	1,447,985	1,442,697
VAT Suspense	335,524	
Rent receivable	-	-
NBT Payment	(38,081)	42,401
NBT Suspense	24,892	
Ready Mixed Debtors (Devcoshowa)	34,802,842	34,802,842
Provision For Doubtful Sundry Debtors	(13,132,962)	(2,528,636.53)
Total	24,331,859	34,621,362
NOTE 15.04 - LOANS AND ADVANCES		
Prepaid Cost On Distress Loans	528,340	528,340
Salaries & Wages Advances	1,859,480	(37,620)
Festival Advances	882,837	869,637
Travelling Advances	583,544	380,495
Distress Loans	4,518,516	4,560,781
Bicycle Loan	5,000	5,000
House Rent -Dayata Kirula Katupotha	120,000	70,000
Wages Advance - Casual	13,933	18,933
Contract Employees Salary Advances	1,994,692	1,308,600
Medical Insurance	31,761	(51,235)
Total	10,538,103	7,652,930
NOTE 15.05 - ADVANCES ON PURCHASES & SUB CONTRACTS		
Letter Of Credit Margin Account	105,389,883	74,995,446
Purchase Advances - Head Office	328,529	496,509
Purchase Advances - Sites	30,153,199	33,693,303
Purchase Advances - Construction	7,851,433	7,851,433
Purchase Advances - Concrete Yard	1,463,444	509,789
Sundry Advances	12,759,431	7,688,424
MPCS Polonnaruwa	5,000	5,000
Purchase Advances - Peliyagoda (CE)	21,484,694	21,484,694
Sub Contract Advances	15,299,042	15,299,042
Total	194,734,654	162,023,640

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2018	2017
		Note
NOTE 15.06 - OTHER ADVANCES AND DEPOSITS		
Tender Deposits (Refundable)	199,875	199,875
Other Deposit	1,759,458	1,819,458
Fuel Deposit -Amithirigala 992	2,400,000	2,400,000
Telephone Deposits	8,000	8,000
Electricity Board Deposits	1,933,774	1,860,700
Deposit-Construction Project	240,000	-
Fuel Deposits - Dehiwala	-	200,000
Fuel Deposits -Galoya	-	200,000
Fuel Deposits -Kottawa	-	100,000
Water Deposit	585,661	535,661
Fuel Deposit - Weeragantota	90,000	90,000
Fuel Deposit - Rattanapitiya	-	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	5,624,355	3,395,000
Fuel Deposit - Mawanella Aranayake Road	400,000	400,000
Fuel Deposit - Klegalle -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	-	-
Fuel Deposit - Pannegamuwa Weekly fair	50,000	50,000
Fuel Deposit - Moragahakanda - Amban	-	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 - 980	400,000	400,000
Fuel Deposit - Walasmulla	-	-
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	250,000
Fuel Deposit - Road close to Talaimannar	400,000	400,000
Fuel Deposit - Bopitiya Quarry Crusher -	405,000	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	11,534	200,000
Fuel Deposit - Muwagama	50,000	50,000
Total	20,009,897	18,868,410

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2018	2017
		Note
Note 16 Cash At Bank		
Bank Of Ceylon - 80524651.	178,606,421	
Bank Of Ceylon - 82786425	1,331,284	
Bank Of Ceylon - 82786331	1,394,559	
Sampath Bank 001860000985 -(985)	226,924	
Bank Of Ceylon - 682972		2,860,540
Bank Of Ceylon - -9826701	20,563	20,563
Bank Of Ceylon Giriulla - Bopitiya 3441284	433,300	433,300
Sampath Bank - 1860000365	7,659,456	
Margin Account - Sampath Bank	2,516,759	2,966,759
Bank Of Ceylon Peradeniya - 1274460	38,148	38,148
Sampath Bank - 1860000195 (195)		19,627
People's Bank - Ratmalana - 080100381101178 (38)	36,687	813,918
People's Bank - Ratmalana -08010047110178		263,887
People's Bank - Ratmalana 91101178	179,053	
Bank Of Ceylon - 0080490546 (546)	38,798,195	8,526,804
Bank Transfer HO	41,478,024	19,248,821
Saving Deposits	112,990,136	116,028,219
Sub Total	385,709,510	151,220,587
Cash In Hand - Petty Cash		
Rathmalana - Petty Cash	(40,096)	64,904
Construction Division	1,068,530	533,387
Peradeniya Sales Centre	3,801	
Haputale	50,000	50,000
Hildamahhal Housing scheme	47,062	47,062
Walasmulla Bus stand	(2)	(2)
Peliyagoda -Petty Cash	965	965
K' galle -980	865	865
Sub Total	1,131,125	697,181
Total	386,840,635	151,917,768
Investments With Short Maturity		
Unfavourable Cash & Cash Equivalents	(351,312,638)	(908,175,280)
Total Cash & Cash Equivalents for the purpose of Cash Flow Statement	35,527,997	(756,257,512)

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2018	2017
NOTE 17 - LEASE CREDITORS			
Balance As At The Beginning Of The Year		31,520,833	-
Obtained During The Year		-	38,975,000
		31,520,833	38,975,000
Repaid During the Year		(19,487,500)	(7,454,167)
		12,033,333	31,520,833
Interest In Suspense		-	-
Net		12,033,333	31,520,833
Lease Creditors Due Within One Year		12,033,333	19,487,500
Lease Creditors Due After One Year		-	12,033,333
Total Lease Creditors		12,033,333	31,520,833
NOTE 18 - LOANS & BORROWINGS			
Balance As At The Beginning Of The Year		20,800,000	20,800,000
Borrowings During The Year		1,140,000,000	-
Total		1,160,800,000	20,800,000
Repaid During The Year		15,200,000	-
Net		1,145,600,000	20,800,000
Repayable Within One Year		126,225,517	-
Repayable After One Year		1,019,374,483	20,800,000
Total Loans & Borrowings		1,145,600,000	20,800,000
NOTE 19 - RETIREMENT BENEFIT OBLIGATIONS			
Balance As At The Beginning Of The Year		67,810,445	66,918,947
Charges To / (Reverse From) Income Statement	19.01	6,317,379	4,611,608
Payments Made During The Year		(7,020,882)	(3,720,110)
Balance As At End Of The Year		67,106,942	67,810,446
NOTE 19.01 - PROVISION MADE DURING THE YEAR			
Interest Cost		6,805,331	6,858,595
Current Service Costs		3,254,777	3,294,260
Net Actuarial (Gain) / Loss Recognized Immediately		(3,742,730)	(5,541,247)
Total		6,317,379	4,611,608
NOTE 20 - TRADE & OTHER PAYABLES			
Trade Payables	20.01	352,419,825	271,634,587
Value Added Tax	20.02	829,709,095	718,537,739
Sundry Payables	20.03	769,684,141	594,174,992
Employee Benefit Payables	20.04	29,699,065	30,178,365
Refundable Advances & Retentions	20.05	879,051,822	702,714,102
Refundable Deposits	20.06	925,655	896,101
Total		2,861,489,603	2,318,135,887
Current Trade & Other Payables		2,861,489,603	2,318,135,887
Total		2,861,489,603	2,318,135,887

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2018	2017
		Note
NOTE 20 . 01 - TRADE PAYABLES		
Creditors - Head Office	63,616,158	71,654,094
Creditors - Sites	163,102,990	199,306,478
Creditor - Landslide Project	94,202,065	(47,816,869)
ESC Control AC	4,389,947	4,389,947
Nation Building Tax	5,364,199	6,094,126
Nation Building Tax Receivable	103,334	57,124
Payment Received Material - Sites	21,727,375	38,035,931
Advances Control Account	(86,244)	(86,244)
Total	352,419,825	271,634,587
NOTE 20 . 02 - VALUE ADDED TAX		
Value Added Tax Receivable	(990,090)	(157,982)
Value Added Tax Payable	(29,568,451)	(29,563,152)
Value Added Tax Control Account	860,267,636	748,258,873
Total	829,709,095	718,537,739
NOTE 20 . 03 - SUNDRY PAYABLES		
Accrued Expenses	650,188,896	495,726,834
Auditor General	2,825,200	2,825,200
Refundable Deposits	2,043,712	2,088,762
Interest On Cgf 100Mn Loan Payable	99,127,060	93,511,060
Interest On Loan Payable	15,439,839	-
Penalty On Loan Payable	36,299	-
Janashakthi Insurance	22,955	22,955
Refundable Loan	180	180
Total	769,684,141	594,174,992
NOTE 20 . 04 - EMPLOYEE BENEFIT PAYABLES		
Net Salaries & Wages	7,049,563	6,967,483
Casual Wages Control Account	3,329,696	3,786,650
Cash Abatements -Control Account	3,317,240	4,658,319
PAYE payable	-	9,000
Employees' Provident Fund	5,097,901	4,696,028
Employees' Trust Fund	1,127,607	1,072,263
Contract Employees - Salaries	7,722,017	6,902,026
Medical Insurance	447,303	512,879
Unpaid Bonus	6,000	6,000
Unpaid Salaries & Wages	1,472,315	1,438,293
Unpaid Salaries & Wages - Advances	129,424	129,424
Total	29,699,065	30,178,365
NOTE 20 . 05 - REFUNDABLE ADVANCES & RETENTIONS		
Mobilization Advances From Clients	789,706,072	606,111,501
Mobilization Advances Debit Balance	(3,301,132)	(5,801,279)
Advances Against Orders -Concrete Yards	92,509,992	102,266,990
Advances Against Orders -Asphalt Plant	136,890	136,890
Total	879,051,822	702,714,102
NOTE 20 . 06 - REFUNDABLE DEPOSITS		
Security Deposits - Employees	925,655	896,101
Total	925,655	896,101

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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2018	2017
NOTE 21 - BANK OVERDRAFTS			
Bank Of Ceylon - 82410946		795,669	
Bank Of Ceylon - 75416320		1,196,664	421,279,607
Bank Of Ceylon - 682972		2,021,662	-
Bank Of Ceylon - 683116 (657)		96,950,366	109,119,991
Bank Of Ceylon - 683114 (657)		1,859,351	31,706,987
Bank Of Ceylon - 0610213103		91,008,123	91,151,412
Bank Of Ceylon - 6510876		21,776	78,994
Sampath Bank - 1860000241		126,402,173	197,477,104
Sampath Bank - 1860000365			4,035,191
Sampath Bank - 001860000 349 -(349)		30,249,863	26,721,859
Sampath Bank - 18600001620			2,982,575
Sampath Bank 001860000985 -(985)			425,447
Peoples Bank 08010047110178		448,347	-
People's Bank - Ratmalana 91101178			22,837,467
Bank Transfer Site		358,645	358,645
Total		351,312,638	908,175,280

STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER

2018

2017

(All Amounts Are In Sri Lanka Rupees)

NOTE 22 - RELATED PARTIES

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

Devcoshowa (Pvt) Ltd. is a fully owned subsidiary of the Sate Development and Construction Corporation. However, Board of Directors independent from SD&CC had being managing the company's affairs since the year 1997. Currently, the entire operation of the Company has been closed down and in the process of liquidation.

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	2,400,166	2,680,470
Total	2,400,166	2,680,470

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)

NOTE 26 - SEGMENT INFORMATION

Segment Income and Expenses

	2018	2017
Revenue	2,348,144,548	2,348,272,403
Cost Of Sales	(2,170,026,376)	(2,175,009,845)
Other Income	57,847,401	171,592,907
Administrative Expenses	(2,825,403)	(197,056,502)
Distribution Costs	-	-
Other Expenses	(6,254,991)	(27,828,652)
Financial Income	11,985,598	10,881,009
Financial Expenses	(8,126,444)	(118,644,663)
Profit Before Tax	218,758,733	12,206,658

Segment Assets

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

Current Assets

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

Total

	2018	2017
Non - Current Assets	403,801,152	174,568,991
Property, Plant & Equipment	5,735,038	(306,994,237)
Investments In Government Owned Companies	212,279,090	80,506,952
Deferred Tax Assets	-	(3,644,901.86)
Current Assets	64,389,514	(8,975,453)
Inventories	72,792,766	10,881,009
Other Investments, Including Derivatives	17,395,435	(7,018,948)
Income Tax Assets	316,764,655	(15,665,497)
Trade & Other Receivables	158,644,054	(3,187,702)
Cash & Cash Equivalents	1,251,801,704	(111,625,714)
Total	6,148,278,911	(364,597,138)

Segment Liabilities

Non - Current Liabilities

Lease Creditors
Loans & Borrowings
Retirement Benefit Obligation
Deferred Tax Liabilities

Current Liabilities

Trade & Other Payables
Loans & Borrowings
Lease Creditors
Bank Overdrafts

Total

	2018	2017
Non - Current Liabilities	1,019,374,483	-
Lease Creditors	51,078,743	-
Loans & Borrowings	154,804,191	-
Retirement Benefit Obligation	968,326,218	968,383,162
Deferred Tax Liabilities	126,225,517	-
Current Liabilities	12,033,333	-
Trade & Other Payables	218,987,380	740,475,642
Loans & Borrowings	2,550,829,866	1,936,761,777
Lease Creditors	4,592,346,707	174,181,498
Bank Overdrafts	276,841,238	3,523,134,194
Total	6,148,278,911	5,110,846,002

Other Segment - Head office, Mechanical Section (CMC) & Other Parts Of The Corporation

Cost All location - Based on the operating cost incurred by each segment