STATE DEVELOPMENT &
CONSTRUCTION CORPORATION

ANNUAL REPORT 2022

MINISTRY OF TRANSPORT & HIGHWAYS

CONTENTS

STATE DEVELOPMENT & CONSTRUCTION CORPORATION

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

SD&CC has been undertaking Construction of Bridges, Roads & Highways, Dams, Irrigation Structures/Schemes, Hydro Power Tunnels & Power Houses, Water Supply Schemes, Buildings & Mechanical & Electrical Projects.

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.

SD&CC further has been undertaking supply, installation & maintenance of Traffic Light Systems & Street Lights covering the island.

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	:		Extraordinary Gazette No. 14.951/4 dated 1971.03.29
● Governed By	:		Industrial Corporation Act. No. 49 of 1957
● Incorporated Date	:		1971.10.01
● Registered Office	:		No.7, Borupana Road, Ratmalana. Tel. 0112 607560
● Concrete Yards	:	i.	Ratmalana Concrete Yard Tel. 0112 - 632786
		ii.	Bopitiya Concrete Yard Tel. 037-2288415
		iii.	Weragantota Concrete Yard. Tel. 055-2257101
		iv	Medawachchiya Concrete Yard Tel.No. 025-3899916
		v.	Lunugamwehera Concrete Yard, Tel No. 047-3144880
● Circuit Banglows		i.	Peradeniya Tel No. 081-2387056 , 011 2607560
		ii.	Madawachchiya Tel No. 025-3899916
● Auditors	:	Auditor General's Department	
● Bankers	:	Bank of Ceylon People's 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

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(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 by maintaining a reasonable profit.

(10) To achieve a sustainable turnover growth.

(11) To identify and systematically manage risk.

CHAIRMAN'S MASSAGE

I am pleased to present the Annual Report of State Development & Construction Corporation for the financial year ended December 31, 2022.

During year 2022, Sri Lanka economy contracted by 7.8% in real terms, while the construction sector experienced a year–on-year contraction of 20.09% due to the intensified economic headwinds.

Acute fuel and raw material shortage, accelerated inflation, vulnerability of Sri Lankan rupee against US dollar causing negative effect on imported raw material resulting in input cost escalation, significant upward revisions in major utility prices, import restriction due to foreign exchange liquidity shortage, lack of supplier credit caused lacklustre performance in the construction industry. Overdue payments on completed government funded projects, suspension of government funded projects, high interest rate environment curtailing private investments caused challenges during the year unlike any other.

Despite being one of the most challenging periods we have experienced in the recent past, our sheer determination saw SDCC moving forward venturing into new avenues utilizing its existing resources. Notwithstanding this downturn in the construction industry SD&CC was able to achieve a revenue of Rs. 2.5 billion, compared to Rs. 4.2 billion in year 2021. SD&CC made a net profit of Rs. 27 million arising mainly from the reduction in revenue as well as increase in cost of sales. Being a state owned enterprise, we adhere and comply with all regulatory requirements, while efforts were taken to enhance governance and accountability issues through setting strong controls and monitoring mechanisms that are continually assessed for improvement with Board directions.

The Government, its Ministries and Departments continue to remain the main clients of SD&CC while SD&CC intends to move from its traditional business of constructing bridges and roads to manufacturing of pre-cast products, fabricating steel structures, repair and maintenance work of vehicles, adopting to new market conditions. I believe SD&CC has the capacity and resources to move forward overcoming challenges.

In conclusion, I wish to express my gratitude to Hon. Minister of Transport and Highways and Secretary, Ministry of Transport and Highways, for their valuable guidance and support in steering this organization. I wish to thank the Board of Directors for their valuable insight. Special thanks to General Manager for his support and contribution, senior management for their dedication and above all our staff who are our greatest asset.

S.M.K.

Eng. Kushan Devinda
Chairman

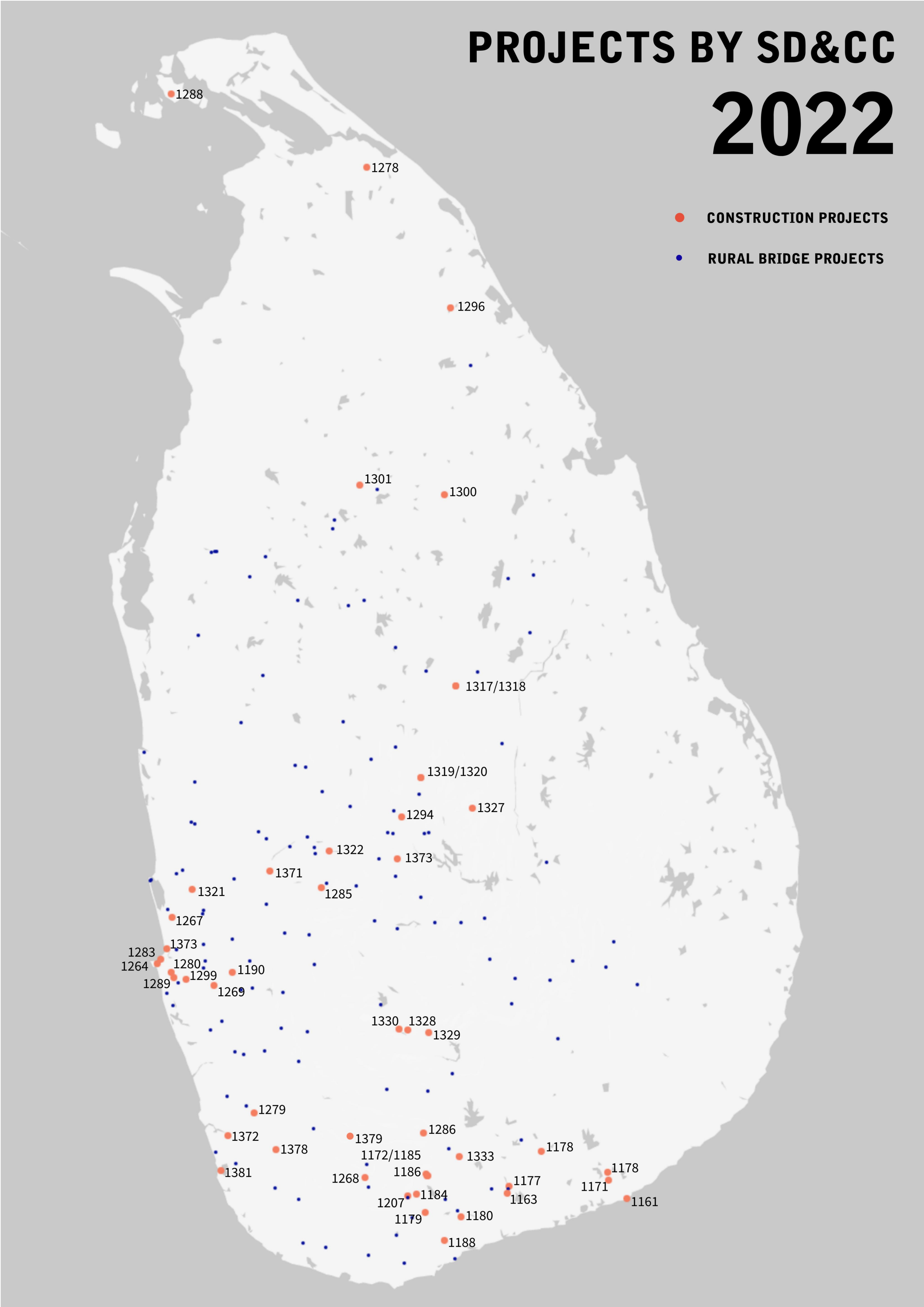
BOARD OF DIRECTORS & SENIOR STAFF MEMBERS

BOARD OF DIRECTORS

1.	Eng. S. M. Kushan Devinda	Chairman
2.	Prof. P. B. Ranjith Dissanayake	Director
3.	Dr. Sunil P. Liyanarachchi	Director
4.	Mrs. K. K. G. Chandrika	Director
5.	Mr. Kushan Y. Wegodapola	Director
6.	Mr. Dinusha Kornkaduwa	Director
7.	Ms. W. A. N. Thushari	Treasury Representative

SENIOR STAFF MEMBERS

1.	Eng. D.S.D.D.C. Rajasinghe	General Manager
2.	Eng. W.A.D.R. Shantha Kumara	Deputy General Manager (Construction)
3.	Eng. D.A.P. Damayanthi	Deputy General Manager (PMU)
4.	Eng. E.D.N. Ranjith	Actg. Deputy General Manager (Mechanical)
5.	Eng. U. R. Hemajith	Actg. Deputy General Manager (DP&P)
6.	Ms. Jayani Mayadunne	Deputy General Manager (Finance)
7.	Mrs. C. N. Bogahawatte - LLB	Act. Senior Manager (HR & Admin)
8.	Mr. R.A.K. Nishantha	Chief Internal Auditor
9.	Mr. Asanka Mohan	Supply Manager


PROJECTS BY SD&CC
2022
CONSTRUCTION PROJECTS
RURAL BRIDGE PROJECTS
1288
1278
1296
1301
1300
1317/1318
1319/1320
1327
1294
1322
1373
1371
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1172/1185
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1268
1177
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1207
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1161
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1180
1188

PROJECTS LIST - 2022

1121 Proposed buildings for Medical Ward and Operation Theatres at Chilaw District General Hospital
1161 Bridge across Kirindi Oya at Modarapelessa
1163 Bridge across Walawe River between Thaligala and Ridiyagama
1171 Bridge across Kirindi Oya between Uduwila & Rubberwatta
1172 Bridge across Urubokka Oya at Keselwatta in Katuwana
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
1178 Bridge across Malal Ara in Ranmuduwewa Thanamalwila road
1179 Yaya Bridge on Walasmulla Pallekanda Road
1180 Bridge on Urubokka Oya in Kumbukmulla Medagoda
1181 Bridge joining Thalunna and Andupelena
1184 Design & Construction of Tharuna Sewa Bridge across Kirama Ara in Handugala
1190 Rectification of Foundation and replacement of bearings at bridge no. 1/1 Hanwella - Pugoda - Wake - Urapola road
1205 Sooriyawewa Bridge
1206 Walasmulla National School Bridge
1207 Pathegama Bridge
1238 Katugasthota- Babarelal Bridge
1264 Construction of Steel Bridge across Mcculum Canal in SLPA
1265 Improvement to Giridara Junction
1266 Improvement to Katuwana Road, Rukmalpitiya, Hulankanda, Hegoda Rd.
1267 Improvements to Ja-Ela Junction - Peliyadoda/Puttalam Rd
1268 Reconstruction of Galle Deniyaya Bridge
1269 Reconstruction of Bridge No. 1/3 on Panagoda Henpita Road
1271 Rectangular Lining of Kaluganga right bank main canal
1272 Bridge No 36/6 across Ma oya in Naula - Elahera Pallegama Road
1278 Reconstruction of Bridge No. 12/1 on Paranthan - Karachchi Mullaithivu Rd.
1279 Reconstruction of Bridge No. 4/1 on Horawala-Pelawatta Pitigala Rd.
1280 Widening of Bridge No. 5/1 Kollupitiya - Sri Jayawardhanapura Rd.
1283 Widening and Improvements to Aluth mawatha
1284 Improvements to Wattala- Hekitta Rd.
1285 Rehabilitation/ Improvement of Moronthota - Arandara Road
1286 Rehabilitation/ Improvement of Embilipitiya - Panamura - Buluthota Rd
1287 Rehabilitation/ Improvement of Kandevihara Junction
1288 Rural Roads in Velanai PS - Jaffna District
1289 Connecting of New Bridge across Rajagiriya Nawala Canal
1290 Reconstruction of Bridge No. 105/2 on Colombo Ratnapura Wellawaya Road
1291 Urgent repairs to Canyon Head race Tunnel
1294 Construction of Retaining walls on Kandy Jaffna Road
1295 Removal of sediments in Tanks in Mahawali B Zone
1296 Improvement to Welioya Sampathnuwara Road
1298 Repair Work of Sirikurusa Bridge on St. Nichalas Rd, Negambo
1299 Construction of Viaduct on VVIP Access Road Defence headquarters complex
1300 Rural Roads in A'pura (P22)
1301 Rural Roads in A'pura (P23)
1317 Rehabilitation/Improvements of Dambulla-Bakamuna-Kalagahahena Road
1318 Rehabilitation/Improvements of Dambulla-Bakamuna-Kalagahahena Road
1319 Matale Ilukkumbura Laggala Road (P26)
1320 Matale Ilukkumbura Laggala Road(P27)
1321 Pansilgoda Bridge Project
1322 Rambukkana Road Project
1327 Construction of Bridge Across Heen Ganga on Hunnasgiriya Meemure Road
1336 Rural bridges in Matale District (4 Nos)
1338 Rural bridges in Nuwaraeliya District (5 Nos)
1339 Rural bridges in Ratnapura District (8 Nos)
1340 Rural bridges in Kandy District (9 Nos)
1341 Rural bridges in Anuradhapura District (8 Nos)
1342 Rural bridges in Pollonnaruwa District (4 Nos)
1343 Rural bridges in Monaragala District (5 Nos)
1344 Rural bridges in Badulla District (6 Nos)
1347 Rural bridges in Colombo District (8 Nos)
1348 Rural bridges in Gampaha District (13 Nos)
1349 Rural bridges in Kaluthara District (8 Nos)
1350 Rural bridges in Hambanthota District (8 Nos)
1351 Rural bridges in Galle District (6 Nos)
1352 Rural bridges in Matara District (6 Nos)
1353 Rural bridges in Puttalam District (5 Nos)
1354 Rural bridges in Kurunegala District (16 Nos)
1355 Rural bridges in Ampara District (5 Nos)
1356 Rural bridges in Batticloa District (3 Nos)
1357 Rural bridges in Jaffna District (2 Nos)
1358 Rural bridges in Mannar District (1 Nos)
1359 Rural bridges in Mullathiv District (1 Nos)
1360 Rural bridges in Trincomalee District (1 Nos)
1361 Rural bridges in Vavunia District (2 Nos)
1365 Rural bridges in Kilinochchi District (2 Nos
1366 Embilipitiya Water project
1370 UPVC Distribution Mains Horana - Padukka Road
1371 Construction of Viaduct No.01 Warakapola by pass road
1372 Bridge across Benthara River connecting Ittapana & Horawala Roads
1373 Construction of Gabion wall along Mahaweli river, Gatambe
1374 Improvements to Tissamahara Water supply scheme (Phase II)
1375 Tank rehabilitation - Anuradhapura District
1376 Tank rehabilitation - Pollonnaruwa District
1381 Madu Ganga Bridge
1384 Kottapitiya Bridge
1386 Steel Bridge No 1 - Hapugoda - Kalawana
1387 Steel Bridge No 2 - Hapugoda - Kalawana
1391 Kethhena Water Project

CHALLENGES FACED BY SD&CC IN 2022

In recent decades SD&CC played a vital role in transportation development in the economy by engaging large scale development projects The entire construction industry faced adverse impacts of COVID 19 and economic crisis which resulted in the following.

- Discontinuation of mutually agreed projects due to lack of funding by the government with high defensive approach towards infrastructure development project. (e.g.: Rural Bridges Project)
- Significant upward price variation of man, material and machinery due to high inflation of the economy which does not cover under previous calculations of Price escalation.
- Lack of imported materials for specific activities due to import restrictions and adverse policy decisions towards construction material imports. (e.g.: Strand wires for pre-stressed beams)
- Reduction of credit facilities granted to construction industry through banks.
- Lack of new projects due to defensive economic approach by the government.
- High maintenance cost of utilities. (high electricity cost, high water cost, high fuel price)

CONSTRUCTION OF BRIDGE AT NAWALA - ANGAMPITIYA

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 Highways, State Ministry of Rural Roads and Other Infrastructure, 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 six non-executive directors and Chairman. One non-executive director out of six 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.	**<u>Board is responsible for</u>**: • 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 Highways State Ministry of Rural Roads and Other Infrastructure. • 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 Legal officer 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 none executive independent Directors, The Board comprises an Attorney At–Lawyer, Senior Government offices, Engineers and a Treasury representative. The board believes that the combined knowledge & experience of the Board matches the strategic demands facing the Corporation.
Availability of adequate and timely management information	An organized management information system is in place. Accurate and relevant information relating to matters referred to the members of the board are made available to them well in advance. Whenever, the board finds that the information made available to them for a decision is insufficient, they call for additional information and the Chairman ensures that all Directors are properly briefed on the matters deliberated on at the meetings.
Presence of a strong and independent non executive element in the board	Majority of the Directors are non executive independent directors.
Appraisal of Board Performance	There is no specific method in operation to assess the performance of the board. Therefore, the board has the autonomy to implement a self assessment exercise covering the key functions under the following activities to assess the performance of the board where necessary. • Discharge of statutory / regulatory duties and board responsibilities. • Corporate governance and monitoring of the Management.

	• 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 stated in 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 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 29 of this Annual Report. Auditors report on the financial statements of the Corporation for the year ended December 31st 2022 is given on page 30 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	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 31.12.2022.
Corporate Governance Disclosures	
Disclosures of Corporate Governance practices adopted in the Corporation	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. 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

PERFORMANCE DURING THE YEAR 2022

This year, the COVID-19 pandemic and the economic crisis led to the imposition of movement restrictions, which disrupted both domestic and international trade and blocked supply chains. Factories were forced to operate with limited staff due to control measures, resulting in production delays. As a result, the number of available suppliers was reduced, and we faced challenges in obtaining the necessary raw materials.

In addition, the government imposed restrictions on the funds allocated to the construction sector, which caused us to halt our rural bridge road project. With the government not launching any new projects, our company did not receive any new contracts or opportunities.

Given these challenges, we focused on increasing the capacity of our concrete yards. To address the shortage of raw materials, we took steps to ensure a steady supply and also expanded our workforce. By doing so, we aimed to maintain operations and be prepared for future opportunities once the situation improved. Despite the difficulties faced, we remained committed to strengthening our corporation’s capabilities and adapting to the evolving circumstances.

In the year 2022 under the conditions mentioned above, the corporation generated 2.5 billion rupees in annual revenue. However, due to higher sales costs, the net profit was limited to 27 million rupees for the year. Despite strong revenue, increased expenses significantly impacted profitability, leading to a much lower profit than expected.

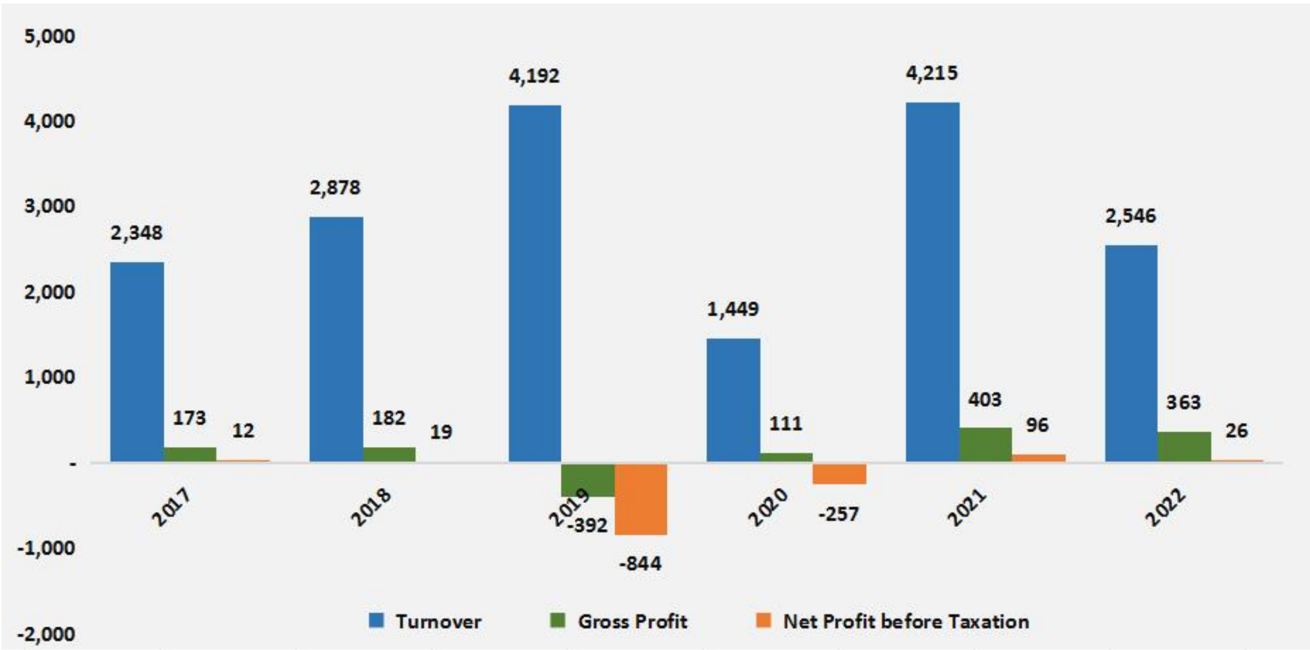
OPERATIONAL AND FINANCIAL REVIEW

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.

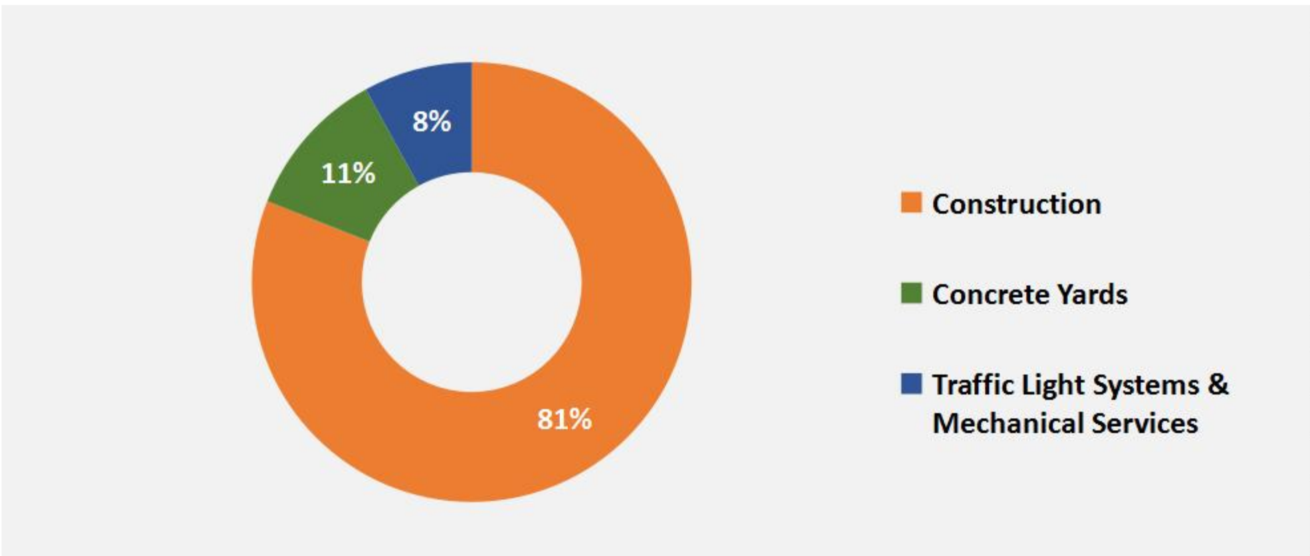
Performance of the Corporation

The Corporation recorded a turnover of Rs.2,545 million during the year 2022 compared to Rs.4,215 million recorded in the previous year. The turnover is an aggregate Contribution from 81% construction, 11% concrete yards & 8% traffic light systems & mechanical services. It shows a net profit (before tax) of Rs.26 million for the year 2022 compared to a net profit (before tax) of Rs.96 million during the year 2021.

An Overview of Turnover to Profit



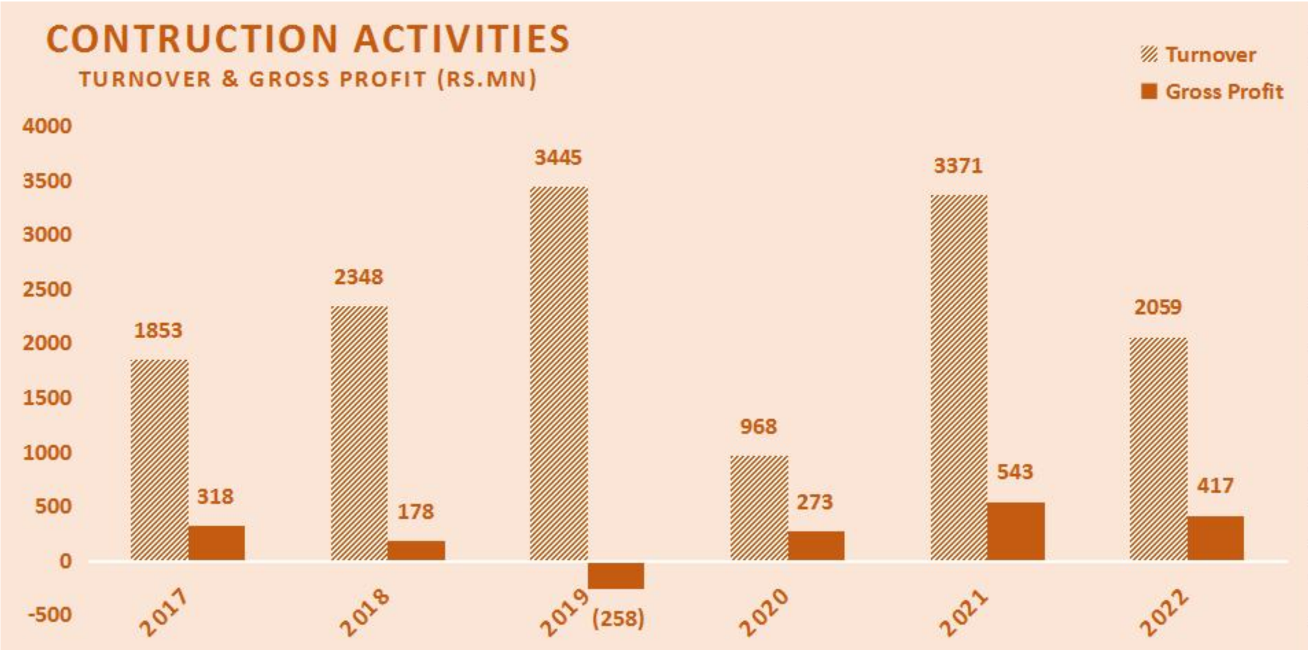
Sectorial Performance



Construction Division

The performance of the construction projects is closely monitored by the construction division through programs, resources scheduling with strict deadlines for preparation and submission of bills and certification therein.

Turnover & Gross Profit from Construction Activities



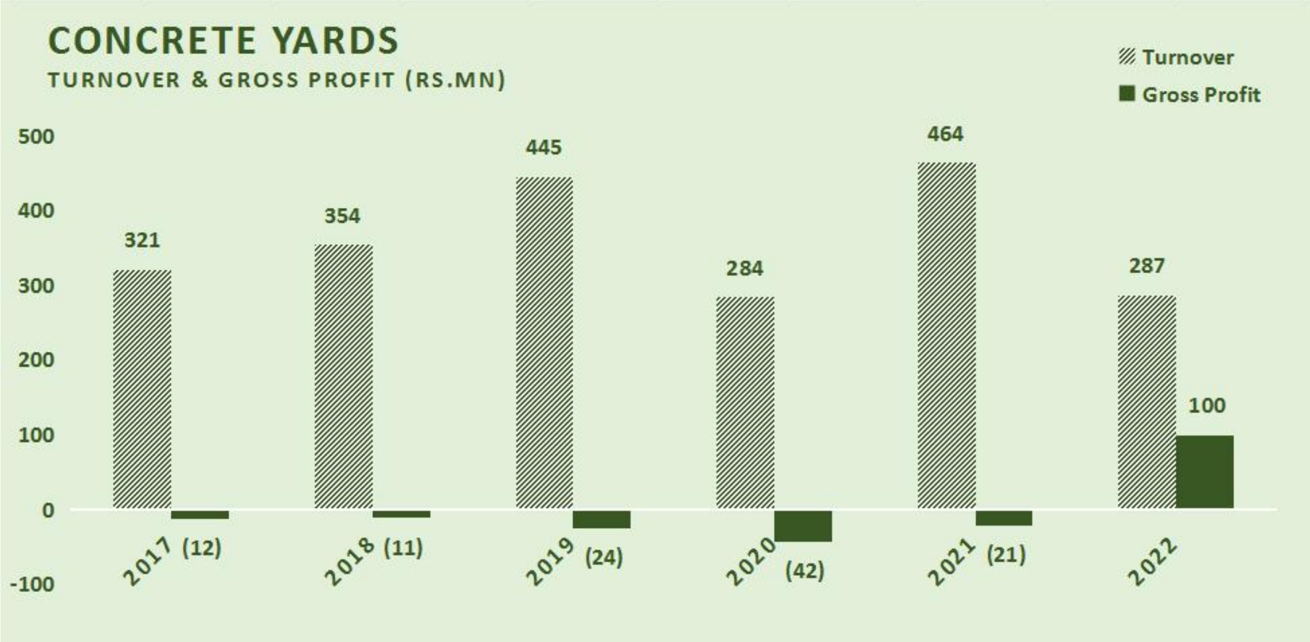
The value of recognized income on construction projects during the year under review has decreased from Rs.3371Mn. in 2021 to Rs. 2059Mn. in 2022. Construction Division has made 81% contribution to the total turnover of the Corporation. This division has made a Gross Profit of Rs. 417Mn. during the year under review.

Concrete Yards

SD&CC maintains 05 Concrete Yards at Ratmalana, Bopitiya, Weragantota, Medawachchiya & Lunugamvehera and a sales centre at Peradeniya with the satisfying heavy internal demands from construction projects, the concrete yards cater 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

The Turnover from Concrete Yards was Rs. 287Mn. during the year under review compared to the previous year turnover of Rs. 464Mn. and contributed to 11% of the total turnover of the Corporation. This division has made a Gross profit of Rs.100Mn.

Turnover & Gross Profit from Concrete Yards

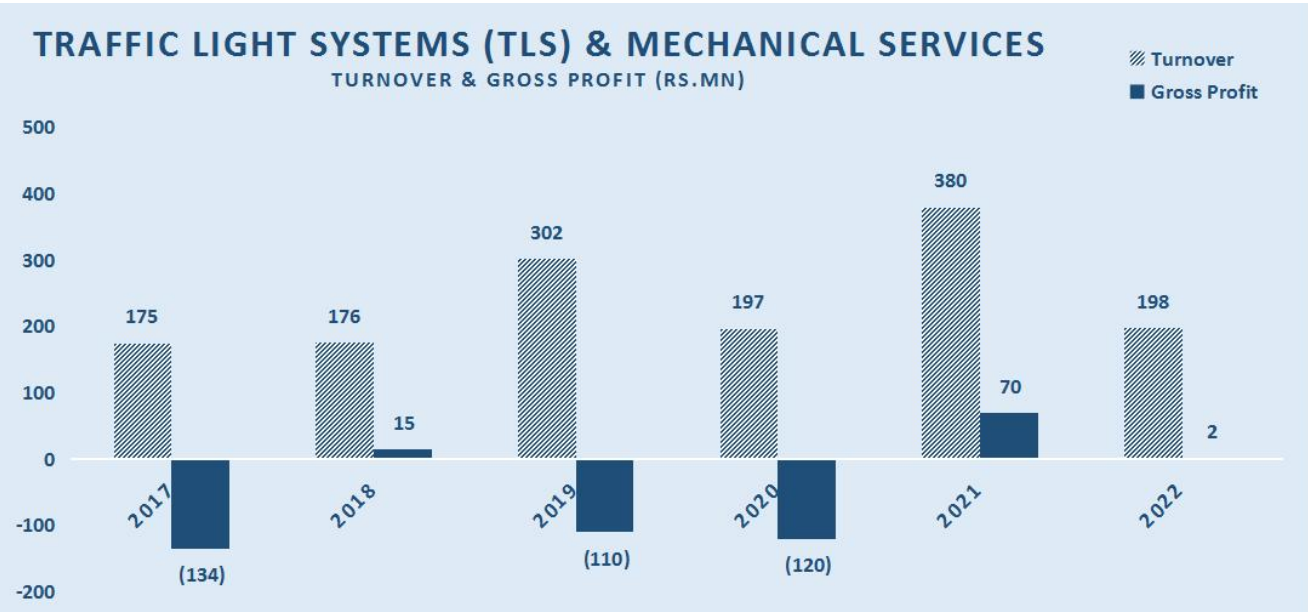


Traffic Light Systems (TLS) & Mechanical Services

Mechanical division closely monitors the traffic light signal systems & mechanical services. The main objective of this division is to provide services to existing projects of the Corporation. Traffic Light Systems (TLS) unit was established in year 2005 to install and maintain Traffic Light Systems for road network of Sri Lanka.

The turnover from TLS & mechanical services stood at Rs.198Mn. and compared to the previous year turnover of Rs.380Mn. The contribution of TLS & mechanical services to the turnover of the Corporation in year 2022 is 8%. This division has made a Gross profit of Rs.1.5Mn

Turnover & Gross Profit from Traffic Light Systems (TLS) & Mechanical Services



SUMMARY OF THE PROGRESS OF ONGOING PROJECTS AS AT 31st DECEMBER 2022

No.	Code	Project Name	Client	Contract Value (Rs.Mn)	Progress as at 31st December 2022	
					Income (Rs. Mn.)	Physical %
HAMBANTHOTA BRIDGES						
1	1161	Bridge across Kirindi Oya at Modarapelessa.	RDA	205.20	138.22	75%
2	1163	Bridge across Walawe river between Thaligala and Ridiyagama.	RDA	235.61	144.28	75%
3	1171	Construction of Bridge across Kirindi oya between Uduwila & Rubberwatta.	RDA	163.69	103.11	96%
4	1172	Construction of Bridge across Urubokka oya at Keselwatta in Katuwana.	RDA	55.49	15.88	40%
5	1177	Construction of Bridge Across Walawe River Between Badiganthota and Liyangastota.	RDA	245.71	62.95	37%
6	1178	Construction of Bridge Across Malal Ara on Ranmuduwewa - Thanamalwila Road	RDA	90.19	39.65	58%
7	1179	Yaya Bridge on Walasmulla Pallekanda Road.	RDA	83.76	22.17	59%
8	1180	Bridge on Urubokka Oya in Kumbukmulla Medagoda.	RDA	93.94	72.13	77%
9	1181	Bridge joining Thalunna and Andupelena.	RDA	93.04	27.04	38%
10	1184	Design & Construction of Tharuna Sewa Bridge across Kirama Ara in Hadugala.	RDA	35.76	29.73	73%
11	1185	Design & Construction of Bridge across Urubokka Oya at Kammale Thotupola.	RDA	43.98	34.06	84%
12	1186	Design & Construction of Bridge across Thundola between Kohomporuwa & Siyambalamuraya.	RDA	39.76	39.99	97%
13	1188	Design & Construction of Bridge across Kirama Oya on Angulmaduwa Aranwela Road.	RDA	97.63	44.63	22%
14	1205	Construction of Bridge across a Canal behind the Sooriyawewa Hospital.	RDA	28.77	19.40	96%
15	1206	Pedestrian Overhead Bridge for Walasmulla National School	RDA	22.03	2.53	15%
16	1207	Construction of Bridge across Dimbulgahahena Dola at Pathegama on Warapitiya – Deiyandara road	RDA	38.09	11.52	50%
OTHER BRIDGES						
1	1190	Rectification of damages of bridge 1/1 Hanwella - Pugoda road	RDA	112.94	27.53	22%
2	1264	Steel bridge across McCullum in SLPA	CMC	63.96	115.26	99%

No.	Code	Project Name	Client	Contract Value (Rs.Mn)	Progress as at 31st December 2022	
					Income (Rs. Mn.)	Physical %
3	1268	Reconstruction of bridge no. 62/5 on Galle - Deniyaya - Madampe road	RDA	80.68	51.71	81%
4	1269	Reconstruction of bridge no. 1/3 on Panagoda Henpita road (B354)	RDA	71.13	72.69	99%
5	1278	Reconstruction Of Bridge No.12/1 On Paranthan-Karachchi Mullaitivu Road	RDA	109.83	38.93	53%
6	1279	Horawala Bridge	RDA	58.14	33.25	69%
7	1280	Bridge 5/1 at Rajagiriya near McDonalds	RDA	93.17	46.21	50%
8	1290	Bridge 105/2 on Colombo Wellawaya Road	RDA	48.47	33.15	98%
9	1299	VVIP access bridge in Defense HQ	RDA	409.66	191.60	73%
10	1289	Nawala Bridge	RDA	1,698.55	1,727.70	87%
11	1321	Pansilgoda Bridge Project	SMRR	70.34	22.45	44%
12	1327	Construction of Bridge Across Heen Ganga on Hunnasgiriya Meemure Road	SMRR	61.01	15.15	34%
13	1371	Construction of Viaduct No.01 Warakapola by pass road	RDA	357.87	58.76	36%
14	1372	Bridge across Benthara River connecting Ittapana & Horawala Roads	RDA	484.18	36.97	6%
15	1374	Paththinigoda Bridge	SMRR	61.39	2.84	5%
16	1381	Bridge over Madu ganga	RDA	780.75	39.70	7%
ROADS						
1	1267	Intersection at Ja-ela - Ekala road, Peliyagoda Puttalam road and Gama Meda road	RDA	79.24	39.12	99%
2	1283	Widening & improvements to Aluth Mawatha upper St. Andrews Road to Tobacco company	RDA	159.40	49.41	68%
3	1284	Improvements to Wattala - Hekitta road	RDA	189.94	115.92	87%
4	1288	Improvements to Raods in Velanai PS- jaffna District	RDA	112.83	66.71	83%
5	1294	Construction of retaining walls Kandy/Jaffna Road	RDA	49.55	11.33	32%
6	1296	Welioya Sampath nuwara to Gajabapura Road	RDA	56.00	13.18	38%

No.	Code	Project Name	Client	Contract Value (Rs.Mn)	Progress as at 31st December 2022 Income (Rs. Mn.)	Physical %
100,000 km ROAD PACKAGE						
1	1285	Improvements to Moronthota - Arandara Road	RDA	167.32	101.94	76%
2	1286	Improvements to Panamura - Buluthota Road	RDA	177.41	107.09	79%
3	1287	Improvements to Kandevihara Junction Stage 1/ Stage 2	RDA	206.87	86.19	61%
4	1300	Thalawewa Junction to Warapothana Road(P-22)	RDA	211.29	83.51	67%
5	1301	Rehabilitation/Improvements to Wilachchiya Raod (P-23)	RDA	180.39	65.36	56%
6	1317	Rehabilitation/Improvements of Dambulla-Bakamuna-Kalagahahena Road	RDA	186.62	47.79	29%
7	1318	Rehabilitation/Improvements of Dambulla-Bakamuna-Kalagahahena Road	RDA	178.31	90.37	60%
8	1319	Matale Ilukkumbura Laggala Road (P26)	RDA	203.86	14.57	10%
9	1320	Matale Ilukkumbura Laggala Road(P27)	RDA	204.32	21.22	14%
10	1322	Rambukkana Road Project	RDA	176.22	64.75	75%
BUILDINGS						
1	1121	Proposed buildings for Medical ward & operation theatres at Chilaw district General Hospital	MOH	94.56	89.32	90%
WATER SUPPLY IRRIGATION AND HRDRO POWER						
1	1366	Embilipitiya Water project	NWS&DB	105.94	35.92	75%
2	1370	UPVC Distribution Mains Horana - Padukka Road	NWS&DB	20.47	14.60	100%
3	1374	Improvements to Tissamahara Water supply scheme (Phase II)	NWS&DB	143.34	18.20	17%
MISCELLENEOUS						
1	1373	Construction of Gabion wall along Mahaweli river, Gatambe	MASL	213.68	45.26	37%
RURAL BRIDGES PROJECT						
1	1336	Rural bridges in Kagalle District (8 Nos)	SMRR	86.28	36.78	80%
2	1337	Rural bridges in Matale District (4 Nos)	SMRR	51.62	36.04	64%

No.	Code	Project Name	Client	Contract Value (Rs.Mn)	Progress as at 31st December 2022	
					Income (Rs. Mn.)	Physical %
3	1338	Rural bridges in Nuwaraeliya District (5Nos.)	SMRR	66.87	11.00	51%
4	1339	Rural bridges in Ratnapura District (8 Nos)	SMRR	109.39	46.35	50%
5	1340	Rural bridges in Kandy District (9 Nos)	SMRR	234.75	50.68	35%
6	1341	Rural bridges in Anuradhapura District (8 Nos)	SMRR	125.45	38.46	56%
7	1342	Rural bridges in Pollonnaruwa District (4 Nos)	SMRR	56.79	37.32	99%
8	1343	Rural bridges in Monaragala District (5 Nos)	SMRR	75.40	69.54	89%
9	1344	Rural bridges in Badulla District (6 Nos)	SMRR	71.50	29.20	67%
10	1347	Rural bridges in Colombo District (8 Nos)	SMRR	93.65	44.51	65%
11	1348	Rural bridges in Gampaha District (13 Nos)	SMRR	158.28	48.14	47%
12	1349	Rural bridges in Kaluthara District (8 Nos)	SMRR	82.15	36.11	62%
13	1350	Rural bridges in Hambanthota District (8 Nos)	SMRR	93.01	46.73	78%
14	1351	Rural bridges in Galle District (6 Nos)	SMRR	116.07	23.91	70%
15	1352	Rural bridges in Matara District (6 Nos)	SMRR	65.89	15.25	50%
16	1353	Rural bridges in Puttalam District (5 Nos)	SMRR	112.55	29.26	41%
17	1354	Rural bridges in Kurunegala District (16 Nos)	SMRR	274.67	65.86	77%
18	1355	Rural bridges in Ampara District (5 Nos)	SMRR	90.59	64.94	76%
19	1356	Rural bridges in Batticloa District (3 Nos)	SMRR	60.71	36.23	77%
20	1357	Rural bridges in Jaffna District (2 Nos)	SMRR	11.55	5.37	95%
21	1358	Rural bridges in Mannar District (1 Nos)	SMRR	17.56	1.49	25%
22	1359	Rural bridges in Mullathiv District (1 Nos)	SMRR	58.82	3.84	13%
23	1360	Rural bridges in Trincomalee District (1 Nos)	SMRR	14.01	12.18	95%

No.	Code	Project Name	Client	Contract Value (Rs.Mn)	Progress as at 31st December 2022 Income (Rs. Mn.)	Physical %
24	1361	Rural bridges in Vavunia District (2 Nos)	SMRR	33.30	4.57	38%
25	1365	Rural bridges in Kilinochchi District (2 Nos)	SMRR	23.99	1.50	18%

No.	Code	Sector	Budgeted Income in 2022 (Rs.Mn)	Progress as at 31st December 2022 Actual Income (Rs. Mn.)	Financial %
CONSULTANCY					
1	-	Consultancy	8.00	8.40	105%
CONCRETE YARDS					
1	051	Ratmalana	234.00	69.38	30%
2	053	Bopitiya	211.00	29.62	14%
3	052	Weragantota	161.00	54.00	34%
4	812	Medawachchiya	117.00	30.13	26%
5	1276	Lunugamwehera	77.00	28.06	36%
MECHANICAL SERVICES					
1	006	Transport	61.90	42.50	69%
2	005	Work Shop	36.00	18.40	51%
3	005	Structural Workshop	15.50	9.30	60%
4	897	Traffic Light signal system (TLS)	360.00	167.27	46%

ABBREVIATIONS:

RDA	Road Development Authority
CMC	Colombo Municipal Council
SMRR	State Ministry of Rural Roads and Other Infrastructure
MOH	Ministry of Health
NWS&DB	National Water Supply & Drainage Board
MASL	Mahaweli Authority of Sri Lanka

RURAL BRIDGES PROJECT

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 depends 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.

As per the present economic crisis situations in the year 2022, many programs could not process 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.

Employees benefited an Attendance Allowance granted by the Management.
For Engineers - Rs. 20000/- and others Rs. 8500/- per month.

2. Employee Evaluation

A special souvenir and a gold coin were not presented to the staff who completed 25 years of service as per the present economic crisis in year 2022.

3. Salary Increase

Did not increase the salary in year 2022.

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	2016	2017	2018	2019	2020	2021	2022
Civil Engineers	56	73	73	73	76	114	77
Mechanical & Electrical Engineers	09	09	08	08	07	09	09
Accountants	08	08	08	07	07	07	07
Other Staff Officers	20	22	21	21	17	21	20
Construction Superintendents (Civil/ Mechanical / Electrical)	28	28	22	25	24	37	28
Draftsman / Quantity Surveyor	04	03	03	05	05	05	05
Security Staff	43	56	52	50	51	46	43
Clerical & Allied Grades	105	107	105	104	99	95	92
Supervisory & Other Skill Grades	310	348	337	334	334	300	284
Total	**583**	**654**	**629**	**627**	**594**	**634**	**565**

REPORT OF THE AUDIT COMMITTEE – 2022

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

The primary role of 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 2022, two (02) Audit Committee meetings were held.

Over the year 2022, the Audit Committee.

1. Reviewed the Auditor General's Final report 2020 and made follow up action for rectifying accounting deficiencies and non-compliance of rules mentioned therein.

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. Specific attention was given to propose recommendations to strengthen several internal control systems in the areas of purchasing, stores, trade and other receivables, advances, long outstanding creditor balances, project operations, closing of sites, 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 2020 and 2021 and reviewed follow up actions for rectifying accounting deficiencies and non - compliance of rules mentioned therein.

5. Paid attention for the preparation and presentation of Annual Reports for the years 2020 and 2021.
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. Paid attention for the preparation and presentation of Action Plan, Annual Budget, Procurement Plan and Implementation & COPE decisions.
9. Reviewed the steps taken to revalue the Assets to ensure to compliance with Sri Lanka Accounting Standards.
10. Considered the strength of Internal Audit Staff and their findings specially belongs to risk areas.
11. Paid attention for the prevailing Cadre issues and reviewed follow up actions for rectifying the same.

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

Audit Committee Members.

- Ms. W.A.N. Thushari - Chairman/Board Director/Treasury Representative
- Mr. V.I. Roshan Dayarathna - Member/Board Director
- Ms. Punya Jayathilaka - Member/Board Director

Ms. W.A.N. Thushari
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 2023, 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.

S.M.K.

Eng. S.M Kushan Devinda
CHAIRMAN

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මගේ අංකය / எனது இல. / My No. CAE/C/SDCC/FS/2022/12 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 20 November 2023

Chairman

State Development and Construction Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the State Development and Construction Corporation for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the State Development and Construction Corporation ("Corporation") for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and statement of comprehensive Income, 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 report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

I do not express an opinion on the accompanying financial statements of the Corporation. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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1.2 Basis for Disclaimer of Opinion

(a) Sri Lanka Accounting Standard No.01 - Presentation of Financial Statement

(i) As per the paragraph No.25 of the standard and as per the paragraph 4.1 of the Conceptual framework for Financial Reporting, management shall make an assessment of entity's ability to continue as going concern and uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern . However, management had not disclosed regarding going concern in the summary of significant accounting policies in the Financial Statement.

However, total asset of the corporation as at 31 December 2022 was Rs.7,592.7 million and external liabilities were Rs.6,754.25 million or 88 percent from the total asset . Further the recoverability of due from customers which was already identified as income by the finance division but not invoiced was amounting to Rs.1,898.86 million was uncertain but not sufficient provision was made.

(ii) As per paragraph No.32 of the, the assets and liabilities, income and expenditure should not be offset against each other unless required or permitted by the Sri Lanka Financial Reporting Standards. However, credit balances of purchase advances and sundry advances amounting to Rs.4.27 million had been offset against the debit balances of such accounts. As such current assets had been understated by the same amount.

(iii) As per the paragraph no.29 of the standard an entity shall present separately items of a dissimilar nature as functions unless they are immaterial. However it was observed that capital work-in-progress amounting to Rs.6.08 million had been included under Property Plant and Equipment without shown separately in the Financial Position statement.

(b) According to the financial statements, a balance of Rs. 3,519.81 million remained as Due from Customers which was identified as income from construction contracts by the finance division but not invoiced to customers. However, as per the documents submitted by the construction division, only a sum of Rs. 1,620.95 million has been confirmed as Due from customers. As such, a difference of Rs. 1,898.86 million was observed and reasons for the difference were not determined. Therefore, it was observed that recoverability of this different amount is highly uncertain. Further, as per the age analysis, out of the total Due from customers Rs.2,560.22 million was over 3 years and Rs.1820.56 million was over 6 years. However, corporation had not been recognized these uncertainty and adequate provision had not been made.

(c) Interest expense for term loans for the year under review has been decreased by Rs.102.82 million from Rs.199 million in previous year, due to approval of two deferments for repayment of loan installments and interests there on from March 2022 to January 2024 (21 months) by the Bank of Ceylon. However, Corporation had not disclosed the matter in the financial statements.

(d) During the year under review an adjustment has been made through a journal entry, to the opening and closing finished good stock of cost of sales to the value of Rs.53.8 million. Accordingly closing stock under cost of sales has been duplicated And as a result profit for the year has been over stated by that amount.

(e) Surcharge imposed by Inland Revenue Department for nonpayment of Value Added Tax, National Building Tax and Economic Service Charges aggregating to Rs.961.81 million had not been recognized or disclosed in the financial statement for the year under review.

(f) As per information furnished to the audit, VAT payable as at 31 December 2022 was amounted to Rs.1,474.19 million including the VAT for the year under review amounted to Rs.124.43 million. However, the same had been shown as Rs.1, 236.19 million in the Financial Statement. Thus, the VAT payable had been understated by Rs.238 million in the Financial Statement and reasons for the difference has not submitted to audit.

(g) The corporation had recognized Rs.3.81 million as audit fee for the year under review. However, as per the details submitted all of these audit fees were not relevant to the year under review but relevant to previous years. Therefore profit for the year had been understated by same amounts.

(h) Bond charges amounting to Rs.1.54 million had been included erroneously in welfare and Recreation expenses.

(i) Audit was not provided with the requested supporting documents for the following balances. Therefore, it was unable to ensure the accuracy and validity of such balances.

	Item of Account	Value Rs. Million	Evidence not made available
(i)	Sundry Advances and Purchase Advances - Construction	19.47	Age Analysis
(ii)	Letter of Credit Margin Account	151.08	Detail Schedule and Details of Goods Received
(iii)	Sundry Debtor	29.91	Detail Schedules
(iv)	Ready mix debtors	34.80	Detail Schedules
(v)	Construction Debtors	399.37	Debtor Confirmations
(vi)	Retention – Construction	573.10	Debtor Confirmations
(vii)	Traffic Light System Debtors	28.47	Debtor Confirmations
(viii)	Concrete Yard Debtors	52.64	Debtor Confirmations
(ix)	Asphalt Debtors	1.62	Debtor Confirmations

As described above I was unable to confirm or verify by alternative means, material items included in the statements of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

As a result of these matters, I was unable to determine whether any adjustment might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows.

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.

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NAOSL

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

My responsibility is to conduct an audit of the Corporation's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

2. Report on Other Legal and Regulatory Requirements.

2.1 The National Audit Act, No. 19 of 2018 includes specific provisions for following requirement.

2.1.1 I have not obtained all the information and explanation that considered necessary for the purpose of audit and I was unable to determine whether 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

2.1.2 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.

2.1.3 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.

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

2.2.1 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.

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2.2.2 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, Rules Regulations and Management Decisions etc.	Non-compliance
(a)	Financial Regulations the Democratic Socialist Republic of Sri Lanka F R 756	Board of Survey Report had not been furnished to the Auditor General for the year under review up to 31 October 2023.
(b)	Value Added Tax Act No.14 in 2022	VAT and Surcharges thereon since 2006, amounting to Rs. 2,403 million had not been remitted to the Inland Revenue Department.
(c)	Nation Building Tax Act No.09 in 2009	Nation Building Tax and Surcharges thereon amounting Rs.7.15 million had not been paid since 2010.
(d)	Service Charges Amendment Act No.13 of 2015	ESC payable amounting to Rs.101.23 million had not been paid to Inland Revenue Department
(e)	Employee Provident Fund Act No.15 in 1958	EPF contributions and Surcharges thereon amounting Rs.143.26 million had not been paid to the Employment Provident Fund since 2020.
(f)	Public Enterprises Circular, No. 01/2021 dated 16 November 2021, Section 6.6	Draft annual report and accounts should be handed over to the Auditor General within 60 days after the close of the financial year. Nevertheless, financial statements pertaining to the year under review had been furnished to the Auditor General on 13 July 2023 delaying 134 days.

(g)	Procurement Guideline/ NPA Circular No.08, dated 25 January 2006, Section 5.4.4 (iii)	The mobilization advances received shall be fully settled before the project works that reached to 90 per cent complete level. Nevertheless, such advances received amounting to Rs.10.28 million with regard to 12 fully completed projects had remained in the accounts as at 31 December 2022 without being settled.

2.2.3 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.

2.2.4 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) Term loan balances which were taken from two state banks, as at 31 December 2022 was Rs.1,848.24 million and the value of differed loan balances was Rs.1,727.18 million. In terms of these loans Rs.990.61 million had been granted under treasury guarantee and for Rs.518.60 million corporation has pledged the lands of the corporation as guarantee.

(b) The project for Dismantling of Muwagama Old Bridge at Rathnapura had been undertaken on verbally instructions by the Corporation in the year 2013, without entering into formal contract agreement between Road Development Authority and the Corporation. After completing the dismantling process in 2019, the Corporation had submitted the invoice worth Rs.53.63 million to Road Development Authority to recover the cost of dismantling and transporting. This amount has not been recovered so far.

(c) The Corporation had obtained loan for period of 03 months amounting to Rs.596.12 million from the State bank by discounting bills worth Rs.792.83 million received from the Road Development Authority with regard to construction contract done by the Corporation. The Corporation has paid interest amounting Rs.17.52 million due to non-settlement of these bills from Road Development Authority to the bank within prescribe period of 03 months.

(d) Even though, Corporation had incurred Rs.5.84 million for Gemstone mining project contrary to the objectives of the corporation in the year under review at Monaragala. Any revenue had not been earned up to the year ended 31 December 2022.

(e) It was observed in the physical inspection in Rathmalana that 39 motor vehicles, machinery and equipment at a cost of at Rs.114.98 million remained to be repaired as at 31 December 2022. Although a sum of Rs.19.23 million had been estimated for the repair, it had not been done by the Corporation up to 31 October 2023.

(f) Debtors of concrete yard, construction, traffic light system and liquidated damages receivable, retention receivable and purchase advances totaling to Rs.691.23 million had remained over 03 years without being recovered.

(g) Mobilization advances received was amounting to Rs.32.34 million as at 31 December 2022 remained over 05 years without being settled.

(h) According to profit calculation schedule, the loss of totaling Rs.128.91 million had been identified from 17 construction projects out of 92 projects implemented as at 31 December 2022.

(i) Human Resources Management

(i) The approved permanent cadre of the Corporation as at 31 December 2022 was 489 while the actual cadre was 565. Accordingly, this was shown an excess recruitment of 76 employees to the Corporation for the various positions.

(ii) One post of higher management in the corporation had remained vacant as at 31 December 2022. In addition to that, there were 03 vacancies of 02 Chief Engineers (concrete yard) and a Chief Engineer (Design).However,

(iii) The approved cadre for civil engineers was 19; however 51 Civil Engineers had been recruited as contract basis without approval.

(iv) The 20 Security Guards had been recruited exceeding the approved cadre.

(j) Due to Devcoshowa (Pvt) Ltd the fully own subsidiary of the Corporation had been inactive, the board had taken a decision in the year 2006 to wind up the Company. The winding up process was not completed even by 31 October 2023.

W.P.C.Wickramarathne
Auditor General

FINANCIAL STATEMENT FOR YEAR 2022

STATE DEVELOPMENT & CONSTRUCTION CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)	Note	**2022**	**2021** Restated
Revenue	01	2,545,681,276	4,215,539,157
Cost Of Sales	02	(2,182,230,696)	(3,812,409,551)
Gross Profit / (Loss)		**363,450,580**	**403,129,606**
Other Income	03	176,779,285	259,213,755
Profit / (Loss) Before Operating Expenses		**540,229,866**	**662,343,361**
Administrative Expenses	04	(309,983,536)	(176,664,778)
Other Expenses	05	(89,193,460)	(138,174,528)
Results From Operating Activities		**141,052,869**	**347,504,054**
Financial Income	06	8,018,943	7,789,263
Financial Expenses	06	(122,150,767)	(259,168,706)
Profit Before Tax		**26,921,045**	**96,124,611**
Tax Expenses	07	79,329,775	(16,734,552)
Profit For The Year		**106,250,820**	**79,390,059**
Other Comprehensive Income			
Defined Benefit Plan Actuarial Gains (Losses)	17.01	25,780,239	8,554,326
Revaluation Gain (Losses)		699,838,643	
Tax On Other Comprehensive Income		(217,685,664)	(1,197,606)
Other Comprehensive Income Net of Tax		**507,933,217**	**7,356,720**
Total Comprehensive Income		**614,184,037**	**86,746,779**

The Significant Accounting Policies and Notes on pages 05 to 36 form an integral part of these Financial Statements.

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

(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021 Restated
ASSETS			
Non - Current Assets			
Property, Plant & Equipment	08	1,673,671,208	1,042,535,835
Investments In Government Owned Companies	09	-	-
Deferred Tax Assets	11	103,612,894	95,283,568
Total Non Current Assets		**1,777,284,101**	**1,137,819,402**
Current Assets			
Inventories	12	683,234,037	447,173,812
Other Investments, Including Derivatives	10	98,652,577	30,000,000
Income Tax Assets	13	55,905,373	55,905,373
Trade & Other Receivables	14	4,692,595,531	4,824,148,857
Cash & Cash Equivalents	15	285,120,536	275,113,128
Total Current Assets		**5,815,508,055**	**5,632,341,171**
Total Assets		**7,592,792,156**	**6,770,160,573**
EQUITY & LIABILITIES			
Capital & Reserves			
Capital		16,671,650	16,671,650
Capital Grant		51,140,000	51,140,000
Capital Reserves		6,629,760	6,629,760
Government Grant		199,285,140	216,660,477
Revaluation Reserve		1,146,143,425	656,256,375
Retained Earnings		(581,331,926)	(623,632,526)
Total Equity		**838,538,048**	**323,725,737**
Non - Current Liabilities			
Loans & Borrowings	16	1,565,734,288	1,653,125,484
Retirement Benefit Obligation	17	58,983,584	59,408,198
Deferred Tax Liabilities	11	267,001,501	120,316,286
Total Non Current Liabilities		**1,891,719,374**	**1,832,849,968**
Current Liabilities			
Trade & Other Payables	18	4,446,168,188	4,297,443,559
Loans & Borrowings	16	282,515,292	171,633,802
Bank Overdrafts	19	133,851,255	144,507,507
Total Current Liabilities		**4,862,534,734**	**4,613,584,868**
Total Equity & Liabilities		**7,592,792,156**	**6,770,160,573**

Deputy General Manager-Finance.......................................
02 nd March 2023

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

Chairman.................................. Director .... General Manager.................................
02 nd March 2023 02 nd March 2023 02 nd March 2023

The Significant Accounting Policies and Notes on pages 05 to 36 form an integral part of these Financial Statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2022
(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 2021	**16,671,651**	**51,140,000**	**6,629,760**	**656,256,375**	**295,460,507**	**(710,379,305)**	**315,778,988**
Profit For The Year	-	-	-	-	-	79,390,059	79,390,059
Amount of Government Grant Recognised as Income During The Year	-	-	-	-	(25,800,030)	-	(25,800,030)
Government Grant (Restated)-(Note 26)	-	-	-	-	(53,000,000)	-	(53,000,000)
Other Comprehensive Income	-	-	-	-	-	7,356,720	7,356,720
Balance As At 31stDecember 2021	**16,671,651**	**51,140,000**	**6,629,760**	**656,256,375**	**216,660,477**	**(623,632,526)**	**323,725,737**
Effect Of Prior Year Transactions						(81,996,388)	
Balance As At 1st January 2022	**16,671,650**	**51,140,000**	**6,629,760**	**656,256,375**	**216,660,477**	**(705,628,914)**	**241,729,348**
Profit For The Year	-	-	-	-	-	106,250,820	106,250,820
Revaluation	-	-	-	489,887,050	(735,714)	-	489,151,336
Amount of Government Grant Recognised as Income During The Year	-	-	-	-	(16,639,623)	-	(16,639,623)
Other Comprehensive Income	-	-	-	-	-	18,046,167	18,046,167
Balance As At 31stDecember 2022	**16,671,650**	**51,140,000**	**6,629,760**	**1,146,143,425**	**199,285,140**	**(581,331,926)**	**838,538,048**

The Significant Accounting Policies and Notes on pages 05 to 36 form an integral part of these Financial Statements.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)	Note	**2022**	**2021** Restated
Cash Flow From Operating Activities			
Profit / (Loss) Before Tax		26,921,045	96,124,611
Adjustments For ;			
Depreciation		110,887,151	101,559,870
Provision For Defined Benefit Plan		47,060,571	11,774,245
(Gain)/Loss On Disposal Of Property, Plant & Equipment		(9,063,963)	(9,320,036)
(Gain)/Loss On Translation Of Foreign Currency Loans		(68,669,722)	-
Impairment Loss On Trade & Other Receivables		86,781,117	121,904,988
Finance Expenses		122,150,767	259,168,706
Deferred Income		(17,375,337)	(78,800,030)
Provision for Slow & Non Moving Stock		(359,238)	352,321
Government Grant Received			(53,000,000)
Finance Income		(8,018,943)	(7,789,263)
Operating Profit / (Loss) Before Working Capital Changes		**290,313,448**	**441,975,413**
(Increase) / Decrease In Inventory		(235,700,987)	(157,607,146)
(Increase) / Decrease In Trade & Other Receivables		(90,115,140)	(1,110,037,476)
(Increase) / Decrease In Purchases & Sub Contract Advances		130,344,241	(247,725,392)
Increase / (Decrease) In Advances & Retention		(365,430,236)	623,687,884
Increase / (Decrease) In Trade & Other Payables		541,633,592	493,985,039
Cash Generated From / (Used In) Operations		**271,044,917**	**44,278,323**
Finance Cost Paid		(140,935,703)	(247,780,947)
Gratuity Paid		(21,787,932)	(23,144,108)
Tax Paid		-	-
Net Cash Flow From / (Used In) Operating Activities		**108,321,282**	**(226,646,733)**
Cash Flows From / (Used In) Investing Activities			
Acquisition Of Property, Plant & Equipment		(46,277,850)	(78,124,838)
Proceeds From Disposal Of Property, Plant & Equipment		20,384,242	10,567,764
Investment in Fixed Deposits		(68,652,577)	27,925,796
Finance Income Received		3,475,835	4,596,929
Net Cash Flow From / (Used In) Investing Activities		**(91,070,351)**	**(35,034,349)**
Cash Flows From / (Used In) Financing Activities			
Repayment Of Loans & Borrowings		(46,917,100)	(452,324,827)
Proceeds From Borrowings		50,329,828	868,005,959
Government Grant Received		-	53,000,000
Net Cash Flow From / (Used In) Financing Activities		**3,412,728**	**468,681,133**
Net Increase / (Decrease) In Cash & Cash Equivalents		**20,663,659**	**207,000,051**
Cash & Cash Equivalents At The Beginning Of The Year		**130,605,622**	(76,394,429)
Cash & Cash Equivalents At The End Of The Year	15	**151,269,281**	**130,605,622**

The Significant Accounting Policies and Notes on pages 05 to 36 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, Lunugamwehera & 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 **565.**

1.5 Date of Authorization for Issue

The Financial Statements were authorised for issue by the Board of Directors on **06th July 2023.**

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 affected. 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 a subsidiary relationship with Fujima State Corporation (Pvt.) Ltd, in the 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 deprecation 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 recognized 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
Computers & Accessories	Over 10 Years
Other Assets	Over 10 Year

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 de-recognition 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.

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.

(Contd...)

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 39are 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.

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

(Contd...)

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.

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

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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.

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.

(Contd…)

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.

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.

(Contd...)

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

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.

(Contd...)

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.

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.

(Contd…)

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 porting 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.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
FOR THE YEAR ENDED 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 01 - REVENUE			
Construction Income		2,059,987,261	3,371,051,882
External Sales - Concrete Yards		168,777,731	324,379,762
Internal Sales - Concrete Yards		118,877,060	139,653,904
Traffic Light Systems & Work Services		198,039,225	380,453,608
Total		**2,545,681,276**	**4,215,539,157**

	Note	2022	2021
NOTE 02 - COST OF SALES			
Operating Expenses			
Employee Benefits	04.01	643,740,912	755,840,745
Cement		32,971,442	66,628,006
Sand		10,141,658	30,641,024
Metal		51,967,821	173,083,899
Steel		152,637,430	573,907,397
Timber		7,635,253	13,411,115
Fuel & Lubricants		72,517,622	98,979,607
Explosive & Blasting Materials		324,795	1,185,035
Ready Mix Concrete		91,562,756	192,825,256
Concrete Products		144,706,973	89,528,722
Machinery & Vehicle Spare Parts		13,622,201	27,031,034
Stationery Consumption		2,369,436	3,781,966
Tar Consumption		38,525,183	195,117,596
Electrical Spare Parts Consumption		70,549,763	125,798,866
Pipes & Drainages Items Consumption		1,744,301	4,488,042
Other Stocks		131,138,127	241,382,171
Earth Gravel		12,270,762	41,574,927
Works Services		5,552,740	1,127,157
Capital Item Expenditure - RDA		3,683,077	5,558,702
Legal Charges		32,408	-
Hire Charges		125,974,402	221,849,811
Transport Charges (Material)		3,154,387	12,716,521
Transport Charges (Others)		6,693,893	8,409,992
Storage Charges		8,040	12,100
Vehicle Insurance		678,754	849,875
Depreciation On Plant, Machinery & Equipment		54,450,001	83,544,580
Depreciation On Motor Vehicles		22,682,127	1,997,420
Depreciation On Computers, Accessories & Software		1,501,165	1,191,095
Repairs & Maintenance -Plant, Machinery & Equipment		1,331,062	3,629,241
Repairs & Maintenance - Vehicles (Work Shop)		2,648,655	1,720,190
Repairs & Maintenance -Plant, Machinery & Equipment (Transport)		-	7,250
Repairs & Maintenance -Plant, Machinery & Equipment (Other)		4,309,594	3,526,294

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
FOR THE YEAR ENDED 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
Operating Expenses (Contd…)			
Registration & Licence Fees		4,969,780	1,389,837
Sub Contracts		416,782,728	691,780,174
Liquidation Damages		2,131,965	6,880,135
Assignments		29,786,374	15,318,000
Charges For Bonds		18,012,242	43,904,434
Telephone - Sites		2,255,900	4,732,420
Postage & Telex - Sites		134,066	169,279
Printing & Stationery - Sites		1,936,449	1,729,000
Travelling - Sites		7,258,451	14,729,296
Entertainment		3,606,446	1,977,647
Stamp Fees - Sites		47,173	6,725
Rent - Sites		31,544,468	32,754,166
Electricity - Sites		4,737,272	9,050,799
Computer		55,200	34,150
Water - Sites		2,137,216	2,325,949
Tender Fees -Sites		326,619	583,338
Security Expenses - Sites		-	980,046
Welfare & Recreation - Sites		434,293	700,998
Insurance - Sites		-	336,021
Insurance All Risk Policy - Sites		11,763,442	19,080,601
Newspapers & Periodicals - Sites		19,730	31,640
Sundry Expenses- Sites		9,777,103	35,896,241
Consultancy & Professional Fees		865,000	660,483
Building Repairs -Sites		24,575	80,600
Service Charges - Sites		7,849,068	4,714,037
Testing Charges -Sites		9,289,018	14,808,534
Advertisements		102,960	303,825
Repairs & Maintenance - Office Equipment		253,500	13,891
Rates & Taxes		28,819	822,936
Impairment provision for Slow & Non Moving Stock		(359,238)	352,321
Personal Accident Insurance		686,810	688,347
Sub Total		**2,277,584,169**	**3,888,181,505**
Add - Opening Stock		247,779,912	118,203,000
Less - Closing Stock		(343,133,385)	(193,974,954)
Cost Of Sales		**2,182,230,696**	**3,812,409,551**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
FOR THE YEAR ENDED 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021 Restated
NOTE 03 - OTHER INCOME			
Transport Hire Charges		5,953,765	16,673,092
Deferred Income		17,375,337	78,800,030
Consultancy Fee		8,649,086	5,786,821
Sundry Income		66,215,816	60,104,437
Government Grant Received For Salaries		-	53,000,000
Insurance Income		451,948	21,924,764
Income On Rent		399,649	13,604,550
Miscellaneous		-	25
Foreign Exchange Gain\Loss		68,669,722	-
Profit On Disposal Of Property, Plant & Equipment		9,063,963	9,320,036
Total		**176,779,285**	**259,213,755**
NOTE 04 - ADMINISTRATIVE EXPENSES			
Employee Benefits	04.01	214,288,124	108,858,454
Telephone		2,116,920	2,191,162
Postage & Telex		47,597	78,570
Printing & Stationery		-	705,246
Travelling & Subsistence		787,053	1,052,418
Entertainment		653,887	714,342
Advertising		882,648	692,863
Legal Charges		2,438,223	555,750
Audit Fees		3,812,400	-
Rate & Taxes		1,627,962	3,091,072
Electricity		3,142,337	4,074,886
Computer Expenses		253,048	99,925
Rental - GPS Tracking		-	199,120
Rent		-	257,400
Depreciation - Land & Buildings		7,472,380	7,351,389
Depreciation - Furniture & Fixture, Office &Welfare		9,378,091	1,902,311
Depreciation - Computer Accessories & Software		1,003,844	771,706
Depreciation - Other Assets		14,399,543	4,801,369
Water		1,196,344	1,430,066
Non Refundable Tender Fees		360,815	66,000
Service Charges		668,070	87,610
Sundry Expenses		9,383,155	4,394,273
Consultancy & Professional Fees		156,000	878,599
Welfare & Recreation Expenses		1,546,895	14,992
Repairs & Maintenance - Land & Buildings		14,339	790,823
Repairs &Maintenance - Other Assets		60,461	627,690
Insurance Contractors All Risk Policy		8,183,036	7,354,112

STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*

FOR THE YEAR ENDED 31ST DECEMBER		**2022**	**2021**
(All Amounts Are In Sri Lanka Rupees)	Note		
Administration Expenses (Contd…)			
Newspapers & Periodicals		65,450	40,600
Steel Consumption		6,431,040	-
Timber Consumption		-	39,203
Fuel Consumption		1,984,970	61,738
Stationery		5,762,939	3,969,407
Electrical Items Consumption		323,573	288,196
Water Supply Items		31,439	72,069
Other Stocks Consumption		4,448,742	11,156,099
Sub Contract Labour		4,364,981	5,193,969
Repairs - Light Vehicles		300	16,400
Registration & Licence Fees		-	389,664
Bond Charges - Head Office		127,090	653,879
Assignment - Head Office		1,595,223	1,389,310
Training & Development - Head Office		460,320	326,300
Revaluation Loss		514,298	-
External Hire - Head Office		-	25,796
Total		**309,983,536**	**176,664,778**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
FOR THE YEAR ENDED 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

NOTE 04 . 01 - EMPLOYEE BENEFIT EXPENSES

	Note	2022	2021
Operating Expenses			
Salaries & Wages -Permanent		235,401,430	224,506,991
Overtimes -Permanent		42,431,320	72,681,630
Employees' Provident Fund - Permanent Staff		21,384,730	22,370,580
Employees' Trust Fund -Permanent Staff		5,346,183	5,592,645
Salaries & Wages -Casual Staff		2,979,506	4,537,163
Overtime -Casual staff		130,919	604,767
Employees' Provident Fund -Casual Staff		226,464	315,152
Employees' Trust Fund -Casual Staff		56,616	78,788
Sub Contract Labour		208,301,717	295,562,571
Salaries Training		1,232,806	960,961
Workmen Compensation		4,921,623	5,491,719
Encashment Of Leave		429,152	1,259,561
Bonus Payment		4,082,500	2,289,500
Incentive Payments		574,984	1,135,863
Professional Subscription		6,380	6,292
Salaries - Contract		93,723,034	90,709,485
Overtime - Contract		12,048,911	16,902,440
Employees' Provident Fund - Contract		8,370,109	8,667,710
Employees' Trust Fund - Contract		2,092,527	2,166,927
Sub Total		**643,740,912**	**755,840,745**
Administrative Expenses			
Defined Benefit Pension Cost	17.01	47,060,571	11,774,245
Directors Fees		1,201,200	674,000
Chairman's Remuneration		840,048	599,700
Salaries & Wages		134,974,186	58,517,934
Overtime		12,133,580	20,542,476
Employees' Provident Fund		11,524,364	12,585,676
Employees' Trust Fund		2,881,091	3,146,419
Professional Subscription		423,522	353,503
Gratuity Surcharges		2,121,063	-
Death Donation		-	100,000
Bonus Payment		1,128,500	564,500
Sub Total		**214,288,124**	**108,858,454**
Total Employee Benefit Expenses		**858,029,036**	**864,699,199**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
FOR THE YEAR ENDED 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 05 - OTHER EXPENSES			
Impairment Loss On Trade Receivables		86,781,117	121,904,988
ESC Write off		-	14,759,188
Bank Charges		2,412,344	1,510,351
Total		**89,193,460**	**138,174,528**
NOTE 06 - FINANCIAL INCOME & FINANCIAL EXPENSES			
Financial Income			
Interest Income On Available-For-Sale Financial Assets		1,610,964	3,137,432
Interest Income On Held - To - Maturity Investments		6,126,649	4,368,045
Interest Income On Loans & Receivables		281,330	283,786
Total Finance Income Recognized In Profit Or Loss		**8,018,943**	**7,789,263**
Financial Expenses			
Interest On Bank Overdrafts		21,730,315	55,804,124
Interest Expense on Financial Liabilities Measured At Amortized Cost		96,708,228	199,532,654
Lease Interest			
Other Financial Expenses		3,712,224	3,831,929
Total Financial Expenses Recognized In Profit Or Loss		**122,150,767**	**259,168,706**
NOTE 07 - TAX EXPENSES			
Current Tax Expense			
Current Tax On Profits For The Year		-	-
Adjustment For Under Provision In Prior Periods		-	-
Total Current Tax		-	-
Deferred Tax Expense			
Change In Recognized Taxable Temporary Differences		(79,329,775)	16,734,552
Change In Recognized Deductible Temporary Differences	11		
Total Tax Expenses On Continuing Operations		**(79,329,775)**	**16,734,552**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.

NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*

AS AT 31ST DECEMBER 2022

(All amounts are in Sri Lanka Rupees)

NOTE 08 - PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation

Description	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance As at 1st January 2021	**654,812,513**	**144,070,478**	**23,182,135**	**22,514,133**	**951,305,093**	**193,416,809**	**109,377,599**	**2,098,678,760**
Additions	-	4,263,315	10,706,323	12,200,304	18,927,956	5,935,500	25,441,079	77,474,477
Disposals	-	-	(732,901)	(245,655)	(5,960,907)	(534,754)	(3,531,530)	(11,005,747)
Adjustment	-	-	(2,591,225)	647,872	(23,000,941)	13,701,643	(3,494,097)	(14,736,748)
Balance As at 31st December 2021	**654,812,513**	**148,333,793**	**30,564,332**	**35,116,654**	**941,271,201**	**212,519,198**	**127,793,051**	**2,150,410,742**
Additions	-	3,923,381	1,159,278	624,850	17,039,845	795,000	21,795,239	45,337,592
Disposals	-		(20,000)	(34,000)	(11,212,475)	(53,804)		(11,320,279)
Adjustment	-		10,535,168	(18,227,654)	(328,654,726)	70,109,607	(41,679,051)	(307,916,656)
Balance As at 31st December 2022	**654,812,513**	**152,257,174**	**42,238,777**	**17,479,850**	**618,443,845**	**283,370,001**	**107,909,239**	**1,876,511,399**

Accumulated Depreciation

Description	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance As at 1st January 2021	**-**	**90,677,218**	**16,670,121**	**14,457,324**	**648,744,644**	**178,748,918**	**79,853,992**	**1,029,152,217**
Depreciation charge for the year	-	7,351,389	1,902,311	1,962,801	83,529,580	1,997,420	4,801,369	101,544,870
Disposals	-	-	(511,061)	(199,473)	(5,708,171)	(508,016)	(2,831,297)	(9,758,018)
Adjustment	-	-	(4,952,816)	597,163	(19,233,154)	13,021,533	2,638,420	(7,928,854)
Balance As at 31st December 2021	**-**	**98,028,607**	**13,108,555**	**16,817,815**	**707,332,899**	**193,259,855**	**84,462,484**	**1,113,010,215**
Depreciation charge for the year	-	7,472,380	9,378,091	2,505,009	54,450,001	22,682,127	14,399,543	110,887,151
Disposals	-							-
Adjustment	-		(13,108,555)	(16,817,815)	(707,332,899)	(193,259,854)	(84,462,486)	(1,014,981,609)
Balance As at 31st December 2022	**-**	**105,500,987**	**9,378,091**	**2,505,009**	**54,450,001**	**22,682,128**	**14,399,541**	**208,915,757**

Balance As at 31st December 2021	**654,812,513**	**50,305,186**	**17,455,777**	**18,298,839**	**233,938,302**	**19,259,343**	**43,330,567**	**1,037,400,527**
Balance As at 31st December 2022	**654,812,513**	**46,756,187**	**32,860,686**	**14,974,841**	**563,993,844**	**260,687,873**	**93,509,698**	**1,667,595,642**

(Contd...)

STATE DEVELOPMENT & CONSTRUCTION CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER 2022
(All amounts are in Sri Lanka Rupees)

NOTE 8. 1 - CAPITAL WORKING PROGRESS

Description	PRE CAST ELECTRIC BED 053	EXPLOSIVE STORES 053	SITES TOILETS 53	FENCE POST AROUND NEW YARD 812	CONSTRUCTION OF NEW OFFICE BUILDING 52	SECURITY ROOM COSTRUCTION 812	PIPE PLANT 2 C/Y 812	CONSTRUCTION OF NEW OFFICE BUILDING - C/Y 053	CONSTRUCTION OF STORES MAIN YARD 812	TOILETS CONSTRUCTION SECURITY ROOM 51	CONSTRUCTION OF MOULD HOUSE 812	OFFICE BUILDING - 1276
Cost												
Balance As at 1st January 2022		121,032	23,018	7,821	1,934,921	154,758	12,936	375,474	8,727	27,106	37,830	442,347
Additions	161,494		41,300		55,857						59,622	200,097
Transfers to Building	(161,494)		(64,318)									(642,444)
Transferred to Building Maintainance												
Total	-	**121,032**	-	**7,821**	**1,990,778**	**154,758**	**12,936**	**375,474**	**8,727**	**27,106**	**97,452**	-
Accumulated Depreciation												
Depreciation 1st January 2022												
Depreciation charge for the year	7,402		2,412									13,384
Depreciation for Transfers	(7,402)		(2,412)									(13,384)
Total	-	-	-	-	-	-	-	-	-	-	-	-
Balance As at 31st December 2022	-	**121,032**	-	**7,821**	**1,990,778**	**154,758**	**12,936**	**375,474**	**8,727**	**27,106**	**97,452**	-

Description	BEAM BED - 1276	CONSTRUCTIO OF LABOUR QUARTES -1276	CONSTRUCTION OF VEHICLE PARK TOILET 001	STORES BUILDING - 1276	MAIN GATE 51	CONSTRUCTION DIVISION TOIELT 51	PROJECT ENGINEAR'S QUARTES 052	ROOF OF CONCRETE MIXCHER 812	LAMP POST BED 812	SITE'S TOILETS 812
Cost										
Balance As at 1st January 2022	1,989,339									
Additions	-	965,854	9,037	169,207	760,478	168,153	42,344	65,708	70,243	23,708
Transfers to Building					(760,478)	(168,153)			(70,243)	(23,708)
Transferred to Building Maintainance										
Total	**1,989,339**	**965,854**	**9,037**	**169,207**	-	-	**42,344**	**65,708**	-	-
Accumulated Depreciation										
Depreciation 1st January 2022										
Depreciation charge for the year					792	4,204			2,634	-
Depreciation for Transfers					(792)	(4,204)			(2,634)	-
Total	-									
Balance As at 31st December 2022	**1,989,339**	**965,854**	**9,037**	**169,207**	-	-	**42,344**	**65,708**	-	-

Description	SECURITY ROOM CONSTRUCTION 1276	LAMP POST BED CONSTRUCTION 1276	LAMP POST TESTING BED CONSTRUCTION 1276	FENCE POST AROUND THE NEW YARD 1276	WATER TANK 1276	VEHICAL PARK 1276	BUDU MADURA 1276	PANAL BOARD ROOM 1276	STEEL HUT 1276	TOTAL
Cost										
Balance As at 1st January 2022										5,135,309
Additions	83,977	1,314,318	117,680	341,179	17,762	89,227	56,331	12,069	37,994	4,863,639
Transfers to Building	(83,977)	(1,314,318)	(117,680)	(341,179)	(17,762)	(89,227)	(56,331)	(12,069)		(3,923,381)
Transferred to Building Maintainance										
Total	-	-	-	-	-	-	-	-	**37,994**	**6,075,566**
Accumulated Depreciation										
Depreciation 1st January 2022										-
Depreciation charge for the year	3,499	5,476	4,903	7,108	592	1,859	1,174	251		55,690
Depreciation for Transfers	(3,499)	(5,476)	(4,903)	(7,108)	(592)	(1,859)	(1,174)	(251)		(55,690)
Total										-
Balance As at 31st December 2022	-	-	-	-	-	-	-	-	**37,994**	**6,075,566**

Carrying Amounts

	Capital Work in Progress	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
At 31st December 2021	5,135,309	654,812,513	50,305,186	17,455,777	18,298,839	233,938,302	19,259,343	43,330,567	1,042,535,836
At 31st December 2022	6,075,566	654,812,513	46,756,187	32,860,686	14,974,841	563,993,844	260,687,873	93,509,698	1,673,671,208

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER 2022
(All Amounts Are In Sri Lanka Rupees)

8.2. RE-VALUATION OF LANDS AND BUILDINGS

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

8.3. 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 .

8.4. 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.

Values of Office Equipment, Plant & Machinery, Motor Vehicles, Computer Accessories & Software and Other Assets were revalued at Rs. 41,099,500.00 , Rs. 601,549,000.00 , Rs. 282,575,000.00 , Rs. 16,889,000.00 and Rs. 86,114,000.00 respectively as at 01.01.2022.

8.5. FIXED ASSETS NOT INCLUDED IN THE ACCOUNTS

The following properties have not been taken into the books of accounts as at 31st December 2022. Since we do not have the ownership of the properties.

Location		Land Area	Buildings	Value (Rs.)
Weragantota		4 Acres & 8 perches	8.00	11,850,463
Peradeniya	Block 01	89.5 perches	2.00	
Peradeniya	Block 02	12.7 perches	1.00	13,990,875
Medawachchiya		1 Acre & 32perches	8.00	11,024,473
Polwatta - Ratmalana		113.5 perches	1.00	29,000,000
Lunugamwehera		5 Acres	2.00	2,674,988
Kalahagala		2 Acres	-	-
Medawachchiya		1 Acre & 112 perches	3.00	1,100,000
Weeravila		132.2 perches	-	-
TOTAL				**69,640,799**

Peliyagoda land has been taken for Colombo - Katunayaka Expressway -"Golden Gate Kalani"Bridge Peliyagoda.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 9 -INVESTMENTS IN GOVERNMENT OWNED COMPANIES			
Devcoshowa (Pvt) Ltd		9,210,740	9,210,740
Sub Total		9,210,740	9,210,740
Provision For Investments		(9,210,740)	(9,210,740)
Total		**-**	**-**
NOTE 10 - OTHER INVESTMENTS			
Non - Current Investments			
		-	-
Total		-	-
Current Investments			
Fixed Deposits		98,652,577	30,000,000
Total		98,652,577	30,000,000
Total Investment		**98,652,577**	**30,000,000**
NOTE 11 - DEFERRED TAX ASSETS & LIABILITIES			
At The Beginning Of The Year		(25,032,718)	7,100,560
Transfer To / (From) Income Statements		(138,355,889)	(32,133,278)
At The End Of The Year	11.01	**(163,388,607)**	**(25,032,718)**
NOTE 11.01 - DEFERRED TAX ASSETS / LIABILITIES			
Deferred Tax Liability			
Capital Allowances For Tax Purpose		267,001,501	120,316,286
Retirement Benefit Obligation			
Total		**267,001,501**	**120,316,286**
Deferred Tax Assets			
Capital Allowances For Tax Purpose		103,612,894	95,283,568
Retirement Benefit Obligation			
Total		**103,612,894**	**95,283,568**
Net Tax Assets / (Liabilities)		**(163,388,607)**	**(25,032,718)**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 12 - INVENTORIES			
Cement		3,081,591	1,718,331
Sand		1,451,394	1,543,515
Metal		16,221,567	16,995,682
Steel		128,824,131	186,285,797
Timber		5,482,359	2,402,570
Fuel & Lubricants		2,953,256	3,190,530
Explosive & Blasting Materials		233,339	72,603
Concrete Items		16,120,152	48,243,752
Vehicle Spare Parts		13,881,691	16,899,889
Stationery		2,001,047	1,853,309
Tar		4,416,140	3,737,154
Electrical Goods		31,163,453	32,280,923
Pipes & Drainage Items		4,229,646	3,125,049
Other Stock Items		143,212,914	135,151,594
Earth Gravel Stock		3,724,449	3,951,273
Fabrication		1,630,100	3,800,700
Finished Goods - Concrete Items		278,113,510	193,825,980
Finished Goods - Metal Products		11,065,944	-
Steel RDA		552,461	311,296
Stock Adjustments		19,137,447	(203,594,343)
		687,496,592	**451,795,605**
Provision for Slow & Non Moving stock		(4,262,555)	(4,621,793)
Total		**683,234,037**	**447,173,812**
NOTE 13 - INCOME TAX ASSETS			
With Holding Tax On Projects		128,336,127	128,336,127
With Holding Tax On Interest		7,080,674	7,080,674
With Holding Tax On Rent		3,121,911	3,121,911
		138,538,712	**138,538,712**
Provision For Tax		(82,633,339)	(82,633,339)
Total		**55,905,373**	**55,905,373**
NOTE 14 - TRADE & OTHER RECEIVABLES			
Trade Debtors	14.01	3,713,746,390	3,680,179,197
Retention	14.02	560,805,077	505,541,544
Sundry Debtors	14.03	45,815,449	123,167,773
Loans & Advances	14.04	2,132,419	3,660,793
Advances On Purchases & Sub Contracts	14.05	343,442,837	482,007,868
Other Advances & Deposits	14.06	26,653,359	29,591,680
Total		**4,692,595,531**	**4,824,148,856**
Non Current Trade & Other Receivables			
Current Trade & Other Receivables		4,692,595,531	4,824,148,856
Total		**4,692,595,531**	**4,824,148,856**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 14.01 - TRADE DEBTORS			
Construction Debtors		488,946,699	381,420,314
Concrete Yard Debtors		52,635,175	71,444,046
Traffic Light System Debtors		34,884,101	102,153,306
Asphalt Debtors		1,622,511	1,622,511
Provision for Doubtful Debtors		(97,062,624)	(108,526,998)
Due From Customers		3,519,815,424	3,478,090,854
Provision for Due From Customers		(300,807,383)	(265,418,279)
Trade Creditors - Debit balances		13,712,487	19,393,442
Total		**3,713,746,390**	**3,680,179,197**
NOTE 14.02 - RETENTION			
Retention - Construction		715,479,503	614,563,892
Provision for Retention - Construction		(241,311,180)	(218,192,107)
Liquidated Damages Receivables		236,033,768	232,632,756
Provision for Liquidated Damages Receivables		(149,397,014)	(123,462,996)
Total		**560,805,077**	**505,541,544**
NOTE 14.03 - SUNDRY DEBTORS			
Security Deposits Of Employees		925,434	926,730
Salaries & Wages Control Account		-	80,335,283
Interest Receivable		11,188,478	6,645,370
Rent Receivable		4,295,500	4,095,500
Sundry Debtors		29,914,674	29,995,655
Sundry Creditors - Debit balances		2,058,023	2,620,086
Provision For Sundry Debtors		(2,566,659)	(1,450,851)
Ready Mixed Debtors (Devcoshowa)		34,802,842	34,802,842
Provision For Ready Mixed Debtors		(34,802,842)	(34,802,842)
Total		**45,815,449**	**123,167,773**
NOTE 14.04 - LOANS AND ADVANCES			
Prepaid Cost On Distress Loans		-	528,340
Salaries & Wages Advances		605,664	-
Festival Advances		118,000	616,750
Travelling Advances		313,735	333,735
Distress Loans		4,361,321	3,432,889
Bicycle Loan		-	5,000
Special Advance		330,000	330,000
Salary Advance - Casual Employees		-	(1,000)
Salary Advances - Contract Employees		49,014	6,274
Medical Insurance		(2,537,120)	(580,219)
Provision For Loans & Advances		(1,108,194)	(1,010,975)
Total		**2,132,419**	**3,660,793**
NOTE 14.05 - ADVANCES ON PURCHASES & SUB CONTRACTS			
Letter Of Credit Margin Account		134,822,839	129,072,060
Purchase Advances - Head Office		1,043,265	12,951,324
Purchase Advances - Sites		183,997,651	303,719,027
Purchase Advances - Construction		3,802,323	7,852,243
Purchase Advances - Concrete Yard		10,565,361	5,535,442
Sundry Advances		18,321,687	20,207,909
MPCS Polonnaruwa		-	5,000
Service Advance		76,806	83,306
Purchase Advances - Peliyagoda (CE)		21,484,694	21,484,694
Sub Contract Advances		15,299,042	15,299,042
Advances Control Account		-	86,244
Provision For Advances on Purchase &Sub Contract		(45,970,831)	(34,288,421)
Total		**343,442,837**	**482,007,868**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 14.06 - OTHER ADVANCES AND DEPOSITS			
Tender Deposits (Refundable)		199,875	260,156
Other Deposit		2,484,958	1,809,958
Fuel Deposit -Amithirigala 992		2,400,000	2,400,000
Telephone Deposits		8,000	8,000
Electricity Board Deposits		3,131,750	3,103,095
Deposit-Construction Project		240,000	240,000
Water Deposit		740,661	790,661
Deposit - Land - UDA		70,000	70,000
House Rent Deposit		928,000	868,000
Fuel Deposit - Weeragantota		90,000	90,000
Fuel Deposit - Head Office - Transport		300,100	300,100
Fuel Deposit - CME		415,000	415,000
Fuel Deposit - Katugastota WP -		4,421	4,421
Fuel Deposit Control A/C		13,067,868	15,511,706
Fuel Deposit - Mawanella Aranayake Road		400,000	400,000
Fuel Deposit - Kegalle -Rambukkana Road		300,000	300,000
Fuel Deposit - Negombo General Hospital		300,000	300,000
Fuel Deposit - Sengaloya		300,000	300,000
Fuel Deposit - Pannegamuwa Weekly fair		50,000	50,000
Fuel Deposit - Yatiyantota Deraniyagala Road		1,300,000	1,300,000
Fuel Deposit - Medawachchiya		150,000	150,000
Fuel Deposit - Polonnaruwa		1,000,000	1,000,000
Fuel Deposit - 980		400,000	400,000
Fuel Deposit - Galpottagama & Thanthirimale-		49,993	49,993
Fuel Deposit - Manick Farm -Chettikulam		200,000	200,000
Other Deposit - Rathkinda		10,000	250,000
Fuel Deposit - Road close to Talaimannar		134,051	134,051
Fuel Deposit - Bopitiya Quarry Crusher -	-	655,000	655,000
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	11,534
Fuel Deposit - Lunugamwehera Concrete Yard		60,000	60,000
Fuel Deposit - Muwagama		3,000	3,000
Provision For Other Advances And Deposits		(3,608,579)	(2,700,721)
Total		**26,653,359**	**29,591,680**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
Note 15 Cash At Bank			
Bank Of Ceylon - 80524651 (651)		153,277,878	84,608,156
Bank Of Ceylon - 84446216-(216)		110,268	-
People's Bank - Ratmalana - 080101091101178 (91)		3,820,790	809,328
Bank Of Ceylon - 84446221(221)		11,286	788,506
Bank Of Ceylon - 82786331 (331)		17,065	3,478,306
Sampath Bank 1860000985 (985)		4,511	1,392,534
Bank Of Ceylon - 682972		520,075	1,069,907
Bank Of Ceylon - -9826701		-	20,563
Margin Account - Sampath Bank		-	2,516,759
Bank Of Ceylon Peradeniya - 1274460		-	38,148
Bank Of Ceylon - 683202 (202)		409,002	833,419
People's Bank - Ratmalana - 080100381101178 (38)		1,307,275	2,284,312
People's Bank - Ratmalana - 080100471101178 (47)		1,646,941	525,785
People's Bank - Ratmalana - 080100291101178 (29)		260,462	547,756
Bank Of Ceylon - 0080490546 (546)		15,341	405,341
Bank Transfer HO		-	86,484,820
Bank Transfer - Site		-	36,218
Bank Of Ceylon - 6510876		21,668	381,694
Bank Of Ceylon - 86654175 (175)		19,718	12,566,831
People's Bank - Ratmalana 080101361101178 (136)		1,827,580	864,372
People's Bank - Ratmalana 080101181101178 (118)		2,097,468	1,061,961
Pan Asia Bank - 101100630		1,971	-
Bank Of Ceylon -87643673 (673)		24,148	3,252,985
Bank Of Ceylon -87643690 (690)		21,458	1,026,879
Bank Of Ceylon - 82786425 (425)		49,007	
Bank Of Ceylon -87643685 (685)		109,119	19,044,921
People's Bank - 080101271101178 (127)		23,778,893	
Sampath Bank - 1860000365		-	304
Sampath Bank - 001860000 349 (349)		26,848	26,848
Bank Of Ceylon - 683116 (116)		-	58,373
Bank Of Ceylon -0087159349 (9349)		176,088	8,462,143
Bank Of Ceylon -0087159466 (9466)		191,003	2,204,103
Bank Of Ceylon - 87948734		15,000	25,250
Bank Of Ceylon - 87948785		29,983	17,233
Bank Of Ceylon - 87948798		19,000	25,250
Bank Of Ceylon - 683116 (116)		25,135	-
People's Bank - 080101721101178 (72)		33,810	-
People's Bank - 080101541101178 (54)		156,763	-
People's Bank - 080101451101178 (45)		1,305,045	-
People's Bank - 080101901101178 (90)		74,295	-
People's Bank - 080101631101178 (63)		50,000	-
Bank Of Ceylon - 88497527 (7527)		15,503	-
Bank Of Ceylon - 88497541 (7541)		15,000	-
Saving Deposits		87,574,689	31,647,400
Sub Total		**279,060,087**	**266,506,406**
Cash In Hand - Petty Cash			
Rathmalana C\Y - Petty Cash		217,184	64,645
Construction & Head Office		5,838,247	8,537,059
Peradeniya Sales Centre		3,801	3,801
Mechanical Division		1,217	1,217
Sub Total		**6,060,449**	**8,606,722**
Total		**285,120,536**	**275,113,128**
Unfavourable Cash & Cash Equivalents		(133,851,255)	(144,507,507)
Total Cash & Cash Equivalents for the purpose of Cash Flow Statement		**151,269,281**	**130,605,621**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Contd.)
AS AT 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 16 - LOANS & BORROWINGS			
Balance As At The Beginning Of The Year		1,844,836,852	1,429,155,720
Borrowings During The Year		50,329,828	868,005,959
Total		1,895,166,680	2,297,161,679
Repaid During The Year		46,917,100	452,324,827
Net		**1,848,249,580**	**1,844,836,852**
Repayable Within One Year		282,515,292	191,711,368
Repayable After One Year		1,565,734,288	1,653,125,484
Total Loans & Borrowings		**1,848,249,580**	**1,844,836,852**
NOTE 17 - RETIREMENT BENEFIT OBLIGATIONS			
Balance As At The Beginning Of The Year		59,408,198	79,332,387
Cancel Payment		82,985	-
Charges To / (Reverse From) Income Statement	17.01	21,280,333	3,219,919
Payment/payables During The Year		(21,787,932)	(23,144,108)
Balance As At End Of The Year		**58,983,584**	**59,408,198**
NOTE 17.01 - PROVISION MADE DURING THE YEAR			
Interest Cost		22,701,861	7,990,082
Current Service Costs		24,358,710	3,784,163
Net Actuarial (Gain) / Loss Recognized Immediately		(25,780,239)	(8,554,326)
Total		**21,280,332**	**3,219,919**
NOTE 18 - TRADE & OTHER PAYABLES			
Trade Payables	18.01	797,697,251	867,857,755
Value Added Tax	18.02	1,236,197,185	1,111,086,511
Sundry Payables	18.03	1,373,462,809	954,950,597
Employee Benefit Payables	18.04	119,222,174	78,667,409
Refundable Advances & Retentions	18.05	918,485,607	1,283,915,843
Refundable Deposits	18.06	1,103,162	965,445
Total		**4,446,168,188**	**4,297,443,559**
Current Trade & Other Payables		4,446,168,188	4,297,443,559
Total		**4,446,168,188**	**4,297,443,559**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 18 . 01 - TRADE PAYABLES			
Trade Creditors		435,596,812	459,689,844
ESC Control AC		77,812,628	14,759,188
ESC Payable		-	-
Nation Building Tax		6,342,105	6,342,105
Payment Received Material - Sites		154,225,184	251,227,891
Unfavourable Debtor Balances		-	4,082,667
Dues to Customers		123,720,522	131,756,060
Total		**797,697,251**	**867,857,755**
NOTE 18 . 02 - VALUE ADDED TAX			
Value Added Tax Control Account		1,236,197,185	1,111,086,511
Total		**1,236,197,185**	**1,111,086,511**
NOTE 18. 03 - SUNDRY PAYABLES			
Sundry Creditors		977,361,721	910,173,618
Auditor General		-	2,825,200
Refundable Deposits		9,668,304	3,089,097
Loan Interest Payable		-	18,784,936
Loan Capital Areas Payable		-	20,077,566
Bill Discounting		322,347,178	-
Audit Fee Payable		4,039,260	-
Letter of Credit		40,598,604	-
SSCL		504,795	-
EPF Surcharge Payable		11,410,428	-
Government Valuation Dept.		7,532,520	-
Refundable Loan		-	180
Total		**1,373,462,809**	**954,950,597**
NOTE 18 . 04 - EMPLOYEE BENEFIT PAYABLES			
Salaries & Wages Payable - Permanent		316,927	47,290
Salaries & Wages Payable - Contract		6,865,902	12,800,482
Salaries & Wages Payable - Casual		191,871	536,636
Cash Abatements -Control Account		2,253,055	2,488,504
Flood Relief Advance		-	16,250
Employees' Provident Fund		107,548,404	60,961,028
Employees' Trust Fund		1,598,712	1,369,915
Medical Insurance		447,303	447,303
Total		**119,222,174**	**78,667,409**
NOTE 18 . 05 - REFUNDABLE ADVANCES & RETENTIONS			
Mobilization Advances From Clients		860,514,165	1,221,705,643
On Account Payments		8,684,946	-
Advances Against Orders -Concrete Yards		49,149,606	62,073,310
Advances Against Orders -Asphalt Plant		136,890	136,890
Total		**918,485,607**	**1,283,915,843**
NOTE 18 . 06 - REFUNDABLE DEPOSITS			
Security Deposits - Employees		953,162	965,445
Refundable Deposit - Welfare Building		150,000	-
Total		**1,103,162**	**965,445**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
AS AT 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2022	2021
NOTE 19 - BANK OVERDRAFTS			
Bank Of Ceylon - 82410946		24,965,503	25,122,361
Bank Of Ceylon - 82786425		-	325,102
Bank Of Ceylon - 75416320		21,286,918	22,352,098
Bank Of Ceylon - 683114 (114)		26,429	9,932,508
Sampath Bank - 1860000195 (195)		1,816,892	-
Sampath Bank - 1860000241		69,860,914	62,389,929
Pan Asia Bank - 101100630		-	99,996
Bank Of Ceylon -87643682 (682)		12,198,332	13,489,439
People's Bank 080101271101178 (1012)		33,500	13,500
People's Bank - 080101811101178 (81)		3,662,766	-
Bank Of Ceylon - 84446216-(216)		-	10,782,574
Total		**133,851,255**	**144,507,507**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
FOR THE YEAR ENDED 31ST DECEMBER — **2022** — **2021**
(All Amounts Are In Sri Lanka Rupees)

NOTE 20 - 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

		2022	2021
	Investment In Devcoshowa (Pvt) Ltd	9,210,740	9,210,740
	Ready Mixed Debtors (Devcoshowa)	34,802,842	34,802,842

NOTE 21 - TRANSACTIONS WITH RELATED PARTIES

NOTE 22.01 - TRANSACTIONS WITH PARENT / SUBSIDIARIES/ASSOCIATES

Company	Transactions	2022	2021
Devcoshowa (Pvt) Ltd	Cash Receipts		-
	Cash Payments	-	-
Total		-	-

NOTE 21.02 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	2022	2021
Salaries To Key Management Personnel	2,041,248	1,273,700
Total	**2,041,248**	**1,273,700**

NOTE 22 - ASSETS PLEDGED

Nature of Asset	Nature of Liability
Property Indicated In Note. 08	
Land at Gregory's Avenue	Land has been pledged against a loan facility (LKR 186,000,000, LKR 90,000,000, LKR 12,700,000), a bond & guarantee facility (LKR 200,000,000) and an overdraft facility (LKR 70,000,000) in Sampath Bank.
Land at Rathmalana	Land has been pledged against loan facility (LKR528,416,000) & guarantee facility (LKR 1,050,000,000) in Bank of Ceylon.
Land at Peliyagoda	Land has been pledged against loan facilities (LKR 84,000,000 & LKR 7,548,655) in Housing Development Finance Corporation (HDFC).

NOTE 23 - PROVISION FOR DEBTORS & OTHER RECEIVABLES

Provision has been made for Note 14.1 trade debtors (except due from customers) & Note 14.2 retention, based on the age analysis. Provision has been made for 'Due from customers' over five years' balance of Rs: 176,945,519.16 at a rate of 20% for the current year. Provision of 3% has been made for all other receivables in Note 14.3, 14.4, 14.5, & 14.6.

NOTE 24 - 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.

NOTE 25 - PRIOR YEAR ADJUSTMENT

Prior year adjustment amounting to Rs.81,996,388 in the equity statement includes, payable amount to the government valuation department amounting to Rs.7,532,520, EPF surcharge payable amounting to Rs.11,410,428 and ESC payable amounting to Rs.63,053,440 aroused in the previous years.

Note 26 - RESTATEMENT OF FINANCIAL STATEMENT AS AT 31.12.2021

	Before Restating Year 2021	After Restating Year 2021
OTHER INCOME		
Transport Hire Charges	16,673,092	16,673,092
Deferred Income	78,800,030	78,800,030
Consultancy Fee	5,786,821	5,786,821
Sundry Income	60,104,437	60,104,437
Treasury Grant Received For Salaries	-	53,000,000
Insurance Income	21,924,764	21,924,764
Income On Rent	13,604,550	13,604,550
Miscellaneous	25	25
Profit On Disposal Of Property, Plant & Equipment	9,320,036	9,320,036
Total	**206,213,755**	**259,213,755**
EQUITY & LIABILITIES		
Capital & Reserves		
Capital	16,671,651	16,671,651
Capital Grant	51,140,000	51,140,000
Capital Reserves	6,629,760	6,629,760
Government Grant	269,660,477	216,660,477
Revaluation Reserve	656,256,375	656,256,375
Retained Earnings	(676,632,526)	(623,632,526)
Total Equity	**323,725,737**	**323,725,737**

The government grant amounting to Rs. 53Mn received in the year 2021 for the payment of salaries, had been accounted as capital grant in the year 2021. As stated in the above note It has been accounted as recurent grant by restating the financial statement of the year 2021.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS *(Contd.)*
FOR THE YEAR ENDED 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

NOTE 27 - SEGMENT INFORMATION

	2022					2021				
Segment Income and Expenses	**Construction**	**Concrete Yard**	**Traffic Light Systems & Work Services**	**Other**	**Total**	**Construction**	**Concrete Yard**	**Traffic Light Systems & Work Services**	**Other**	**Total**
Revenue	2,059,987,261	287,654,791	198,039,225		2,545,681,276	3,371,051,882	464,033,667	380,453,608		4,215,539,157
Cost Of Sales	(1,642,440,295)	(187,637,126)	(196,482,988)	(155,646,287)	(2,182,230,696)	(2,827,905,884)	(485,042,399)	(310,131,166)	(189,330,101)	(3,812,409,551)
Gross Profit	**417,546,966**	**100,017,665**	**1,556,237**	**(155,646,287)**	**363,450,580**	**543,145,998**	**(21,008,732)**	**70,322,442**	**(189,330,101)**	**403,129,606**
Other Income					176,779,285					259,213,755
Administrative Expenses					(309,983,536)					(176,664,778)
Other Expenses					(89,193,460)					(138,174,528)
Financial Income					8,018,943					7,789,263
Financial Expenses					(122,150,767)					(259,168,706)
Profit Before Tax					**26,921,045**					**96,124,611**

2022

Construction Projects

Disclosure Requirement As Per LKAS 11

	PROJECT NAME	Initial Contract Sum	B.O.Q + Certified Variation	Estimated Cost + Certified Variation	Cost incurred During The Year 2022	Total Cost incurred up to 2022	Cost of Balance Work	Total Cost incurred up to 2022 +Cost of Balance Work	% Completion	Revenue Recognition up to 2021	Revenue Recognition up to 2022						Amount of Retention	Mobilisation Advance
		Total										For the Year	Recognised Profit as at 31.12.2022	Bill Received (Cumulative) as at 31.12.2022	Due From customer = 506	Due to Customer = 0507		
1121	CHILAW DISTRICT GENERAL HOSPITAL BUILDING	108,730,599.46	114,563,429.92	85,841,866.25	3,483,053.34	79,423,556.07	3,000,000.00	82,423,556.07	96%	89,536,426.74	110,393,623.30	20,857,196.56	30,970,067.23	69,869,300.66	40,524,322.64		*4,840,007.69*	
1161	KIRINDIOYA AT MODARAPELESSA	205,198,563.77	220,577,421.39	183,374,499.70	10,256,301.14	124,520,035.33	44,000,000.00	168,520,035.33	74%	157,265,771.78	162,985,417.44	5,719,645.65	38,465,382.11	134,614,444.11	28,370,973.33		*9,025,179.05*	4,979,358.02
1163	WALAWE RIVER BETWEEN THALIGALA & RIDIYAGAMA	235,607,578.36	221,815,470.81	181,022,777.74	16,259,016.06	96,394,302.97	39,000,000.00	135,394,302.97	71%	130,537,597.44	157,922,063.39	27,384,465.95	61,527,760.42	135,087,142.37	22,834,921.02		*9,864,956.94*	9,547,975.28
1171	KIRIDIOYA UDUWILA & RABARWATTA	163,685,149.22	152,953,933.83	123,277,479.63	3,316,846.45	81,033,683.60	4,250,000.00	85,283,683.60	95%	142,309,370.14	145,331,676.07	3,022,305.93	64,297,992.47	98,801,461.28	46,530,214.79		*7,094,970.77*	1,949,038.97
1172	ARUBOKKA OYA AT KESELWATTA IN KATUWANA	55,487,481.19	50,995,677.67	40,935,683.21	819,538.32	35,113,008.33	16,000,000.00	51,113,008.33	69%	30,312,247.51	35,032,405.90	4,720,158.39	(80,602.43)	13,747,543.74	21,284,862.16		*1,341,202.78*	6,781,795.91
1177	WALAWE RIVER BADIGANTHOTA LIYANAGATHOTA	245,711,149.37	224,645,494.97	179,955,552.79	13,136,494.14	61,742,687.48	102,000,000.00	163,742,687.48	38%	49,851,977.34	84,707,395.51	34,855,418.17	22,964,708.03	52,650,240.31	32,057,155.20		*5,374,390.08*	30,312,417.06
1178	MALALA ARA RANMUDUWAWA THANAMALWILA ROAD	90,193,458.14	83,055,068.07	66,650,682.52	12,052,742.45	45,686,316.31	28,600,000.00	74,286,316.31	62%	74,628,673.55	51,079,126.00	(23,549,547.55)	5,392,809.69	25,164,446.02	25,914,679.98		*2,306,279.99*	9,743,239.35
1179	WALASMULLA PALLEKANDA ROAD	83,754,961.44	77,350,396.09	62,117,044.27	4,221,582.03	30,956,173.21	28,890,000.00	59,846,173.21	52%	31,797,404.73	40,010,448.97	8,213,044.24	9,054,275.76	20,254,942.21	19,755,506.76		*1,856,368.77*	10,610,213.20
1180	KUMBUKMULLA URUBOKKA OYA IN MADAGODA	93,937,131.65	89,009,428.39	71,924,143.52	7,641,872.19	48,943,960.76	12,800,000.00	61,743,960.76	79%	58,150,103.48	70,557,086.34	12,406,982.86	21,613,125.58	68,565,916.81	2,005,461.49		*4,660,853.21*	1,121,445.86
1181	THALUNNA AND ANDUPELANNA	93,049,030.16	85,581,542.19	68,657,785.22	5,295,569.20	32,558,110.85	40,500,000.00	73,058,110.85	45%	36,880,755.94	38,139,137.53	1,258,381.59	5,581,026.68	21,737,008.78	16,402,128.75		*2,118,973.65*	11,661,816.69
1184	KIRAMA ARA IN HADUGALA	35,754,679.98	34,760,447.82	28,276,124.50	5,395,751.14	26,021,521.96	6,340,000.00	32,361,521.96	80%	25,338,754.27	27,950,470.23	2,611,715.96	1,928,948.27	26,185,735.78	1,764,734.45		*2,577,752.26*	1,075,263.96
1185	KAMMALE THOTUPOLA IN KATUWANA	43,983,441.25	42,811,331.49	34,834,673.50	6,488,233.28	35,018,532.78	1,950,000.00	36,968,532.78	95%	41,215,290.76	40,553,138.10	(662,152.66)	5,534,605.32	28,597,493.91	11,955,644.19		*2,070,235.08*	1,544,466.39
1186	KOHOMPORUWA AND SIYABALAMURAYA	39,757,805.50	38,992,862.61	31,782,548.73	1,794,151.04	39,846,542.39	1,000,000.00	40,846,542.39	98%	27,694,106.40	38,038,244.17	10,344,137.77	(1,808,298.22)	32,007,901.86	6,030,342.31		*1,718,345.83*	964,819.33
1188	ARANWELA ROAD IN BELIATTA DIVISIONAL SECRETARY'S DIVISION	97,633,129.50	92,125,080.40	74,418,733.19	9,255,051.50	51,505,933.63	48,000,000.00	99,505,933.63	52%	41,749,371.08	47,685,480.69	5,936,109.61	(3,820,452.94)	40,978,788.41	6,706,692.28		*3,995,900.20*	7,855,539.93
1190	HANWELLA PUGODA WAKE URAPOLA ROAD	112,937,918.44	103,590,028.14	86,894,857.59	11,904,999.95	39,078,704.44	56,000,000.00	95,078,704.44	41%	25,617,260.14	42,576,979.95	16,959,719.81	3,498,275.51	23,156,582.58	19,420,397.37		*2,315,658.30*	13,618,945.42
1205	BRIDGE ACROSS CANAL-SOORIYAWEWA HOSPITAL	28,774,583.41	26,923,598.97	21,660,685.71	230,499.03	17,232,152.49	1,200,000.00	18,432,152.49	93%	24,740,799.55	25,170,775.00	429,975.45	7,938,622.51	16,874,875.12	8,295,899.88		*1,246,898.61*	1,547,208.26
1206	BRIDGE WALASMULLA NATIONAL SCHOOL	22,037,925.84	20,029,867.65	15,999,085.01	-	2,350,962.71	14,660,000.00	17,010,962.71	14%	3,205,336.02	2,768,183.83	(437,152.19)	417,221.12	3,088,676.68		(320,492.85)	*226,487.39*	3,316,652.16
1207	BRIDGE DIMBULGAHAHENA ELA AT PATHEGAMA	38,086,578.00	34,821,539.09	27,876,230.74	3,844,887.28	15,077,068.18	14,950,000.00	30,027,068.18	50%	12,854,816.32	17,484,448.23	4,629,631.90	2,407,380.05	9,740,249.56	7,744,198.67		*908,444.27*	4,565,432.54
1264	SPAN STEEL BRG.ACROSSMCCALLUM CANAL IN SLPA	63,966,506.56	81,689,414.07	71,839,793.24	42,238,861.51	67,354,128.31	3,000,000.00	70,354,128.31	96%	30,745,159.48	78,206,061.38	47,460,901.89	10,851,933.07	30,770,681.39	47,435,379.99		*2,907,568.48*	51,318,591.06
1267	*IMPROVEMENTS-INTERSECTION JAELA-EKALA ROAD*	79,236,821.73	69,473,432.00	64,702,861.17	17,176,796.85	55,839,283.07	500,000.00	56,339,283.07	99%	50,825,170.67	68,856,869.02	18,031,698.35	13,017,585.95	21,357,566.23	47,499,302.79		*2,225,589.45*	5,882,125.80
1268	*RECONSTRUCTION GALLE DENIYAYA MADAME ROAD*	80,688,487.00	72,510,321.02	68,255,088.75	16,309,172.55	53,600,104.90	6,800,000.00	60,400,104.90	89%	56,552,842.87	64,346,921.57	7,794,078.70	10,746,816.67	43,300,323.77	21,046,597.80		*4,034,425.35*	
1269	*RECONSTRUCTION-BRIDGE PANAGODA HENPITIA ROAD*	71,287,664.31	62,897,226.61	60,821,873.57	24,186,653.79	76,486,889.73	2,000,000.00	78,486,889.73	97%	46,991,950.83	61,294,481.83	14,302,531.00	(15,192,407.90)	58,195,481.31	3,099,000.52		*3,556,310.22*	
1278	*BRIDGE-PARANTHAN-KARACHCHI MULLAITIVU ROAD*	109,833,006.34	93,320,191.05	99,270,833.77	13,978,983.81	78,752,585.63	35,000,000.00	113,752,585.63	69%	47,698,473.57	64,606,938.79	16,908,465.22	(14,145,646.84)	34,814,694.83	29,792,243.96		*3,673,729.48*	8,296,806.03
1279	*BRIDGE HORAWALA-PELAWATTA--PITIGALA ROAD*	58,145,689.35	51,418,490.16	45,617,694.91	24,340,443.68	56,176,643.87	10,000,000.00	66,176,643.87	85%	24,149,104.94	43,648,605.33	19,499,500.38	(12,528,038.54)	23,240,245.70	20,408,359.63		*2,543,604.53*	5,318,820.69
1280	*BRIDGE KOLLUPITIYA-SRI JAYAWARDHANAPURA ROAD*	93,172,719.89	84,980,297.01	75,347,647.91	13,285,343.24	52,195,159.78	27,000,000.00	79,195,159.78	66%	37,588,607.99	56,007,970.60	18,419,362.61	3,812,810.82	44,167,035.40	11,840,935.20		*4,416,703.54*	10,826,577.34
1283	*ALUTHMAWATHA UPPER ST. ANDREWS ROAD-TOBACCO CO*	159,399,783.65	140,612,341.21	136,574,768.74	13,656,473.45	55,432,259.73	68,000,000.00	123,432,259.73	45%	45,821,958.41	63,147,671.74	17,325,713.33	7,715,412.01	42,946,995.02	20,200,676.72		*4,382,747.50*	15,662,694.99
1284	*IMPROVEMENTS TO WATTALA-HEKITTA ROAD*	189,944,272.91	162,714,554.93	160,701,633.93	47,372,658.17	133,566,979.94	37,530,000.00	171,096,979.94	78%	102,572,245.28	127,023,233.85	24,450,988.57	(6,543,746.09)	81,760,575.90	45,262,657.95		*8,313,647.03*	11,788,736.75
1285	*MORONTHOTA ARANDARA ROAD*	167,321,387.89	163,520,431.46	163,217,984.01	17,982,376.89	94,672,240.44	27,000,000.00	121,672,240.44	78%	108,531,768.12	127,233,998.06	18,702,229.94	32,561,757.62	98,383,766.10	28,850,231.96		*8,366,069.39*	8,651,832.15
1286	*IMPROV. EMBILIPITIYA-PANADURA-BULUTHOTA ROAD*	177,414,443.37	160,541,400.62	158,487,215.63	26,029,659.90	117,339,929.03	40,000,000.00	157,339,929.03	75%	97,073,388.33	119,727,501.29	22,654,112.95	2,387,572.26	102,259,564.42	17,467,936.87		*8,870,722.19*	
1287	*JUNCTION TO PELENDAKANDA*	206,870,052.76	187,476,714.59	182,617,839.08	6,457,458.48	85,368,390.36	17,600,000.00	102,968,390.36	83%	108,850,421.74	155,432,024.32	46,581,602.58	70,063,633.96	87,540,822.26	67,891,202.06		*8,754,082.20*	
1288	*IMPROVEMENTS OF THARAVATHANAI ROAD JAFFNA DIST*	112,831,944.26	113,966,054.11	108,755,304.38	7,425,011.98	84,668,583.77	30,240,000.00	114,908,583.77	74%	71,468,203.88	83,974,095.61	12,505,891.73	(694,488.16)	60,965,050.74	23,009,044.87		*5,641,596.22*	2,752,635.87
1289	*RAJAGIRIYA NAWALA CANAL ETHULKOTTE*	1,698,551,089.80	2,112,282,769.77	2,676,365,210.16	487,801,866.02	1,262,703,822.55	375,910,280.05	1,638,614,102.60	77%	986,106,133.76	1,627,709,369.44	641,603,235.68	365,005,546.89	1,591,494,422.46	36,214,946.98		*84,927,554.49*	37,705,680.15
1290	*COLOMBO RATNAPU4RA WELLAWAYA BATTICALOA ROAD*	48,470,636.74	49,242,356.20	41,040,740.05	3,356,804.63	33,533,990.52	2,000,000.00	35,533,990.52	94%	43,144,601.64	46,470,792.66	3,326,191.02	12,936,802.14	34,553,239.09	11,917,553.57		*2,423,531.84*	
1291	*REPAIRS CANYON HEAD RACE TUNNEL-LAXAPANA*	91,294,465.00	132,002,720.18	94,751,005.18	39,496,775.09	40,131,510.03	-	40,131,510.03	100%	900,723.18	52,214,739.89	51,314,016.71	12,083,229.86	52,214,739.89	-		*4,564,723.25*	

	PROJECT NAME	Initial Contract Sum	B.O.Q + Certified Variation	Estimated Cost + Certified Variation	Cost incurred During The Year 2022	Total Cost incurred up to 2022	Cost of Balance Work	Total Cost incurred up to 2022 +Cost of Balance Work	% Completion	Revenue Recognition up to 2021	Revenue Recognition up to 2022	For the Year	Recognised Profit as at 31.12.2022	Bill Received (Cumulative) as at 31.12.2022	Due From customer = 506	Due to Customer = 0507	Amount of Retention	Mobilisation Advance
		Total																
1294	CONS. RETAINING WALLS-KANDY JAFFNA ROAD	49,547,032.64	44,238,422.00	42,473,631.20	7,920,405.64	30,120,399.31	3,000,000.00	33,120,399.31	91%	26,338,453.56	40,231,366.87	13,892,913.31	10,110,967.56	22,345,199.22	17,886,167.65		2,234,519.92	292,924.16
1296	SAMPATHNUWARA TO GAJABAPURA RD	56,000,000.00	51,087,717.92	48,880,986.18	12,073,908.78	18,733,362.19	39,710,000.00	58,443,362.19	32%	6,903,002.06	16,375,593.18	9,472,591.12	(2,357,769.01)	12,146,533.45	4,229,059.73		1,326,173.35	7,054,157.81
1297	IMLEMENTAIN OF RURAL BRIDGE PROJECT	72,869,459.80	72,869,459.80	-	30,288,554.45	60,949,227.25	7,695,014.95	203,116,606.11		74,455,824.68	117,432,479.09	42,976,654.41	56,483,251.84	117,432,479.09	-		8,669,833.03	
1297	25 NOS.OF STEEL BRIDGE	256,025,738.79	247,307,777.14	-		-	134,472,363.91			-		-	-		-			
1299	VVIP ACCESS ROAD - DEFENCE HEADQUARTERS COMPLEX	409,662,999.90	367,119,253.19	358,003,640.39	17,989,180.51	174,092,957.59	118,000,000.00	292,092,957.59	60%	187,973,065.78	218,810,056.58	30,836,990.80	44,717,098.99	196,109,960.66	22,700,095.92		20,133,478.39	17,159,430.55
1300	WARAPATHA RD, PUTTALAM-TRINCOMALEE RD.	211,290,000.00	194,658,681.09	199,103,427.96	21,176,798.99	70,447,140.79	63,000,000.00	133,447,140.79	53%	86,443,822.46	102,760,894.18	16,317,071.72	32,313,753.39	54,996,147.18	47,764,747.00		5,499,614.72	
1301	WILACHCHIYA JUNC.,GONAWA JUNC.,GRAMA . & METH.	180,390,000.00	162,889,842.26	167,027,368.63	12,477,674.11	63,502,850.27	74,400,000.00	137,902,850.27	46%	57,058,818.83	75,009,104.19	17,950,285.36	11,506,253.92	33,398,994.21	41,610,109.98		3,339,899.42	
1317	DAMBULLA BAKAMUNA KALAGAHAHENA ROAD SECTION 07	186,616,035.60	191,153,111.05	150,747,996.32	25,912,344.72	58,078,109.00	90,470,000.00	148,548,109.00	39%	33,264,810.81	74,735,459.74	41,470,648.92	16,657,350.74	26,684,645.76	48,050,813.98		2,441,610.80	24,556,816.30
1318	DAMBULLA-BAKAMUNA-KALAGAHAHENA ROAD-SECTION 6	178,306,902.03	178,306,902.03	144,860,768.47	9,573,891.25	83,453,415.97	28,000,000.00	111,453,415.97	75%	131,215,712.20	133,511,565.67	2,295,853.47	50,058,149.70	81,382,594.25	52,128,971.42		8,138,259.43	
1319	LAGGALA ROAD-FROM8500-9400KM	203,856,728.21	203,856,728.21	161,856,732.96	3,752,552.38	10,373,913.27	95,000,000.00	105,373,913.27	10%	6,617,111.46	20,069,407.62	13,452,296.16	9,695,494.35	6,372,278.73	13,697,128.89		637,227.87	26,518,052.54
1320	MATALE ILLKKUBURA LAGGALA ROAD	204,316,469.00	204,316,469.00	161,622,407.91	9,274,878.86	25,376,205.54	109,200,000.00	134,576,205.54	19%	19,805,779.27	38,526,697.14	18,720,917.86	13,150,491.60	9,624,435.62	28,902,261.52		962,443.56	24,918,283.57
1321	BRIDGE PANSILGODA ROAD MINUWANGODA	79,545,137.51	70,887,163.36	56,276,831.97	10,011,233.05	26,178,104.77	39,000,000.00	65,178,104.77	40%	28,818,552.40	28,471,088.50	(347,463.90)	2,292,983.73	11,040,762.26	17,430,326.24		1,104,076.23	11,057,843.87
1322	MARUKWATHURA ASHOKAPURA-KARADANA BRIDGE	176,227,057.62	160,954,581.10	149,813,468.37	21,805,718.67	58,347,216.55	76,300,000.00	134,647,216.55	43%	59,516,619.46	69,747,091.98	10,230,472.52	11,399,875.43	50,782,082.61	18,965,009.37		5,078,208.26	5,634,451.16
1327	BRIDGE HEENGAGA HUNASGIRIYA MEEMURE ROAD	63,377,540.62	54,636,010.88	28,417,201.00	2,611,454.70	13,237,389.00	34,650,000.00	47,887,389.00	28%	13,987,544.52	15,102,893.36	1,115,348.85	1,865,504.36	-	15,102,893.36			10,197,162.05
1328	BRIDGE PUTHUKADUWA WALEBODA THORAWELAKANDA	20,433,985.77	20,433,985.77	17,070,998.97	127,147.40	3,578,850.34	16,400,000.00	19,978,850.34	18%	3,626,008.94	3,660,379.64	34,370.70	81,529.30	1,677,251.52	1,983,128.12		167,725.15	3,183,663.08
1329	KALUWALA MANKIADA BRIDGE	38,425,601.68	38,425,601.68	31,013,399.26	-	615,838.14	29,800,000.00	30,415,838.14	2%	646,276.37	778,014.10	131,737.73	162,175.96	-	778,014.10			6,410,813.84
1330	URA OYA BRIDGE	81,837,700.70	85,497,352.59	69,156,010.99	2,084,942.73	16,514,850.25	50,300,000.00	66,814,850.25	25%	15,652,334.48	21,132,666.91	5,480,332.43	4,617,816.66	13,576,494.66	7,556,172.25		1,357,649.46	9,744,706.49
1333	AMBAGAHAHENA BRIDGE-KITHALABOKU GANGA EMBILIPI	19,770,227.15	17,933,027.80	16,531,176.45	(1,880,149.89)	2,238,116.65	2,500,000.00	4,738,116.65	47%	4,045,015.38	8,470,920.21	4,425,904.84	6,232,803.56	7,629,500.93	841,419.28		762,950.09	195,552.60
1336	RURAL BRIDGE PROJECT-KEGALLE DISTRICT	82,178,397.26	72,609,547.47	73,056,711.88	21,481,553.99	45,221,977.72	26,957,850.47	72,179,828.19	63%	25,364,810.81	45,491,204.68	20,126,393.87	269,226.96	34,391,827.53	11,099,377.15		3,298,041.31	8,118,827.35
1337	RURAL BRIDGE PROJECT-MATALE DISTRICT	51,655,293.62	45,712,649.22	43,535,856.40	8,368,314.73	21,794,247.80	20,731,819.16	42,526,066.96	51%	22,433,017.69	23,427,344.12	994,326.43	1,633,096.32	15,115,080.26	8,312,263.86		1,309,510.86	5,796,408.31
1338	RURAL BRIDGE PROJECT - NUUWARAELIYA DISTRICT	63,527,766.34	56,270,362.44	56,777,939.18	2,978,458.27	9,912,618.02	22,542,808.13	32,455,426.15	31%	6,947,969.19	17,186,235.86	10,238,266.66	7,273,617.84	5,939,680.47	11,246,555.39		593,968.05	10,535,873.04
1339	RURAL BRIDGE PROJECT-RATNAPURA DISTRICT	109,390,362.96	97,363,432.71	92,727,078.77	12,953,528.94	55,227,095.23	43,059,262.34	98,286,357.57	56%	39,316,348.40	54,708,503.84	15,392,155.44	(518,591.39)	24,934,654.07	29,773,849.77		2,459,526.95	12,542,754.43
1340	RURAL BRIDGE PROJECT-KANDY DISTRICT	247,680,872.55	219,070,499.95	164,624,736.10	23,342,910.30	37,670,227.44	40,232,452.57	77,902,680.01	48%	21,551,812.70	105,932,627.19	84,380,814.48	68,262,399.75	25,000,907.98	80,931,719.21		2,322,231.21	29,306,718.93
1341	RURAL BRIDGE PROJECT-ANURADHAPURA DISTRICT	125,452,033.86	112,457,303.63	107,102,193.93	14,117,722.57	38,097,717.27	21,735,886.58	59,833,603.85	64%	26,842,686.53	71,604,688.39	44,762,001.85	33,506,971.12	42,818,887.22	28,785,801.17		3,829,878.91	9,388,340.00
1342	RURAL BRIDGE PROJECT - POLONNARUWA DISTRICT	56,786,784.41	50,538,607.02	48,132,006.69	17,530,422.79	43,403,819.20	10,380,285.46	53,784,104.66	81%	29,792,103.21	40,784,699.78	10,992,596.57	(2,619,119.42)	33,142,650.58	7,642,049.20		2,640,830.21	2,153,439.37
1343	RURAL BRIDGE PROJECT-MONARAGALA DISTRICT	75,403,378.16	66,728,653.24	63,551,098.32	17,510,547.69	23,332,461.43	7,648,231.23	30,980,692.66	75%	27,396,175.43	50,255,291.10	22,859,115.67	26,922,829.67	49,747,722.35	507,568.75		4,777,387.54	1,674,764.72
1344	RURAL BRIDGE PROJECT-BADULLA DISTRICT	71,968,757.59	64,265,985.38	61,205,700.36	19,307,664.89	47,530,626.44	28,594,167.07	76,124,793.51	62%	26,988,154.99	40,126,250.63	13,138,095.64	(7,404,375.81)	23,381,878.14	16,744,372.49		2,145,731.36	5,686,822.01
1347	RURAL BRIDGE PROJECT - COLOMBO DISTRICT	91,431,757.42	81,104,604.12	91,922,883.71	17,707,061.08	35,282,805.03	32,228,157.52	67,510,962.55	52%	17,483,283.42	42,387,159.45	24,903,876.03	7,104,354.42	34,769,458.22	7,617,701.23		2,895,716.84	9,793,462.36
1348	RURAL BRIDGE PROJECT - GAMPAHA DISTRICT	154,859,184.27	137,377,104.36	124,390,394.72	18,812,879.44	33,640,369.85	79,098,299.51	112,738,669.36	30%	19,276,620.74	40,992,293.29	21,715,672.55	7,351,923.44	17,399,973.87	23,592,319.42		1,852,500.01	19,578,410.01
1349	RURAL BRIDGE PROJECT - KALUTHARA DISTICT	82,154,704.28	72,703,278.12	69,241,217.26	11,514,187.59	24,217,634.31	27,671,721.46	51,889,355.77	47%	14,652,213.59	33,931,841.64	19,279,628.05	9,714,207.33	16,520,436.34	17,411,405.30		1,652,043.63	8,690,813.02
1350	RURAL BRIDGE PROJECT - HAMBANTHOTA DISTRICT	93,007,959.14	82,860,940.20	78,915,181.14	3,525,826.34	31,546,023.72	25,943,953.10	57,489,976.82	55%	32,142,054.45	45,467,633.31	13,325,578.86	13,921,609.59	34,848,573.85	10,619,059.46		3,252,971.38	8,017,883.15
1351	RURAL BRIDGE PROJECT - GALLE DISTRICT	104,559,378.88	92,530,423.79	88,124,213.13	9,307,812.70	22,959,936.19	52,051,583.13	75,011,519.32	31%	14,860,287.47	28,322,218.31	13,461,930.84	5,362,282.12	25,136,236.14	3,185,982.17		2,196,445.06	13,941,096.65
1352	RURAL BRIDGE PROJECT - MATARA DISTRICT	60,567,494.34	54,340,180.64	51,752,552.99	8,151,878.89	20,972,154.41	18,163,753.20	39,135,907.61	54%	12,650,104.78	29,119,821.89	16,469,717.11	8,147,667.48	21,633,506.67	7,486,315.22		1,893,132.49	5,794,915.02

	PROJECT NAME	Initial Contract Sum Total	B.O.Q + Certified Variation	Estimated Cost + Certified Variation	Cost incurred During The Year 2022	Total Cost incurred up to 2022	Cost of Balance Work	Total Cost incurred up to 2022 +Cost of Balance Work	% Completion	Revenue Recognition up to 2021	Revenue Recognition up to 2022	For the Year	Recognised Profit as at 31.12.2022	Bill Received (Cumulative) as at 31.12.2022	Due From customer = 506	Due to Customer = 0507	Amount of Retention	Mobilisation Advance
1353	RURAL BRIDGE PROJECT - PUTTALAM DISTRICT	109,666,192.26	99,761,499.25	66,585,311.90	447,147.97	17,109,990.20	62,634,866.44	79,744,856.64	21%	28,390,109.19	21,404,744.41	(6,985,364.78)	4,294,754.21	18,688,582.62	2,716,161.79		1,868,853.26	14,686,382.23
1354	RURAL BRIDGE PROJECT - KURUNEGALA DISTRICT	230,531,109.60	205,879,010.29	196,075,247.90	29,639,129.15	64,293,405.68	108,365,782.50	172,659,188.18	37%	37,487,667.86	76,663,529.29	39,175,861.42	12,370,123.61	45,858,704.02	30,804,825.27		4,379,521.20	36,954,082.26
1355	RURAL BRIDGE PROJECT - AMPARA DISTRICT	88,742,259.25	80,746,840.17	76,901,752.54	17,092,299.49	43,100,412.35	26,476,208.71	69,576,621.06	62%	49,713,370.05	50,019,993.13	306,623.08	6,919,580.78	48,112,205.26	1,907,787.87		3,908,411.63	6,851,391.55
1356	RURAL BRIDGE PROJECT-BATTICALOA DISTRICT	60,714,566.56	53,729,704.93	51,171,147.55	7,722,806.29	15,069,776.89	15,134,680.99	30,204,457.88	50%	15,882,873.10	26,807,124.59	10,924,251.49	11,737,347.70	13,202,714.23	13,604,410.36		1,331,771.42	9,015,741.09
1357	RURAL BRIDGE PROJECT-JAFNA DISTRICT	11,546,360.35	10,496,691.23	9,996,848.79	1,441,243.97	7,040,852.10	3,944,421.62	10,985,273.72	64%	5,493,892.71	6,727,702.23	1,233,809.52	(313,149.87)	4,225,343.35	2,502,358.88		433,236.84	1,063,599.86
1358	RURAL BRIDGE PROJECT-MANNNAR DISTRICT	17,550,545.32	15,540,305.59	14,800,291.04	571,983.38	2,081,919.02	12,854,342.50	14,936,261.52	14%	1,583,579.41	2,166,114.84	582,535.44	84,195.82	1,032,834.43	1,133,280.41		107,133.55	2,917,739.04
1359	RURAL BRIDGE PROJECT-MULLAITIVU DISTRICT	58,818,469.07	52,051,742.54	49,573,088.13	215,019.50	1,277,815.05	18,980,138.02	20,257,953.07	6%	1,110,054.02	3,283,278.41	2,173,224.39	2,005,463.36	3,297,532.28	-	(14,253.87)	329,753.22	9,078,018.57
1360	RURAL BRIDGE PROJECT - TRINCOMALEE DISTRICT	14,019,730.68	12,406,841.31	11,816,039.34	4,266,510.21	4,421,603.41	1,472,358.22	5,893,961.63	75%	385,909.16	9,307,514.25	8,921,605.09	4,885,910.84	4,617,294.31	4,690,219.94		461,729.43	1,683,682.18
1361	RURAL BRIDGE PROJECT-VAVUNIA DISTRICT	33,303,339.66	29,471,982.00	28,068,554.29	465,129.81	8,141,561.29	18,987,750.71	27,129,312.00	30%	7,250,685.26	8,844,601.29	1,593,916.02	703,040.00	3,355,729.78	5,488,871.51		414,740.80	7,401,863.60
1365	RURAL BRIDGE PROJ KILINOCHCHI NP	23,992,225.65	21,232,058.10	20,221,007.71	831,614.17	3,303,837.29	15,995,834.85	19,299,672.14	17%	2,420,985.14	3,634,635.07	1,213,649.93	330,797.78	-	3,634,635.07			4,035,420.42
1366	JULANGATE AREA EMBILIPITIYA	96,877,610.00	104,108,383.90	99,359,322.60	16,472,526.59	22,659,534.63	65,000,000.00	87,659,534.63	26%	6,954,442.04	26,911,476.77	19,957,034.74	4,251,942.14	21,456,019.29	5,455,457.48		2,145,601.93	13,956,243.49
1370	LAYING PVC-HORANA-PADUKKA ROAD	23,008,037.00	20,960,670.00	17,402,619.50	2,633,044.58	7,460,158.31	4,400,000.00	11,860,158.31	63%	9,012,070.28	13,184,471.27	4,172,400.99	5,724,312.96	14,261,535.18		(1,077,063.91)	1,023,683.50	
1371	VIA DUCT.01-WARAKAPOLA BYPASS ROAD	436,608,948.38	370,557,551.48	316,904,404.28	35,271,258.13	58,078,582.92	165,200,000.00	223,278,582.92	26%	24,525,296.86	96,388,364.70	71,863,067.85	38,309,781.78	66,330,201.77	30,058,162.93		6,633,020.18	18,238,297.55
1372	BRIDGE BENTHARA RIVER ITTEPANA & HORAWALA ROAD	590,696,551.75	485,665,072.01	383,445,931.07	22,170,218.75	37,127,852.64	350,000,000.00	387,127,852.64	10%	17,094,345.11	46,578,155.26	29,483,810.15	9,450,302.62	28,026,320.91	18,551,834.35		2,804,552.77	40,904,035.15
1373	GABION WALL & GROYNES - RIGHT BANK OF MAHAWELI RIVER	213,688,418.87	203,860,953.65	149,963,168.47	38,315,113.43	51,418,270.01	100,950,000.00	152,368,270.01	34%	13,329,540.63	68,795,015.91	55,465,475.28	17,376,745.90	35,872,171.67	32,922,844.24		3,229,593.71	21,761,461.18
1374	THISSAMAHARAMA WATERB TREATMENT PLANT-PHASE 2	143,366,283.88	131,299,985.35	123,998,026.93	14,952,178.73	18,449,892.64	48,840,000.00	67,289,892.64	27%	5,019,248.74	36,000,512.68	30,981,263.94	17,550,620.04	9,836,690.63	26,163,822.05		983,669.06	20,939,015.06
1378	PATHTHINIGODA BRIDGE	57,891,235.11	57,891,235.11	55,134,509.63	11,446,058.28	11,829,354.30	38,980,000.00	50,809,354.30	23%	381,372.00	13,478,146.70	13,096,774.70	1,648,792.40	-	13,478,146.70			
1381	BRIDGE 1&2 MADU GANGA BALAPITIYA	975,933,334.40	804,726,457.34	953,440,108.30	39,780,336.03	41,320,314.65	656,400,000.00	697,720,314.65	6%	3,520,329.25	63,445,135.64	59,924,806.39	22,124,820.99	63,445,135.64	-		7,989,170.21	
1384	PUWAKGAHA ULPATHA KOTTAPITIYA BRIDGE	76,595,884.72	67,189,372.56	39,380,053.59	3,185,102.33	5,053,437.44	20,200,000.00	25,253,437.44	20%	1,791,569.10	13,445,191.04	11,653,621.95	8,391,753.60	-	13,445,191.04			
1386	BRIDGE N0.1 HAPUGODA KALAWANA	50,176,364.20	46,431,859.40	37,445,047.00	666,720.24	2,620,262.25	18,000,000.00	20,620,262.25	13%	2,328,583.83	5,900,198.89	3,571,615.06	3,279,936.64	7,071,674.71		(1,171,475.82)	707,167.47	
1387	BR NO 1 AT HAPUGODA IN KALAWANA 15M	47,094,005.89	47,094,005.89	20,369,670.60	1,211,756.17	1,211,756.17	-	1,211,756.17	0%	-	-	-	(1,211,756.17)	687,945.68		(687,945.68)	68,794.57	
1391	PIPE LINE FROM KETHHENA WATER TRETM PLANT 500MM	325,340,580.00	298,245,150.00	230,311,155.00	3,154,457.37	3,154,457.37	-	3,154,457.37	0%	-	-	-	(3,154,457.37)	-	-			
1392	DRAINAGES KANDY DISTRICT	39,327,193.57	39,327,193.57	32,380,952.38	11,681,880.84	11,681,880.84	19,058,975.76	30,740,856.60	38%	-	14,944,788.14	14,944,788.14	3,262,907.30	9,781,996.78	5,162,791.36		978,200.00	
	Total	**12,887,362,124.51**	**12,384,431,559.32**	**11,596,528,018.45**	**1,571,936,770.55**	**4,854,880,343.54**	**4,386,533,250.16**	**9,241,413,593.70**		**4,190,449,137.70**	**6,240,781,562.95**	**2,050,332,425.26**	**1,385,901,219.41**	**4,678,229,421.08**	**1,565,837,665.96**	**(3,271,232.13)**	**361,917,700.27**	**786,831,488.78**

	PROJECT NAME	Initial Contract Sum Total	B.O.Q + Certified Variation	Estimated Cost + Certified Variation	Cost incurred During The Year 2022	Total Cost incurred up to 2022	Cost of Balance Work	Total Cost incurred up to 2022 +Cost of Balance Work	% Completion	Revenue Recognition up to 2021	Revenue Recognition up to 2022	For the Year	Recognised Profit as at 31.12.2022	Bill Received (Cumulative) as at 31.12.2022	Due From customer = 506	Due to Customer = 0507	Amount of Retention	Mobilisation Advance
1000	DISMANTLING OF OLD BRIDGE MUWAGAMA		-			54,765,687.99	-	54,765,687.99				-	(54,765,687.99)					
1376	TANK REHABILITA. 'WARI SA	-				1,754,435.14	-	1,754,435.14		-		-	(1,754,435.14)					
	Total	**-**	**-**	**-**		**56,520,123.13**	**-**	**56,520,123.13**		**-**		**-**	**(56,520,123.13)**	**-**	**-**	**-**	**-**	**-**

TLS Unit

	PROJECT NAME	Initial Contract Sum Total	B.O.Q + Certified Variation	Estimated Cost + Certified Variation	Cost incurred During The Year 2022	Total Cost incurred up to 2022	Cost of Balance Work	Total Cost incurred up to 2022 +Cost of Balance Work	% Completion	Revenue Recognition up to 2021	Revenue Recognition up to 2022	For the Year	Recognised Profit as at 31.12.2022	Bill Received (Cumulative) as at 31.12.2022	Due From customer = 506	Due to Customer = 0507	Amount of Retention	Mobilisation Advance
1305	STREET LIGHT JUBILI POST JUNTION MIRIHANA	18,416,480.00	18,416,480.00	14,852,000.00	-	2,788,348.66		2,788,348.66	95%	13,886,264.00	17,495,656.00	3,609,392.00	14,707,307.34	13,886,264.00				-
1315	MEZZANINE FLOOR-MAGANEGUMA MAHAMEDURA BUILDING	17,378,145.52	16,550,614.78	-	-	1,565,701.16		1,565,701.16	95%	-	15,723,084.04	15,723,084.04	14,157,382.88	9,259,400.00	6,463,684.04			
1362	MAINTEN. TRAFFIC SIGNALS GALLE RD & DUPLI. RD	13,596,000.00	13,596,000.00	10,964,516.13	7,437,796.25	10,114,704.31		10,114,704.31	100%	3,319,365.99	13,596,000.00	10,276,634.01	3,481,295.69	8,989,048.80	4,606,951.20			414,950.00
1364	RDA ROADS-KURUNEGALA DIS	9,570,000.00	9,570,000.00	8,321,739.13	-	5,417,992.18		5,417,992.18	100%	6,230,691.01	9,570,000.00	3,339,308.99	4,152,007.82	6,733,495.47	2,836,504.53		478,500.00	
1383	STREET LIGHTING-CAMSO LO9ADSTAR KATUGASTOTA	3,732,870.00	3,732,870.00	3,245,973.91	641,092.50	2,795,378.42		2,795,378.42	100%	2,477,428.81	3,732,870.00	1,255,441.19	937,491.58	1,388,888.89	2,343,981.11			555,555.56
	Total	**62,693,495.52**	**61,865,964.78**	**37,384,229.17**	**8,078,888.75**	**22,682,124.73**	**-**	**22,682,124.73**		**25,913,749.81**	**60,117,610.04**	**34,203,860.23**	**37,435,485.31**	**40,257,097.16**	**16,251,120.88**	**-**	**478,500.00**	**970,505.56**

	Grand Total	**12,950,055,620.03**	**12,446,297,524.10**	**11,633,912,247.62**	**1,580,015,659.30**	**4,934,082,591.40**	**4,386,533,250.16**	**9,320,615,841.56**		**4,216,362,887.51**	**6,300,899,172.99**	**2,084,536,285.49**	**1,366,816,581.59**	**4,718,486,518.24**	**1,582,088,786.84**	**(3,271,232.13)**	**362,396,200.27**	**787,801,994.34**

SHORT AND LONG TERM STRATEGIES FOR IMPROVEMENT

Implementation from Corporate Plan

- Allocate resources to enhance the supply chain of concrete yards to increase production and sales. Introduce new technology to concrete yards with research and development towards cost effective environment friendly products, (Short term)

- Decrease the level of Liabilities (Payments to sub-contractors and Labor) though a systematic consistent process. (Short term)

- Corporation has taken initiatives in year 2023 to generate income from different businesses activities such as,
  - Undertaking to repair buses of CTB
  - Undertaking to repair, maintenance and service vehicles of both private and public sector

- Acquire two or more C1, CS1 graded Large scale projects in Bridge, Building or Road Sector. Those project will become the major cash generator/Revenue generator together with concrete yards. (Long term)

- Converting process of Non-Technical Staff to technical staff with proper training towards NVQ qualifications, marketing and Human Resource Qualifications. (Long term)

MANAGEMENT AUDIT REPORT AND REPLY

ජාතික විගණන කාර්යාලය
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මගේ අංකය / எனது இல. / My No. } CAE/C/SDCC/01/2022/12 ඔබේ අංකය / உமது இல. / Your No. } දිනය / திகதி / Date } 28 December 2023

State Development & Construction Corporation
Chairman's Office
28 DEC 2023
Received

The Chairman
State Development and Construction Corporation

Detailed Management Audit Report of the Auditor General on the affairs of the State Development and Construction Corporation including the Financial Statements for the year ended 31 December 2022 to the Chairman in terms of Section 13(7)(a) of the Finance Act, No. 38 of 1971.

The above mentioned report is sent here with.

02. In this connection, your attention is drawn to section 13(8) of the Finance Act reproduced in the Note below.

H.A.D.C. Abeysinghe
Senior Assistant Auditor General
For Auditor General

Copies to -
1. The Secretary, Ministry of Transport and Highways
2. The Secretary, Ministry of Finance, Economic Stabilization and National Policies

Note : Section 13(8) of the Finance Act
"The report referred to in Paragraphs (a) and (b) of sub-section (7) shall be considered by the Governing Body of a Public Corporation and after such consideration that body shall inform the Auditor General of the steps that they proposed to be taken with regard to the matters pointed out in the Audit Reports within three months of the submission of the reports to the Corporation"

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

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State Development & Construction Corporation
Chairman's Office
28 DEC 2
Received

The Chairman

State Development and Construction Corporation

Detailed Management Audit Report of the Auditor General on the affairs of the State Development and Construction Corporation including the Financial Statements for the year ended 31 December 2022 to the Chairman in terms of Section 13(7)(a) of the Finance Act, No.38 of 1971.

The audit of affairs of the State Development and Construction Corporation including the financial statements for the year ended 31 December 2022 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and provisions in the National Audit Act No.19 of 2018.This report is issued dealing with the results of the audit in terms of Section 13(7)(a) of the Finance Act No. 38 of 1971.

1.2 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.

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

It is required to inform me of the remedial actions proposed to take with regard to the matters pointed out in this report within three months of the date of this report in terms of Section 39 of the National Audit Act No. 19 of 2018.

1.3 Audit Scope

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 skepticism 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 auditor's 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Corporation, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Financial Statements

1.4.1 Non-Compliance with Sri Lanka Accounting Standards

Non Compliance with the reference to particular Standard	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a) According to paragraph No.32 of the Sri Lanka Accounting Standard - 01, the assets and liabilities, income and expenditure should not be offset	Recurring	System need to be introduced.	We will rectify the credit balances in the next year.	The Corporation should ensure that the entity is adherent with Sri Lanka Accounting Standards.

against each other unless required or permitted by the Sri Lanka Financial Reporting Standards. However, credit balances of purchase advances and sundry advances amounting to Rs.4,270,687 had been offset against the debit balances of such accounts. As such current assets had been understated by the same amount.				
(b) Although the value of Property Plant and Equipment were Rs.1,673,671,208 as per statement of financial position, it was Rs.1,667,595,642 according to the Note in the financial statement. It was observed difference of Rs.6,075,566 between Financial Statements and Note. Capital work-in-progress amounting to Rs.6,075,566 had been added to the Property Plant and Equipment contrary to the paragraph No.07 of LKAS 01 and shown in the statement of financial position.	Recurring	System need to be introduced.	Building work in progress will be transferred to building only after completion. This will be shown separately in year 2023.	Property Plant and equipment and work - in - progress should be shown separately in the statement of financial position as per Sri Lanka Accounting Standards.

4

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1.4.2 Accounting Deficiencies

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a) Although the value of VAT payable as at 31 December 2022 amounted to Rs.1,474,197,375 as per information furnished to the audit, the same had been shown as Rs.1,236,197,185 in the Financial Statements. Thus, the VAT payable had been understated by Rs.238,000,190 in the Financial Statement.	New	Require improvements to the existing system.	This difference / mismatched amount will be rectified in year 2023.	Necessary measures to be initiated to ensure the accuracy and reliability of accounting treatments made in the financial statements.
(b) Surcharges of Rs.928,983,029 was imposed on default VAT payment from the year 2006 to 2021. But it had been shown in the Financial Statement as Rs.24,194,701. As such, current liabilities had been understated by Rs.904,788,328 in the Financial Statement.	New	Require improvements to the existing system.	Unrecorded VAT penalty of Rs.904,788,328 here already been rectified in year 2023.	Necessary measures to be initiated to ensure the accuracy and reliability of accounting treatments made in the financial statements.

5

(c) Although, the value of Nation Building Tax payable and surcharge as at 31 December 2022 amounted to Rs.7,148,826 as per information provided to audit, the same had been shown as Rs.6,342,105 in the Financial Statement. As such the current liabilities had been understated by Rs.806,721 in the Financial Statement.	New	Require improvements to the existing system.	Penalty of Rs.806,721 not recognized in the year 2022 has been taken into accounts in year 2023.	Necessary measures to be initiated to ensure the accuracy and reliability of accounting treatments made in the financial statements.
(d) Economic Service Charges (ESC) from 2004/2005 to 2019/2020 and penalty which was imposed on default ESC payment was amounting to Rs.101,228,248 as at 31 December 2022. But it had been shown in the Financial Statement as Rs.77,812,628, As such the current liabilities had been understated by Rs.23,415,620 in the Financial Statement in the year under review.	New	Require improvements to the existing system.	The ESC and penalty amount Rs.23,415,620 is not accounted in the 2022 accounts and they have been recognized in accounts of year 2023.	Necessary measures to be initiated to ensure the accuracy and reliability of accounting treatments made in the financial statements.
(e) Although the contributions payable to the Employment Provident Fund (EPF) as at 31 December 2022 amounted to	New	Require improvements to the existing system.	The contribution for the month of December 2022 was paid on January 2023. Hence a difference exists	Necessary measures to be initiated to ensure the accuracy and reliability of accounting

6

Rs.99,057,492 as per information furnished to the audit, the same had been shown as Rs.107,548,404 in the Financial Statements. As such the current liabilities had been overstated by Rs.8,490,912 in the Financial Statements.			between the sum payable and the ledger balance as at 31.12.2022.	treatments made in the financial statements.
(f) Surcharge of unpaid EPF contribution as at 31 December 2022 amounted to Rs.44,206,060, the same had been shown as Rs.11,410,428 in the Financial Statement, thus the current liabilities had been understated by Rs.32,795,632 in the Financial Statement.	New	Require improvements to the existing system.	The surcharge which was confirmed and conveyed by the department of EPF has been taken into books of accounts in the year 2022 and the balance will be recorded in the year 2023.	Necessary measures to be initiated to ensure the accuracy and reliability of accounting treatments made in the financial statements.
(g) Corporation had recognized Rs.3,812,400 as audit fee for the year under review. However as per the details submitted these audit fees were relevant to past periods. Therefore profit for the year had been understated by same amounts.	New	Require improvements to the existing system.	Noted. Since Rs.3.81 million was considered as a comparatively smaller figure, attempt were not made adjust prior year.	Necessary measures to be initiated to ensure the accuracy and reliability of accounting treatments made in the financial statements.

7

(h) Bond charges amounting to Rs.1,546,895 had been included erroneously in welfare and recreation expenses.	New	Require improvem ents to the existing system.	Noted. However erroneous entry has no impact on the final profit.	Necessary measures to be initiated to ensure the accuracy and reliability of accounting treatments made in the financial statements.
(i) During the year under review through a journal entry a stock of finished good amounting to Rs.53,804,958 has been taken as opening and closing stock to the cost of sales. Therefore profit for the year has over stated by that amount.	New	Require improvem ents to the existing system.	Noted	Necessary measures to be initiated to ensure the accuracy and reliability of accounting treatments made in the financial statements.

1.4.3 Unreconciled Control Accounts

Item	As per Financial Statements Rs.	As per corresponding Record Rs.	Difference Rs.	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a)Purchase Advances – Concrete Yard	10,565,361	10,740,411	175,050	New	Require improve ments to the existing system	The differences are due to ledger cording errors will rectify these in year 2023.	Action should be taken to prepare the accounts base with relevant accurate documents.
(b) Sundry Advances	18,321,687	18,690,197	368,510	New	Require improve ments to the existing system	The differences are due to ledger cording errors will rectify these in year 2023.	Action should be taken to prepare the accounts base with relevant accurate documents.

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1.4.4 Going Concern of the Organization

Audit Issue	New Issue or Recurring Issue	Management Comment	Recommendation
As per the paragraph No.25 of the standard and as per the paragraph 4.1 of the Conceptual framework for Financial Reporting, management shall make an assessment of entity's ability to continue as going concern and uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. However, management had not disclosed regarding going concern in the summary of significant accounting policies in the Financial Statement. However, total asset of the corporation as at 31 December 2022 was Rs.7,592,792,156 and external liabilities were Rs.6,754,254,108 or 88 percent from the total asset . Further the recoverability of due from customers which was already	New	The corporation directors have made an assessment on the corporation's ability to continue as a going concern in the foreseeable future and they have not foreseen a need for liquidation or cessation of business, while preparing the annual accounts for year 2022. Also we need to highlight that in year 2023, corporation has moved towards difference business perspectives such as vehicle maintenance and repairs, sleeper manufacturing and maintenance work, emergency construction work and skilled training for foreign and local employment etc. without depending on traditional road and bridge construction work, enabling the organization moving forward. Also bond facility has been negotiated with the Bank of Ceylon (BOC) in October 2023, supporting its operational requirements.	Management should make an assessment of entity's ability to continue as going concern and should be disclosed.

9

identified as income by the finance division but not invoiced was amounting to Rs.1,898,863,720 was uncertain but not sufficient provision was made.			

1.4.5 Documentary Evidences not made available for Audit

Audit was not provided with the requested supporting documents for the following balances. Therefore, it was unable to ensure the accuracy and validity of such balances.

	Item of Account	Value (Rs.)	Evidence not made available	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a)	Purchase Advances - Construction	3,802,323	Age Analysis	New	System need to be introduced	Committee will be appointed to clearing this amount.	All documentary evidence should be submitted for audit to satisfactorily vouch and accept the transactions and amount shown in the financial statements.
(b)	Service advances	76,806	Age Analysis	New	System need to be introduced	Coding error will be corrected year 2023	
(c)	Sundry Advances	15,665,787	Age Analysis	New	System need to be introduced	Age analysis will be provided in year 2023.	

10

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(d)	Letter of Credit Margin Account	151,081,568	Detail Schedule and Details of Good Received	Recurring	Require improvements to the existing system	Committee has been appointed to clearing this amount.	All documentary evidence should be submitted for audit to satisfactorily vouch and accept the transactions and amount shown in the financial statements.
(e)	Sundry Debtor	29,914,674	Detail Schedules	Recurring	Require improvements to the existing system	Schedule will be provided in year 2023.	
(f)	Ready mixed Debtors	34,802,842	Detail schedule	Recurring	Require improvements to the existing system	-	
(g)	Construction Debtors	399,374,382	Debtor Confirmations	Recurring	Require improvements to the existing system	Balance confirmations will be provided in year 2023.	
(h)	Retention – Construction	573,104,953	Debtor Confirmations	Recurring	Require improvements to the existing system	Balance confirmations will be provided in year 2023.	
(i)	Traffic Light System Debtors	28,474,571	Debtor Confirmations	Recurring	Require improvements to the existing system	Balance confirmations will be provided in year 2023.	

11

(j)	Concrete Yard Debtors	52,635,175	Debtor Confirmations	Recurring	Require improvements to the existing system	Balance confirmations will be provided in year 2023.	All documentary evidence should be submitted for audit to satisfactorily vouch and accept the transactions and amount shown in the financial statements.
(k)	Asphalt Debtors	1,622,511	Debtor Confirmations	Recurring	Require improvements to the existing system	Balance confirmations will be provided in year 2023.	

1.5 Accounts Receivable and Payable

1.5.1 Receivables

Following debtor's balances of the corporation had remained over 03 years without being recovered. Action had not been taken against the officials responsible for recovering these debtor balances and only provision for doubtful debts had been made.

Audit Issue				New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
	Description	Total debtor balance Rs.	Over 03 years balance Rs.				
(a)	Construction Debtors	488,946,699	59,936,277	Recurring	Require improvements to the existing system	Corporation is following up in recovering these debtors.	Action should be taken to recover the outstanding balances.

(b)	Concrete yard	52,635,175	39,030,961	Recurring	Require improvements to the existing system	Corporation is following up in recovering these debtors.	Action should be taken to recover the outstanding balances.
(c)	Traffic light system	34,884,101	11,454,026	Recurring	Require improvements to the existing system	Corporation is following up in recovering these debtors.	Action should be taken to recover the outstanding balances.
(d)	Liquidated Damages Receivable	236,033,768	185,263,944	Recurring	Require improvements to the existing system	Corporation is following up in recovering these debtors.	Action should be taken to recover the outstanding balances.
(e)	Construction Debtor-Retention	715,479,503	357,088,802	Recurring	Require improvements to the existing system	Corporation is following up in recovering these debtors.	Action should be taken to recover the outstanding balances.
(f)	Purchase Advance	217,090,971	38,458,082	Recurring	Require improvements to the existing system	Committee headed by General Manager is following up on recovering/setting these advances.	Action should be taken to recover the outstanding balances.

13

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1.5.2 Payable

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
The EPF contribution and Surcharge thereon amounting Rs.143,263,552 had not been paid since 2020 to Employment Provident Fund.	Recurring	Require improvements to the existing system	Due to the covid 19 pandemic, which effected since the first quarter of year 2020, the cash flow position of the corporation was at a very poor level. Hence the corporation was unable to settle the EPF contributions for the period as mentioned. Furthermore, the economic crisis followed by the covid 19 pandemic have adversely affected the construction industry and thereby, have caused difficulty in settling the large sum of unsettled EPF contribution. Action is being taken to settle the same, through the restructuring corporation.	Step need to be taken to settle these balances.

14

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1.5.3 Advance

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
Mobilization advances received was amounting to Rs.32,337,967 remained over 05 years without being settled.	Recurring	Require improvements to the existing system	Noted	Step need to be taken to settle these balances.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a) The Democratic socialist Republic of Sri Lanka Financial Regulations 756	Board of Survey Report had not been furnished to the Auditor General for the year under review up to 31 October 2023.	Recurring	Need to be complied with the existing system	It will be submitted in year 2023.	Due attention to be paid to comply with the Financial Regulations.
(b) Procurement Guideline/ NPA Circular No.08, dated 25 January 2006,Section 5.4.4 (iii)	(ii) The mobilization advances received shall be fully settled before the project works that reached to 90 per cent complete level. Nevertheless, such advances	Recurring	Need to be complied with the existing system	Noted	Due attention to be paid to comply with the Circular.

15

	received amounting to Rs.10,276,460 with regard to 12 fully completed projects had remained in the accounts as at 31 December 2022 without being settled.				

1.7 Cash Management

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a)The Corporation had obtained loan for period of 03 months amounting to Rs.596,121,535 from the Bank of Ceylon by discounting bills worth Rs.792,828,722 received from the Road Development Authority with regard to construction contract done by the Corporation. The Corporation was paid interest amounting Rs.17,523,517 due to non-settlement of these bills from Road Development	New	Require improvements to the existing system	Agreed.	Prompt actions should be taken to settle the bills from client as minimizing interest cost.

16

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Authority to the bank within prescribe period of 03 months.				
(b) The bank loan outstanding balance as at 31 December 2022 was of Rs.1,848,249,580 and interest expense for those loans Rs.96,708,228 shown in the financial statement in the year under review.	New	Need to be complied with the existing system	Agreed.	Actions should be taken to minimize interest expenses by using suitable strategies.
(c) Term loan balances which were taken from two state banks, as at 31 December 2022 was Rs.1,848.24 million and the value of differed loan balances was Rs.1,727.18 million. In terms of these loans Rs.990.61 million had been granted under treasury guarantee and for Rs.518.60 million corporation has pledged the lands of the corporation as guarantee.	New	Need to be complied with the existing system	Banks has granted a loan deferment till end of January 2024. General Treasury of Sri Lanka has already granted approval for the deferment of the Treasury guaranteed loan.	The management of the corporation should pay its attention to pay term loans early and reduce interest expences.

ජාතික විගණන කාර්යාලය
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1.8 Non- compliance with Tax Regulations

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a) The VAT and Surcharges thereon amounting to Rs.2,403,180,405 had not been paid since 2006, according to the Value Added Tax Act No.14 of 2002.	Recurring	Require improvements to the existing system	-	Corporation should be complied with the tax law.
(b) The Nation Building Tax and Surcharge thereon amounting Rs.7,148,826 had not been paid since 2010 according to Nation Building Tax Act No.9 of 2009.	Recurring	Require improvements to the existing system	NBT liability will be settled at the restructuring of corporation	Corporation should be complied with the tax law.
(c) ESC payable amounting to Rs.101,228,248 had not been paid to Inland Revenue Department according to Section 02 of the Economic Service Charges Amendment Act no.13 of 2015.	Recurring	Require improvements to the existing system	ESC liability will be settled in the restructuring process of corporation.	Corporation should be complied with the tax law.

ජාතික විගණන කාර්යාලය
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2. Financial Review

2.1 Financial Result

Operations of the Corporation during the year under review had resulted in a pre-tax net profit of Rs.26,921,045 as compared with the corresponding pre-tax net profit of Rs.96,124,611 for the preceding year, thus indicating a severe decrease of Rs.69,203,566 in the financial results for the year under review. Decreasing of revenue and cost of sales and increasing administrative expenses were the main reason for attributed for this financial result.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major revenue and operating expenses items of the year under review compared with the Preceding year with the percentage of increase or (decrease) are shown below.

(a) Revenue

	Description	Amount as per financial statements		Variance {Favorable/(adverse)}	Percentage
		2022	2021		
		Rs.	Rs.	Rs.	%
(i)	Construction Income	2,059,987,261	3,371,051,882	(1,311,064,621)	(39)
(ii)	External Sales - Concrete Yards	168,777,731	324,379,762	(155,602,031)	(48)
(iii)	Internal Sales - Concrete Yards	118,877,060	139,653,904	(20,776,844)	(15)
(iv)	Traffic Light System and Work Services	198,039,225	380,453,608	(182,414,383)	(48)

(b) Operating Expenses

	Description	Amount as per financial statements 2022	2021	Variance {favorable/ (adverse)}	Percentage
		Rs.	Rs.	Rs.	%
(i)	Employee Benefits	643,740,912	755,840,745	112,099,833	15
(ii)	Cement	32,971,442	66,628,006	33,656,564	50
(iii)	Sand	10,141,658	30,641,024	20,499,366	67
(ii)	Metal	51,967,821	173,083,899	121,116,078	70
(iii)	Steel	152,637,430	573,907,397	421,269,967	73
(iv)	Fuel and Lubricants	72,517,622	98,979,607	26,461,985	27
(v)	Ready mix Concrete	91,562,756	192,825,256	101,262,500	53
(vi)	Concrete Products	144,706,973	89,528,722	(55,178,251)	62
(vii)	Tar Consumption	38,525,183	195,117,596	156,592,413	80
(viii)	Electrical spare parts consumption	70,549,763	125,798,866	55,249,103	44
(ix)	Other Stocks	131,138,127	241,382,171	110,244,044	46
(x)	Earth Gravel	12,270,762	41,574,927	29,304,165	70
(xi)	Hire Charges	125,974,402	221,849,811	98,875,409	43
(xii)	Sub contract	416,782,728	691,780,174	274,997,446	40
(xiii)	Charges for bonds	18,012,242	43,904,434	25,892,192	59
(xiv)	Sundry expenses -site	9,777,103	35,896,241	26,119,138	73

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a) The project for Dismantling of Muwagama Old Bridge at	New	Require improvements to the existing	Corporation is following up in collecting this	Action should be taken to recover the outstanding

ජාතික විගණන කාර්යාලය
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Rathnapura had been undertaken on verbally instructions by the Corporation in the year 2013, without entering into formal contract agreement between Road Development Authority and the Corporation. After completing the dismantling process in 2019, the Corporation had submitted the invoice worth Rs.53,632,309 to Road Development Authority to recover the cost of dismantling and transporting. This amount has not been received so far.		system	amount	balances.
(b)Devcoshowa (Pvt) Ltd the fully own subsidiary of the Corporation had been inactive for a long time and the board had taken a decision in year 2006 to wind up the Company. The winding up process was not completed even by 31 October 2023.	Recurring	System need to be introduced and require improvements to the existing system	The Audit Management Committee (AMC) meeting of the Ministry of Transport and Highways held on 15.09.2023,Secretar y to the Ministry has instructed Additional	The Corporation should take action in accordance with board decision.

21

ජාතික විගණන කාර්යාලය
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			Secretary to the Ministry to obtain instructions from the Department of Attorney General regarding this matter.	
(c) Even though, Corporation had incurred Rs.5,844,024 for Gemstone mining project in the year under review at Monaragala, revenue had not been earned up to the year ended 31 December 2022.	New	Require improvements to the existing system	Agreed.	Corporation should be taken decision according to the objective of the Act.

3.2 Operational Inefficiencies

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
According to profit calculation schedule, the loss of totaling Rs.128,913,023 had been identified from 17 construction projects out of 92 projects implemented as at 31 December 2022.	Recurring	Require improvements to the existing system	The construction was stopped due to a lack of funds. Idling claim will be made for over head expenses to relevant period. In covid period, the work was stopped	Action should be taken to minimize the expenses.

22

			due to transport restriction and scarcity of material.	

3.3 Underutilized Property, Plant and Equipment

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
It was observed in the physical inspection carried out at the head office workshop in Rathmalana that 39 motor vehicles, machinery and equipment valued at Rs.114,975,000 remained to be repaired as at 31 December 2022, and a sum of Rs.19,225,000 had been estimated for the repair. The repair had not been done by the Corporation so far.	Recurring	Require improvements to the existing system	Due to the prevailing financial hardship of the corporation, unable to repair the vehicles and Machinery equipments. Since most of the projects are on hold, there is no demand for the said vehicles and equipments. They will repair and use the above, when a requirement occurs in future.	Action should be taken to ensure that assets are properly maintained and utilized.

3.4 Human Resources Management

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a) The approved permanent cadre of the Corporation	Recurring	Require improvements to the	The corporation had to recruit staff on contract	Action to be taken to ascertain realistic cadre

ජාතික විගණන කාර්යාලය
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	as at 31 December 2022 was 489 while the actual cadre was 565. Accordingly, this shows an excess recruitment of 76 employees to the Corporation to the various positions.		existing system	basis based on the labour recruitment of the construction work carried out.	levels, followed by reviews on a periodic basis.
(b)	One post of higher management in the corporation had remained vacant as at 31 December 2022. In addition to that, there were 03 vacancies of 02 Chief Engineer (concrete yard) and a Chief Engineer (Design).	Recurring	Require improvements to the existing system	A request has been made to the Department of Management Service to get the approval to fill this vacancy	Requirement of recruitment of higher management post should be review and steps to be taken accordingly.
(c)	The approved cadre for civil engineers was 19, however 51 Civil Engineers had been recruited as contract basis	Recurring	Require improvements to the existing system	The corporation had to recruit staff on contract basis based on the labour recruitment of the construction work carried out.	Action to be taken to ascertain realistic cadre levels, followed by reviews on a periodic basis.
(d)	The 20 Security Guards had been recruited exceeding the approved cadre.	Recurring	Require improvements to the existing system	The corporation had to recruit security staff to safeguard the assets in project sites in different regions in the country in the year 2022.	Recruitment should not be done exceeding approved cadre.

24

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4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
According to Public Enterprises Circular, No. 01/2021 dated 16 November 2001, Section 6.6, draft annual report and accounts should be handed over to the Auditor General within sixty (60) days after the close of the financial year. Nevertheless, financial statements pertaining to the year under review had been furnished to the Auditor General on 13 July 2023 delaying 134 days	New	Need to be complied with the existing system	The corporation Annual Accounts year 2022 were prepared and forwarded for approval to the Board of Directors (BOD) on 02 March 2023. Since the BOD were new and they requested time for review and the same was approved on 06 July 2023.	Due attention to be paid to comply with the Circular.

4.2 Budgetary Control

Audit Issue	New Issue or Recurring Issue	Control Risk Exposure	Management Comment	Recommendation
(a)Although budgeted revenue	New	Require	Agreed.	Action should be

for the year 2022 was Rs.6,963,390,000 actual revenue was Rs.2,545,681,276. It was shown 63 per cent decreased revenue compared with budgeted amount. As such budgeted gross profit was decreased by 55 per cent compared with actual gross profit.		improvements to the existing system	Though it was expected for construction industry to recover from covid-19 crisis in year 2022, such recovery was hindered due financial crisis followed up by material, fuel shortage, increase is material prices, temporary closedown of government projects due to cash flow issues, Hence, the expected revenue and profit was not achieved.	taken in accordance with plans.
(b) Although budgeted expenditure for the 31 bridge projects was Rs.3,512,430,000, actual expenditure was Rs.990,410,000. Therefore,	New	Require improvements to the existing system	Financial crisis faced by construction industry has hindered project	Action should be taken in accordance with plans.

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physical progress remained range of zero to 53 per cent as at 31 December 2022.			progress drastically. Lack of material, fuel, price escalation, slow/non – release of funds for construction projects led to the non – achievement of project progress and expected expenditure.	
(c)Although budgeted expenditure for the 16 road projects was Rs.1,203,360,000 actual expenditure was Rs.184,140,000. Therefore, physical progress remained less than 17 per cent as at 31 December 2022.	New	Require improvements to the existing system	Financial crisis faced by construction industry has hindered project progress drastically. Lack of material, fuel, price escalation, slow/non –	Action should be taken in accordance with plans.

27

			release of funds for construction projects led to the non – achievement of project progress and expected expenditure.	
(d) Although budgeted expenditure for the 03 Water Supply and Irrigation projects was Rs.198,000,000, actual expenditure was Rs.31,750,000. Therefore, physical progress remained range of 12 to 32 per cent as at 31 December 2022.	New	Require improvements to the existing system	Financial crisis faced by construction industry has hindered project progress drastically. Lack of material, fuel, price escalation, slow/non – release of funds for construction projects led to the non – achievement of project	Action should be taken in accordance with plans.

28

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			progress and expected expenditure.	

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H.A.D.C. Abeysinghe

Senior Assistant Auditor General

For Auditor General

29

50th සංවත්සරය ஆண்டவிழா Anniversary 1971 - 2021

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அரச அபிவிருத்தி நிர்மாண கூட்டுத்தாபனம்
State Development & Construction Corporation
Ministry of Transport & Highways

නො : 7, බොරුපන පාර, රත්මලාන. இல : 7, பொருபன வீதி, இரத்மலானா. No : 7, Borupana Road, Rathmalana.

ඔබේ අංකය / உமது இலக்கம் / Your Number :
මගේ අංකය / எனது இலக்கம் / My Number : SDCC/2024/FIN/89
දිනය / திகதி / Date : 24.07.2024

Auditor General
(State Development & Construction Corporation)
Auditor General's Department
No.306/ 72, Polduwa Road
Battaramulla.

Dear Sir,

Reply To:

Detailed Management Audit Report of the Auditor General on the affairs of the State Development & Construction Corporation including the Financial Statements for the year ended 31st December 2022, to the chairman in terms of Section 13(7) (a) of the Finance Act, No.38 of 1971.

With reference to the letter dated 28th December 2023 and No. CAE/C/SDCC/01/2022/12 regarding the above.

1.4.1 Non Compliance with Sri Lanka Accounting Standards

(a) Assets and Liabilities offset against each other is rectified in the year 2023 Financial Statements.

(b) Capital work in progress had been added to the Property plant & equipment, is rectified in the year 2023 Financial Statements.

1.4.2 Accounting Deficiencies

(a) VAT payable had been understated by Rs. 238,000,190, is rectified in the year 2023 Financial Statements.

(b) Unrecorded VAT penalty of Rs. 904,788,328 had been recorded and rectified in the year 2023 Financial Statements.

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සාමාන්‍යාධිකාරී / General Manager
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ෆැක්ස් / Fax - 0112 624191
E-mail : gmsdcc1@gmail.com

(c) NBT penalty of Rs. 806,721 had been recorded and rectified in the year 2023 Financial Statements.

(d) The ESC and penalty amount Rs. 23,415,620 had been recorded and rectified in the year 2023 Financial Statements.

(e) The Employment Provident Fund (EPF) contribution for the month of December 2022 was paid and recorded on January 2023. Hence, a difference exists between the sum payable and the ledger balance as at 31.12.2022.

(f) EPF surcharge Rs. 32,795,632 had been recorded and rectified in the year 2023 Financial Statements.

(g) Past year Audit fee (2021) Rs. 3,812,400 had been recognized for the year 2022, because it was comparatively smaller and not made adjust prior year.

(h) Erroneous entry has no impact on the financial profit. However, action have been taken to wave off these type of mistakes.

(i) Same journal entry has been taken as opening and closing stock and action have been taken to wave off these type of mistakes.

1.4.3 Unreconciled Control Accounts

(a), (b) Purchase Advances and Sundry Advances, differences are due to ledger coding errors and rectified in the year 2023 Financial Statements.

1.4.4 Going Concern of the Organization

In 2023 Financial Statements going concern and directors view included under Accounting Policies.

1.4.5 Documentary Evidences not made available for Audit

(a), (b), (d), (e) rectified in the year 2023 Financial Statements.

(c), (f) Action will be taken to provide schedules

(g), (h), (i), (j), (k) Action will be taken to provide Confirmations

1.5 Accounts Receivable and Payable

1.5.1 Receivable

(a), (b), (c), (d), (e) Corporation is following up in recovering these debtors.

(f) Committee headed by General Manager is following up on recovering/ settling these advances.

1.5.2 Due to the economic crisis followed by the covid 19 pandemic have adversely affected the construction industry and thereby, have caused difficulty in settling the large sum of unsettled EPF contribution. Rs. 38,053,806 of unsettled EPF already been settled in 2024 and action is being taken to settle the balance money as well.

1.5.3 Actions are being taken.

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

(a) It will be submitted in year 2023.

(b) Actions are being taken.

1.7 Cash Management

(a), (b), (c) Agreed with audit finding. Banks has granted a loan deferment facility. General Treasury of Sri Lanka has already granted approval for the deferment of the Treasury guaranteed loan.

1.8 Non-compliance with Tax Regulations

(a), (b), (c) Due to the financial difficulties faced by the corporation VAT, NBT and ESC had remained unsettled and will be settled at the restructuring of corporation.

2 Financial Review

Agreed with audit finding. Though, it was expected for construction industry to recover from covid 19 crisis in year 2022, such recovery was hindered due to financial crisis followed up by material and fuel shortage, increase in material prices, temporary closedown of government projects due to cash flow issues. Hence, the expected revenue and profit was not achieved.

3 Operational Review

3.1 Management Inefficiencies

(a) Corporation is following up in collecting this amount.

(b) At the Audit Management Committee (AMC) meeting of the Ministry of Transport and Highways, Secretary to the Ministry has instructed Additional Secretary to the Ministry to obtain instructions from the Department of Attorney General regarding this matter.

(c) Agreed with audit finding.

3.2 Operational Inefficiencies

The construction was stopped due to a lack of funds. Idling claim will be made for overhead expenses to relevant period. In covid period, the work was stopped due to transport restriction and scarcity of material.

3.3 Underutilized Property, Plant and Equipment

Due to the prevailing financial hardship of the corporation, unable to repair the vehicles and Machinery equipment. Since most of the projects are on hold, there is no demand for the said vehicles and equipment. SD&CC will repair and use the above, when a requirement occurs in future.

3.4 Human Resources Management

(a) The corporation had to recruit staff on contract basis based on the labor requirement of the construction work carried out.

(b) A request has been made to the Department of Management Service to get the approval to fill this vacancy.

(c) The corporation had to recruit staff on contract basis based on the labor requirement of the construction work carried out.

(d) The corporation had to recruit security staff to safeguard the assets in project sites in different regions in the country in the year 2022.

4 Accountability and Good Governance

4.1 Submission of Financial Statements

The corporation Annual Accounts for the year 2022, were prepared and forwarded for approval to the Board of Directors (BOD) on 02nd March 2023. Since the BOD were new and they requested time for review and the same was approved on 06th July 2023.

4.2 Budgetary Control

(a), (b), (c), (d) Agreed with audit finding. Though, it was expected for construction industry to recover from covid 19 crisis in year 2022, such recovery was hindered due to financial crisis followed up by material, fuel shortage, increase material prices, temporary closedown of government projects due to cash flow issues. Hence, the expected revenue and profit was not achieved.

Thank you

Your faithfully,
State Development & Construction Corporation.

S. M. K.

Eng. S.M. Kushan Devinda
Chairman

MATTERS FOR THE ATTENTION OF THE CABINET OF MINISTERS

Justification for the Continuation and Protection of the State Development & Construction Corporation

The potential closure of the State Development & Construction Corporation (SD&CC) would result in significant negative consequences for Sri Lanka's future development and the stability of its construction industry. The following points highlight why the SD&CC is indispensable:

Unique Role of SD&CC in the Construction Sector.

The SD&CC occupies a distinctive position among government organizations as one of the few entities operating as a contractor, alongside the Engineering Corporation. Unlike other government organizations such as the Road Development Authority (RDA), Water Board, Irrigation Department, Electricity Board, and Mahaweli Authority, which primarily function as client organizations focusing on procurement and planning, the SD&CC implements construction projects across the nation. Its unmatched capacity, expertise, and extensive experience make it a critical player in executing large-scale and diverse construction projects.

Cost-Effective and High-Quality Projects work.

Over its 54-year history, the SD&CC has successfully completed more than 1,300 government projects, consistently delivering high-quality outcomes at lower costs. By competing with the private sector through national bidding, the SD&CC has saved the government substantial funds that would otherwise have been directed to private contractors.

Crisis Response and Support for Government Priorities in Emergencies.

Public entities like that SD&CC have unmatched capabilities in mobilizing resources and personnel rapidly during emergencies, such as natural disaster as emphasized the essential role of public sector construction entities by the NPP at the Ground-breaker's event on 1st June 2024. Unlike the private entities, which may face challengers like contractual limitations or profit-driven priorities, SD&CC can be developed immediately under government directives. This responsiveness is crucial for constructing temporary shelters, restoring infrastructure and facilitating relief operations efficiently. Therefore, the SD&CC has proven to be an invaluable asset during national emergencies and disasters. Examples include constructing temporary shelters for displaced individuals in Menik Farm during the war, building hospital wards for COVID-19 patients in Negombo and Chilaw hospitals, and producing beds for COVID-19 patients. Restoring and rehabilitation of train and train track line at Aluthgama due to Tsunami. Additionally, in 2015, the SD&CC rapidly constructed four buildings totaling 76,000 square feet for Rs. 250 million to accommodate patients from the structurally compromised eight- story building at Negombo Hospital. The SD&CC also restored the structural stability of the hospital, adding an additional floor, thereby saving the government approximately Rs. 9 billion.

Maintaining Market Balance and Transparency

As a government-owned entity, the SD&CC helps maintain balance in the construction market by fostering transparency in bidding processes. Its presence curbs excessive profit-driven behavior among private contractors, preventing inflated project costs and safeguarding public interests. Furthermore, the SD&CC's strategic role ensures alignment with national development goals in critical government projects.

Contribution to Construction Price Indices

The Construction Industry Development Authority (CIDA) relies heavily on data from the SD&CC to prepare construction price indices, which are essential for managing price fluctuations in government projects. If the SD&CC were to be dissolved, CIDA would likely depend on data from private entities, potentially leading to increased government project costs due to biased or incomplete data.

Workforce training for industry expansion

The government's vision to expand the construction industry into overseas markets hinges on a skilled and adaptable workforce. SD&CC, with its extensive projects and public sector mandate, officers are unique platform for workforce training under real-world conditions. By integrating theoretical knowledge with on-site experience, SD&CC can prepare professionals capable of meeting global standards, thus enhancing the industry' s competitiveness in international markets.
Further, presently also, the SD&CC has been instrumental in training thousands of technical professionals, including providing practical experience for university engineering students and trainees from industrial training institutes. The Corporation has produced numerous competent and experienced engineers who contribute to both government and private organizations. Its

closure would lead to job losses and create a significant gap in technical expertise within the public sector, hampering the country's capacity to execute critical infrastructure projects.

Stability in the Construction Sector of Sri Lanka

The civil engineering construction sector has faced significant setbacks due to the recent economic crisis, experiencing a sharp decline over the past two to three years. This downturn has led to a mass exodus of young, experienced engineers, particularly those engaged on the contractor side, as many have sought opportunities abroad. During this period, over 60% of engineers at the State Development & Construction Corporation (SD&CC) have left the organization, with a substantial number migrating to other countries. The closure of a self-financing government entity like SD&CC would further exacerbate this issue and makes the contradicted situation with government policies too.

PROPOSALS FOR FURTHER IMPROVEMENTS

In light of the financial challenges faced by the Corporation, including a limited number of available projects, high overhead costs at the head office compared to revenue generation, and the adverse impacts of political interference by previous government, this proposal seeks to scale down operations strategically and continue the corporation smoothly. The goal is to address these challenges while meeting national requirements and providing long-term benefits to the country as mentioned in justification of this proposal. The following actions are proposed to achieve this objective:

Focus on Financially Viable Projects

Prioritize construction activities, particularly those involving concrete yards, traffic light signal systems, and other financially sound projects with short-term revenue generation potential. This will help stabilize the Corporation's finances.

Utilize High-Value Property for Financial Stabilization

The Corporation has been earning approximately three million rupees monthly by leasing a 140-perch property, including a two-story building, located on Gregory's Avenue, Colombo 07. This property, with an assessed value of Rs. 4 billion as of 2005 (Cabinet Paper No. අමප /24/1684/608/032-1 dated 2024.09.10), holds substantial economic value.

It has been proposed to transfer this property to the Ministry of Wildlife and Forest Conservation without proper consultation or compensation. To address the Corporation's financial liabilities, it is proposed to generate revenue equivalent to the current assessed value of the property before the transfer. Additionally, an allocation of Rs. 1 billion is proposed to address the financial deficits outlined in the proposed target investment plan. This approach would improve the Corporation's operational efficiency and mitigate the burden of existing liabilities.

Direct Awarding of Government Projects

To strengthen SD&CC and recognize its contributions, it is proposed to directly award a reasonable number of government projects to the Corporation. This would reduce costs to the government while supporting national development. For example, SD&CC's concrete yards currently manufacture electricity poles for the Electricity Board and rail sleepers for rail way via a competitive bidding process. This process involves bid bonds, which add to the government's expenses. By awarding these projects directly to SD&CC, costs associated with bidding and bid bonds can be eliminated, and production costs lowered, resulting in significant savings for the government.

Release of Project Bonds

Propose the release of bid, performance, and advance bonds held by SD&CC for government projects, as is done for other government organizations, to ease financial constraints and improve cash flow.

Adoption of Digital Technology

Implement digital technologies to enhance efficiency and reduce labor dependency. Transitioning from traditional methods to computer-based systems will streamline operations, including the calculation of subsidies, bonuses, yearly increments, and employee promotions. These metrics will be based on qualifications, performance, income contribution, and work efficiency, promoting a merit-based system analyze by computer-based.

Policy Reforms to Ensure Sustainability

Introduce and enforce new policies to safeguard the Corporation from detrimental political influence. These reforms will focus on ensuring the long-term sustainability and growth of the Corporation, fostering a stable operational environment.

These measures aim to position the Corporation for financial recovery and operational efficiency while contributing to the nation's development objectives.

10 YEARS PERFORMANCE SUMMARY

Rs. Mn.

Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Turnover	3,566	3,466	2,430	2,103	2,348	2,878	4,192	1,449	4,216	2,546
2. Operating Expenses	3,440	3,234	2,193	1,834	2,175	2,696	4,584	1,338	3,812	2,182
3. Gross Profit	126	232	236	269	173	182	(392)	111	403	363
4. Other Income	199	171	177	148	172	192	119	327	259	177
5. Admin. Expenses	170	180	201	199	197	200	229	211	177	310
6. Other Expenses	10	23	77	104	28	23	125	281	138	89
7. Financial Income	9	6	3	6	11	12	7	6	8	8
8. Financial Expenses	68	93	87	96	119	145	224	209	259	122
9. Net Profit before Taxation	97	112	50	23	12	19	(844)	(257)	96	27
10. Total Assets	4,893	4,374	4,224	4,472	5,111	6,148	5,472	5,799	6,770	7,593
11. Net Assets	1,793	1,750	1,555	1,500	1,588	1,556	637	310	324	839
12. ROCE - %	5.89	6.85	3.5	6.71	6.43	5.41	-32.69	-3.37	16.11	5.17
13. Return on Assets %	1.99	2.57	1.19	2.53	2.35	2.46	-11.15	-0.99	5.13	1.86
14. Gross Profit %	3.54	6.7	9.71	12.70	7.38	6.33	-7.75	7.65	9.56	14.28
15. Net Profit %	2.73	3.2	2.0	1.1	0.52	0.64	-16.68	-17.76	2.28	1.06
16. Current Ratio - Times	1.06	1.02	1.04	1.04	1.1	1.4	1.16	1.10	1.22	1.20