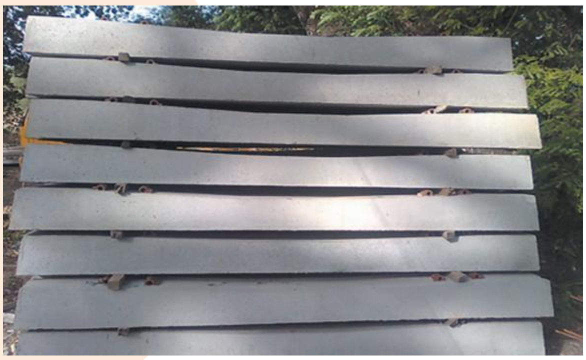
STATE DEVELOPMENT &
CONSTRUCTION CORPORATION

ANNUAL REPORT
2023

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
.

(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

For the second consecutive year, I am pleased to present the Annual Report of State Development & Construction Corporation for the financial year ended December 31, 2023.

Reflecting on the macro-economical environment in 2023, it's truly encouraging to witness the gradual recovery of the Sri Lankan economy, characterized by gradual improvements in key macro-economic indicators such as inflation, exchange rates, interest rates, and foreign reserves.

Despite the gradual recovery of the economy benefiting other sectors, the construction industry still suffered from the adverse impact incurred by the economic downturn. Being one of the hardest-hit sectors, the construction industry struggled to gain traction, severely impacting our operations. Most of our construction projects experienced delays and remained on hold due to lack of adequate funding to maintain smooth flow of work. Government's decisions to curtail funding to new development projects as a defensive measure, meant that new job opportunities in the construction sector were scarce, further aggravating the situation. These factors severely affected the operational performance of the corporation in 2023 resulting in poor financial gains.

As a self-financed State Owned Enterprise, SD&CC had to bear its expenses without the financial support of the General Treasury, often relying on the monetary gains provided by the certified bills of past work, since the income generation from ongoing construction projects were not adequate to cover the expenditures associated with staff salaries, bank loan installments, and unpaid VAT. These expenses collectively resulted in negative financial gains combined with the reduced income throughout the year.

Despite these hardships, I believe SD&CC has the potential to thrive, by shifting from its traditional business of constructing bridges and roads and focusing more in manufacturing of pre-cast concrete products, fabricating steel structures, repair and maintenance work of vehicles, adapting to new market conditions. Being a State Owned Enterprise, SD&CC continually prioritizes providing infrastructure development solutions for the Government, its Ministries and Departments.

In conclusion, I wish to take this opportunity to extend my sincere gratitude to the Honorable Minister of Transport and Highways and the Secretary of the Ministry for their invaluable guidance and support in leading this organization. I also thank the Board of Directors for their insightful contributions, the General Manager for his commitment and assistance, and our senior management for their dedication. Most importantly, I am deeply grateful to our staff, who remain our greatest asset.

S.M.K.

Eng. S.M. Kushan Devinda
Chairman

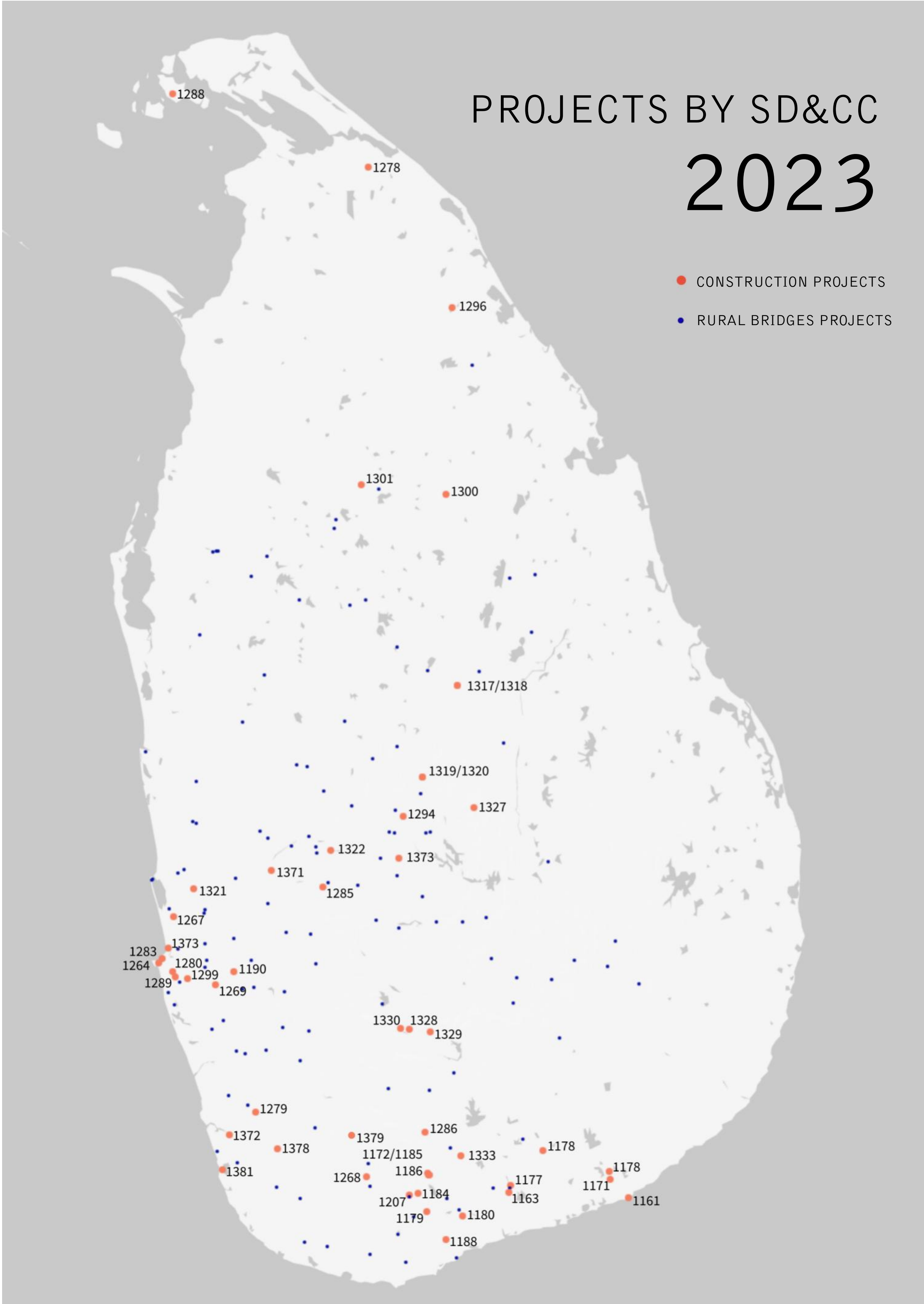
BOARD OF DIRECTORS & SENIOR STAFF MEMBERS

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
2023
CONSTRUCTION PROJECTS
RURAL BRIDGES PROJECTS
1288
1278
1296
1301
1300
1317/1318
1319/1320
1327
1294
1322
1373
1371
1321
1285
1267
1283
1373
1264
1280
1299
1190
1289
1269
1330
1328
1329
1279
1286
1372
1379
1378
1178
1172/1185
1333
1381
1186
1178
1268
1177
1171
1207
1184
1163
1161
1179
1180
1188

PROJECTS LIST - 2023

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

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.

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 33 of this Annual Report. Auditors report on the financial statements of the Corporation for the year ended December 31st 2023 is given on page 35 to 46 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 31.12.2023.
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

CONSTRUCTION OF VVIP ACCESS BRIDGE IN DHQC - AKUREGODA

PERFORMANCE DURING THE YEAR 2023

Overview

State Development & Construction Corporation is a self-financed State-Owned Enterprise (SOE). Its main income is generated through the execution of civil engineering contracts. Additionally, income from precast concrete production and the execution of electro-mechanical contracts, such as the installation and maintenance of traffic light signal systems on the national road network, also contribute to the Corporation's total revenue.

In 2023, as a result of economic crisis arised in 2022, most of the ongoing constructions projects were halted due to lack of fund allocation to construction projects by Government as a defensive approach to revive the failing economy. Since most of the construction projects handled by SD&CC were government funded, the suspension of said projects drastically reduced the income of the corporation resulting in a negative turnover from construction projects.

In 2023, SD&CC expected a total turnover of Rs. 2235.26 Mn yet only managed to achieve Rs. 219 Mn

Construction Projects

In 2023, SD&CC expected a turnover of Rs. 1673.14 Mn from construction projects alone yet negative turnover of Rs. 299 Mn has been achieved. This negative turnover is a direct result of the reduced income of halted construction projects and the associated expenditure of salaries, penalties such as LD s and other resource expenditure.

Concrete Yards

Rs. 409 Mn of turnover has been planned from Concrete productions in 2023 and achieved a Rs. 268.30 Mn. Delayed funding for material, shortage of labour force and frequent breakdowns of aging machinery collectively resulted in lower production output than anticipated.

Mechanical Services

SD&CC has achieved a turnover Rs.249 Mn in 2023 from mechanical services in 2023 in which the majority of the turnover consists of the income generated from executing traffic light signal system projects. Despite the economic crisis, income generated from mechanical services has been consistent providing some positive contribution for the corporation.

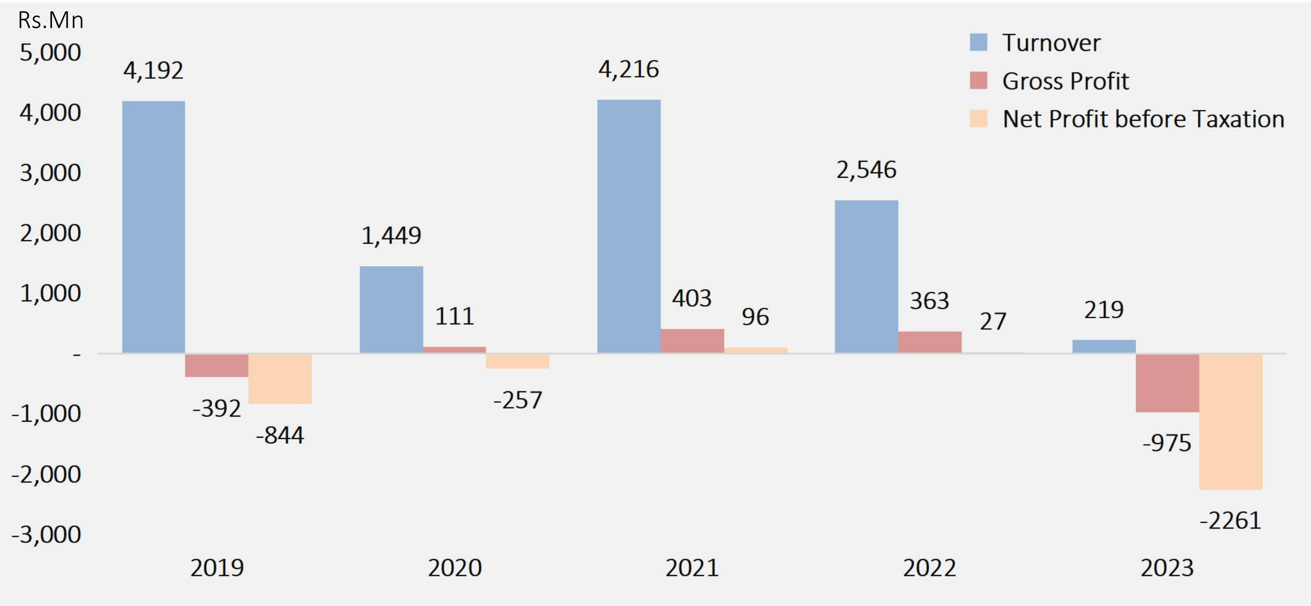
FINANCIAL REVIEW

The financial statements of the Corporation, which form part of this Annual report, sets out the financial performance of the Corporation.

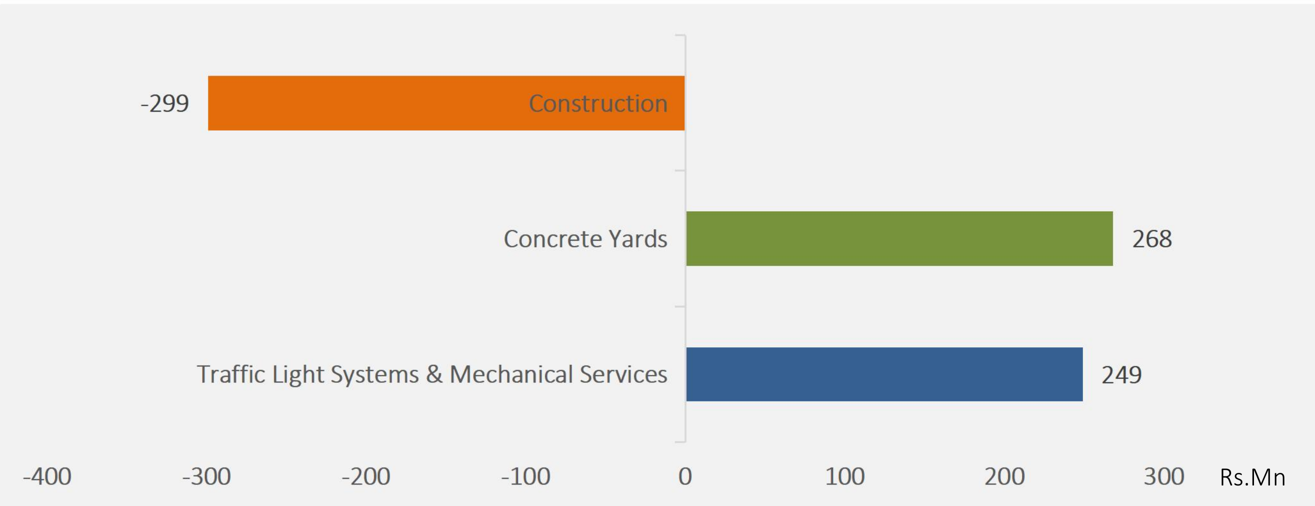
Performance of the Corporation

The corporation recorded a turnover of Rs. 219 million during the year 2023 compared to Rs.2,545 million recorded in the previous year. The massive reduction in the total turnover mainly contributed by the Construction segment which recorded a negative revenue figure of Rs. 299 million. Furthermore, the corporation as a whole have recorded a Net loss of Rs. 2,261 for the year 2023.
However, at the ministry level reviews, the progress shown by the corporation in the situation where majority of the Corporation’s construction projects terminated at loss, in line with the decision of the government to ease the economic crisis was appreciated.

An Overview of Turnover to Profit



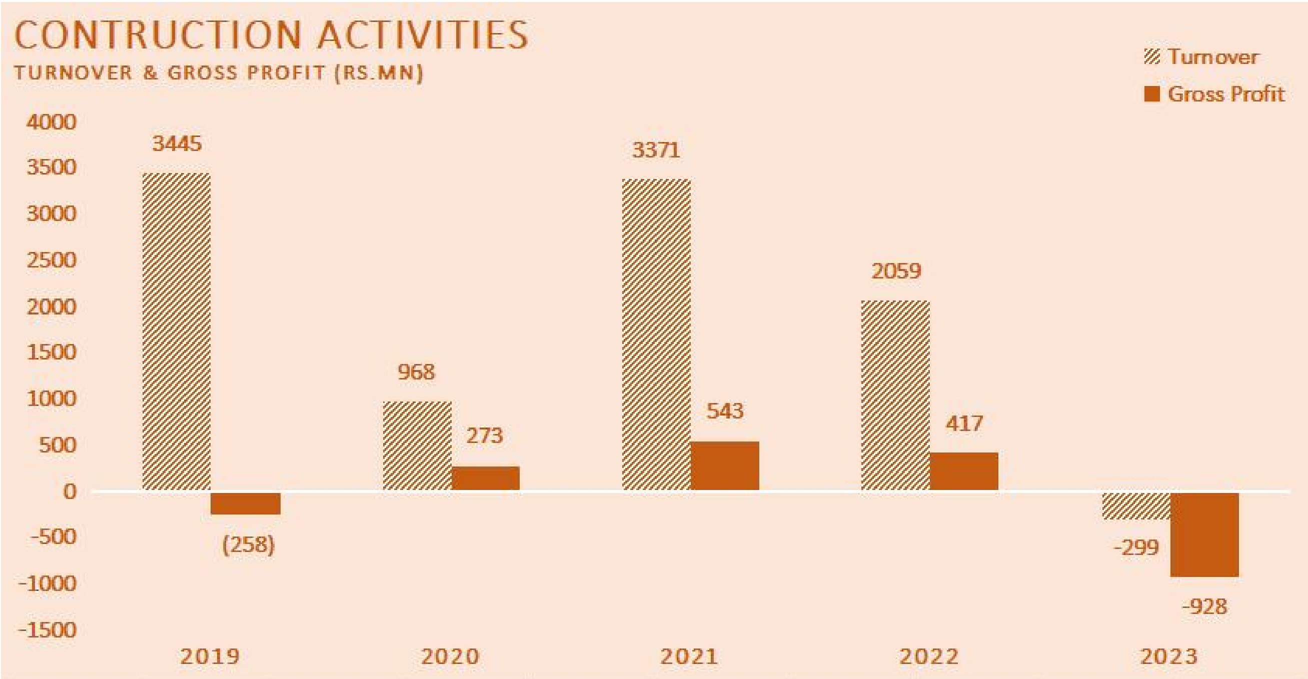
Sectorial Performance byTurnover



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



Compared to previous year, the construction income has come down by Rs. 1,592 million. The agreed/ actual Construction contract revenue for the year 2023 was Rs. 468 million.

The economic crisis experienced in the country and the Government decision to suspended / terminated development projects to ease the crisis, caused to suspend/terminate majority of the Corporation's construction projects (72 projects) which were in progress in year 2023. These suspended/terminated projects recorded a negative revenue of Rs 787 million and have caused to the Construction segments negative net revenue figure of Rs. 299 million.

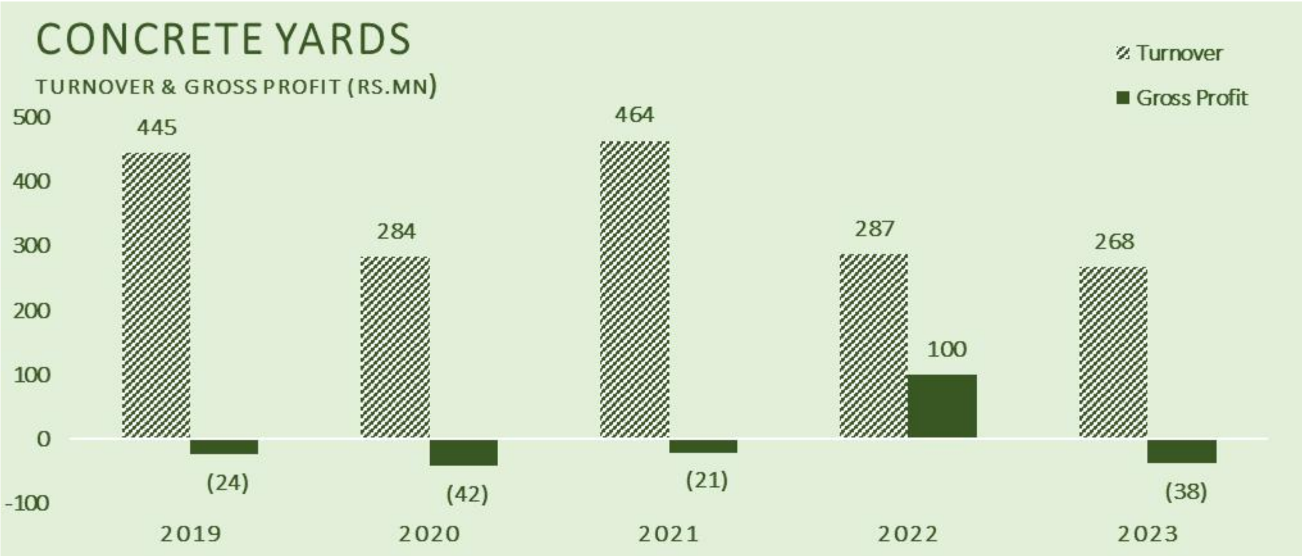
As a consequence of the above uncontrollable reasons, the Construction segment have not positively contributed to the corporation's turnover in year 2023 though contributed over 81% in the previous year.

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. 268Mn. during the year under review compared to the previous year turnover of Rs. 287Mn. and contributed to 27% of the total turnover of the Corporation. This division has made a Gross loss of Rs. 38Mn.

Turnover & Gross Profit from Concrete Yards

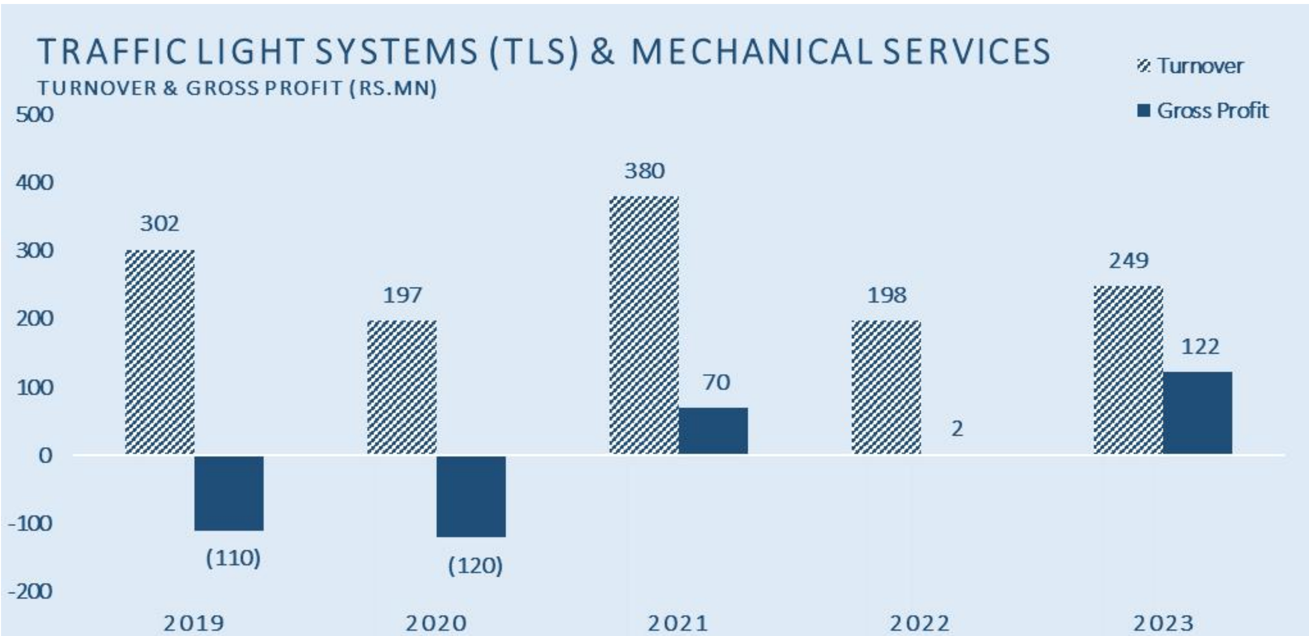


Traffic Light Systems (TLS) & Mechanical Services

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.249Mn. and compared to the previous year turnover of Rs.198Mn. The contribution of TLS & mechanical services to the turnover of the Corporation in year 2023 is 25%. This division has made a Gross profit of Rs.121.6Mn

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



SUMMARY OF THE PROGRESS OF PROJECTS AS AT 31st DECEMBER 2023

No.	Code	Project Name	Client	Contract Value (Rs.Mn)	Progress as at 31st December 2023	
					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	27.83	22%
3	1268	Reconstruction of bridge no. 62/5 on Galle - Deniyaya - Madampe road	RDA	80.68	59.19	86%

No.	Code	Project Name	Client	Contract Value (Rs.Mn)	Progress as at 31st December 2023 Income (Rs. Mn.)	Physical %
3	1278	Reconstruction Of Bridge No.12/1 On Paranthan-Karachchi Mullaitivu Road	RDA	109.83	38.93	53%
4	1279	Horawala Bridge	RDA	58.14	35.70	70%
5	1280	Bridge 5/1 at Rajagiriya near McDonalds	RDA	93.17	49.56	51%
6	1289	Nawala Bridge	RDA	1,698.55	1,913.80	89%
7	1299	VVIP access bridge in Defense HQ	RDA	409.66	255.07	76%
8	1321	Pansilgoda Bridge Project	SMRR	70.34	22.45	44%
9	1327	Construction of Bridge Across Heen Ganga on Hunnasgiriya Meemure Road	SMRR	61.01	15.15	34%
10	1371	Construction of Viaduct No.01 Warakapola by pass road	RDA	357.87	58.89	36%
11	1372	Bridge across Benthara River connecting Ittapana & Horawala Roads	RDA	484.18	36.97	6%
12	1374	Paththinigoda Bridge	SMRR	61.39	2.84	5%
13	1381	Bridge over Madu ganga	RDA	780.75	39.70	7%
14	1415	Pedestrian Overpass at Bambalapitiya Railway Station	RDA	40.46	11.10	25%
15	1416	Pedestrian Overpass at Wellawatta Railway Station	RDA	42.26	-	1%
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 2023 Income (Rs. Mn.)	Physical %
100,000 km ROAD PACKAGE						
1	1285	Improvements to Moronthota - Arandara Road	RDA	167.32	107.04	77%
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	1418	Pottuwil Sub Depot	SLTB	30.97	2.00	5%
2	1420	Madawachchiya Tyre Factory	SLTB	42.16	24.87	50%
WATER SUPPLY IRRIGATION AND HRDRO POWER						
1	1366	Embilipitiya Water project	NWS&DB	105.94	65.50	97%
2	1391	Kethhena Water Project	NWS&DB	325.24	41.60	22%
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 2023	
					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 2023	
					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 2023 (Rs.Mn)	Progress as at 31st December 2023	
				Actual Income (Rs. Mn.)	Financial %
CONSULTANCY					
1	-	Consultancy	8.00	8.40	105%
CONCRETE YARDS					
1	051	Ratmalana	149.50	138.08	**92%**
2	053	Bopitiya	31.00	24.68	**80%**
3	052	Weragantota	47.50	39.92	**84%**
4	812	Medawachchiya	28.00	17.09	**61%**
5	1276	Lunugamwehera	19.00	15.82	**83%**
MECHANICAL SERVICES					
1	006	Transport	70.17	72.10	**103%**
2	005	Work Shop	32.09	18.50	**58%**
3	005	Structural Workshop	17.36	13.50	**78%**
4	897	Traffic Light signal system (TLS)	130.21	174.68	**134%**

ABBREVIATIONS:

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

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 forecast results.

As per the present economic crisis situations in the year 2023, 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 2023.

3. Salary Increase

Did not increase the salary in year 2023

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	2019	2020	2021	2022	2023
Civil Engineers	73	76	114	77	34
Mechanical & Electrical Engineers	08	07	09	09	06
Accountants	07	07	07	07	05
Other Staff Officers	21	17	21	20	06
Construction Superintendents (Civil/ Mechanical / Electrical)	25	24	37	28	20
Draftsman / Quantity Surveyor	05	05	05	05	-
Security Staff	50	51	46	43	41
Clerical & Allied Grades	104	99	95	92	85
Supervisory & Other Skill Grades	334	334	300	284	240
Total	**627**	**594**	**634**	**565**	**437**

CHALLENGES FACED BY SD&CC DURING THE YEAR 2023

Over the years, SD&CC (State Development & Construction Corporation) has been instrumental in advancing national infrastructure, particularly in the transportation sector. Despite its long-standing contributions to socio-economic development through large-scale construction projects, the year 2023 presented a particularly difficult operating environment. The residual effects of the COVID-19 pandemic, combined with ongoing economic instability, exposed the company and the broader construction industry to a number of systemic challenges. These are detailed below:

1. Discontinuation of Government-Funded Projects

Many infrastructure projects, previously agreed upon with relevant authorities, were halted or indefinitely postponed due to continued fiscal constraints faced by the government. Budget re-allocations prioritized short-term crisis management and social welfare over long-term infrastructure investment. This defensive fiscal approach significantly affected projects such as the Rural Bridges Project, leaving partially completed work, idle resources, and wasted mobilization costs.

Impact:
- Loss of anticipated revenue
- Under-utilization of machinery and skilled labor
- Breach of public-private trust in project continuity

2. Unprecedented Inflation and Uncompensated Price Escalation

Throughout 2023, the Sri Lankan economy continued to suffer from high inflation, severely impacting the construction sector. The cost of labor, construction materials (e.g., cement, steel, aggregates), and operational equipment rose sharply. However, the existing price escalation formulas in contractual agreements were based on outdated economic conditions and did not sufficiently cover these rapid cost increases.

Impact:
- Erosion of project margins
- Financial losses on ongoing contracts
- Delays in project delivery due to budget revisions

3. Import Restrictions and Material Shortages

Strict import controls remained in place throughout the year, particularly targeting non-essential goods. Unfortunately, many construction-related inputs—classified under this category—became scarce or completely unavailable in the domestic market. For instance, the shortage of strand wires for pre-stressed beams caused significant delays in bridge and highway construction.

Impact:
- Disruption in project timelines
- Increased costs due to reliance on alternative or black-market sources
- Compromised structural designs due to substitutions

4. Limited Access to Bank Credit and Financial Support

In 2023, commercial banks continued to limit credit exposure to the construction industry due to perceived high risk and lack of government guarantees. This made it extremely difficult for SD&CC and other construction firms to access working capital or secure project-based loans.

Impact:
- Cash flow constraints affecting daily operations
- Inability to meet payment obligations to suppliers and subcontractors
- Postponement of planned capital investments

5. Shrinking Pipeline of New Projects

The government’s focus remained largely on debt restructuring and economic stabilization, resulting in a drastic reduction in new infrastructure initiatives. Private sector investment in infrastructure was also subdued due to low investor confidence and uncertainty in the regulatory environment.

Impact:
- Lack of visibility for long-term planning
- Idle technical staff and machinery
- Increased competition for a limited number of tenders, resulting in price undercutting

6. Soaring Utility and Maintenance Costs

The cost of maintaining operational facilities and sites increased sharply due to the escalating prices of electricity, fuel, and water. With power tariffs rising and fuel subsidies reduced or removed, routine operations became significantly more expensive.

Impact:
- Increased overheads and project costs
- Pressure to downscale or automate operations
- Reduced profitability across most contracts

Conclusion

The cumulative effect of these challenges in 2023 placed immense pressure on SD&CC's operational and financial stability. The company was forced to re-evaluate its project portfolio, renegotiate existing contracts, optimize internal costs, and explore alternative sources of financing and material procurement. Navigating this uncertain environment required both strategic agility and resilience, and moving forward, it is critical that SD&CC continues to adapt its business model in response to macroeconomic realities.

SHORT AND LONG TERM STRATEGIES FOR IMPROVEMENT

- 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)

REPORT OF THE AUDIT COMMITTEE – 2023

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

The main objective of the Audit committee is to assist the Board of Directors in fulfilling their oversight responsibilities regarding the integrity of Board's financial statements, risk managements and internal control, compliance with legal and regulatory requirements and provide suitable instructions to the management.

The Audit Committee of SD&CC comprises of the following three non-Executive Directors of the Corporation and two Observers appointed as per the Public Enterprises Circular No. 01/2021 who conduct committee preceding in accordance with the terms of reference approved by the relevant authorities.

- Ms. W.A.N. Thushari - Chairman/Board Director/ Treasury Representative
- Mr. Dinusha Kornkaduwa - Member/Board Director
- Ms. K.K.G. Chandrika - Member/Board Director
- Mr. S. Sanjeewa - Observer/ National Audit Office
- Ms. D.A. Himali Senavirathna - Observer/ Chief Internal Auditor of line Ministry

Relevant Officers of SD&CC Management were called to the Audit committee meetings for investigations & further clarifications when & where necessary.
During the financial year 2023, four (04) Audit Committee meetings were held.
Over the year 2023, the Audit Committee,

1. Paid attention for the presentation of Annual Report for 2022 to Parliament.

2. Paid attention for the presentation of Action Plan, Annual Budget, Procument Plan and Corporate Plan – 2023.

3. Reviewed the Auditor General's Final report 2021 and made follow up action for rectifying accounting deficiencies and non-compliance of rules mentioned therein.

4. Reviewed the Internal Audit Queries, Internal Audit Investigation Reports of 2021, 2022 and 2023 covering the nature of the issues, responses by the Heads of Divisions and corrective actions that were taken by the Management to overcome the noted deficiencies.

5. Special attention was given to make recommendations to strengthen several internal control systems in the areas of purchasing, stores, trade and other receivables, advances, Petty cash payments, project operations, Inventory management, billing, fleet management, Salary payments, finance and human resources such as interdepartmental transactions in order to ensure the smooth operations of the Corporation.

6. Paid attention for the presentation of "Delegation of Financial Authority 2023".

7. Reviewed and approved the Internal Audit Plans for 2023 and 2024.

8. Made recommendations to strength of Internal Audit Staff and considered their findings specially belongs to risk areas.

9. 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.

10. Reviewed the financial statements 2022 to comply with the Sri Lanka Accounting Standards. (SLFRS / LAKS)

11. Paid attention to ensure that all relevant rules and regulations and circulars issued by the government are complied with.

12. Reviewed the follow up actions taken by the respective Manager/Officer on the recommendations of the Committee.

13. 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.

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.

Eng. S.M. Kushan Devinda
CHAIRMAN

KETHHENA PIPE LAYING PROJECT

AUDITOR GENERAL'S REPORT 2023

CAE/C/SDCC/FS/2023/01 10th January 2025

Chairman

State Development Construction Corporation

Report of the Auditor General on the Financial Statements of State Development Construction Corporation for the year ended 31st December 2023 in terms of Section 12 of the National Audit Act No.19 of 2018 and other Legal and Regulatory Requirements

----

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of State Development Construction Corporation ('Corporation') for the year ended 31st December 2023 consisting of the statement of financial position as at 31st December 2023, the statement of financial performance, the statement of changes on equity and the statement of cash flow and notes to the financial statement included relevant information to the significant accounting policies for the year then ended was carried out under my direction in pursuance of the provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read with the provisions of the National Audit Act No.19 of 2018 and the Financial Act No. 38 of 1971. My Report to be submitted in pursuance of the provisions in Article 154 (6) of the constitution will be tabled in Parliament in due course.

Except the effects from the matters described in the section of basis for my qualified opinion in my report, I am of the opinion that the financial statements of State Development Construction Corporation for the year ended 31st December 2023 give a true and fair view of its financial position, financial performance and cash flows for the year then ended in accordance with Public Sector Accounting Policies.

1.2 Basis for Qualified Opinion

(a) In accordance with paragraph 25 of Sri Lanka Accounting Standards-01, in preparing the financial statements, management is required to do an assessment of an entity's ability to continue as a going concern and to disclose any events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. However, the net loss for the year under review was Rs. 2,261.13 million and the accumulated loss as at 31st December 2023 was Rs. 4,671.35 million. Although the total assets were Rs. 3,738.03 million, the total liabilities were Rs. 6,999.69 million, which exceeded the assets by 87 percent. The amount of current liabilities exceeding the current assets was Rs. 2,954.23 million, which was a percentage of 136 percent. Further, as per the Cabinet decision No අමප /24/1684/608/032-1 dated 10.09.2024, a decision had been taken to merge this institution with the Road Development Authority and the institution is currently taking steps in this regard. However, it was stated in Note No. 2.1.2 that there is no material uncertainty regarding the going concern.

(b) Contrary to paragraph 7 of Sri Lanka Accounting Standards 16, the electric stressing jack with the pump, worth Rs. 11.29 million, purchased in the year 2022, was not recognized and accounted for as fixed assets in the financial statements, and as a result, the value of fixed assets was understated by that value.

(c) Although the provisions of paragraph 32 of Sri Lanka Accounting Standards 21 and the Corporation's Accounting Policy No. 2.1.3 state that foreign exchange gains or losses should be recognized in the statement of other comprehensive income, as 31st December 2023, foreign exchange losses amounting to Rs. 17.29 million had not been disclosed in the statement of other comprehensive income.

(d) Although 02 projects for which construction was completed had been identified as revenue of Rs. 194.20 million, the certified bill value was only Rs. 163.46 million, so the project revenue for the year under review had been overstated by Rs. 30.74 million.

(e) The revenue for the year under review was understated by Rs. 24.44 million due to the fact that a project currently being carried out by the Corporation was considered a suspended project and instead of recognizing revenue based on the percentage of output, revenue was recognized based on the final bill value.

(f) The value of the stone stock obtained from gem mining activities carried out in 2022 was Rs. 2.15 million as per the valuation report provided by the Mineral Gems and Jewelry Authority on 21 November 2022, and due to the fact that that value was not taken into account in the financial statements of 2023, current assets were calculated at that value.

(g) In Note No. 09 of the financial statements for the year under review, the detailed information and supporting documents relating to the balance of Rs. 9.21 million, which is the investment value of Devkoshova (Private) Company, which is 100% owned by the Corporation, had not been produced for audit.

(h) Detailed information for Ready Mixed Debtors-(Devcoshowa), a debt balance of Rs. 30.60 million, which has been in existence for several years and is included in the miscellaneous debtors balance in Note No. 14.03 in the financial statements, had not been submitted to the audit.

I carried out my audit in accordance with the Sri Lanka Auditing Standards (SLASs). My responsibilities falling under those standards are further described in the section of Auditor's Responsibilities for the audit of the financial statement in my report. I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the annual report 2023 of the Board

Other information means the information that has been included in the annual report 2023 of the Corporation expected to be provided after the date of the report of this audit but not included in the financial statements and my audit report thereof. The management shall be accountable for this other information.

Other information is not covered by my opinion for the financial statements and I do not give any confirmation or express any opinion in that regard in any manner.

My accountability with regard to my audit on the financial statements is to consider whether the above identified other information is substantially inconsistent with the financial statements or my knowledge obtained during my audit or in any manner, in reading such information and doing so when such information can be available.

If, based on other information obtained by me before the date of this auditor's report and the work I have performed, I conclude that this other information is materially misstated, I am required to report that matter. I have nothing to report in this regard.

1.4 Responsibilities of the management and controlling parties on Financial Statement

Management is responsible to determine the necessary internal control mechanism for the preparation and fair presentation of this financial statements in accordance with the Public Sector Accounting Standards where such statements can be free from material misstatement whether due to fraud or error.

In preparing the financial statements, the management is accountable to determine the possibility of continuous existence of the Corporation and except if the management intends to liquidate its entity or discontinue its operations where no alternatives, then it is the responsibility of the management to maintain accounts based on the ongoing concept and disclose the matters on the continuous existence of the Corporation.

Controlling parties will bear the responsibility with regard to the financial reporting process of the Corporation.

As per Sub Section 16 (1) of the National Audit Act No.19 of 2018, it is the responsibility of the Corporation to maintain proper books and records of all its income and expenditure and assets and liabilities in order to facilitate it to prepare annual and periodic financial statements that have to be prepared by it.

1.5 Auditor’s Responsibility on Audit of the Financial Statement

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from the 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; however is not a guarantee that an audit conducted in accordance with the Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to make effect on the economic judgments of users taken based on these financial statements.

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

- Identified and assessed the risks from material mistake of the financial statement, whether due to fraud or error, design and perform audit procedures to 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 an error, as the fraud may involve collusion, fake, deliberate omissions, misrepresentations, or override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the internal control.

- Evaluated the relevance of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Decided the suitability of the application based on the continuation of the Board for accounting based on the audit evidence gained whether a material uncertainty appears on the continuation of the Corporation due to events and conditions. If I observe any material uncertainty, I have to pay my attention in my audit report with regard to such disclosures in the financial statements and if such disclosures are not sufficient then I have to change my opinion. I made my observations based on the evidence obtained up to the date of this audit report. However, continuation of the Corporation may come into cease on the future events and conditions.

- Evaluated the total presentation, structure and content of the financial statements, along with the disclosures and whether the financial statements are representing the underlying transactions and events in a manner that achieve fair presentation.

I brought the important audit findings, major weakness of internal control and other matters being identified during my audit into the notice of the relevant parties.

2. Report on Other Legal and Regulatory Requirements

2.1 The National Audit Act No. 19 of 2018 includes the special provisions regarding the following matters.

2.1.1 Except the effects from the matters described in the section basis for my qualified opinion in my report, I obtained the information and explanations required for the audits as per the requirements set out under section 12 (a) of the National Audit Act No. 19 of 2018, and the Corporation had maintained the proper financial statements as shown by my examinations.

2.1.2 The Corporation's financial statements are consistent with the previous year as per the requirements set out under section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.

2.1.3 In accordance with the requirements set out under section 6 (1) (d) (iv) of the National Audit Act No 19 of 2018, expect the recommendations made by me in 1.2 (a) of the section for the basis of qualified opinion in my report, other recommendations have been included in the presented financial statements.

2.2 In keeping the proceedings adopted and the evidence obtained to the material facts, nothing has come to my notice so as to make the following remarks.

2.2.1 According to the requirements set out under section 12 (d) of the National Audit Act No. 19 of 2018, a member of the governing body of the Corporation has a conflict of interest, directly or indirectly that existed outside of the ordinary course of business in relation to any agreement involving the Corporation.

2.2.2 According to the requirements set out under Section 12 (f) of the National Audit Act No. 19 of 2018, except the following observations, the Corporation has acted not comply with any relevant written law or other general or special directives issued by the governing body of the Board.

	Reference to Laws / Orders	Inconsistency
	---------------------	----------------
(a)	The National Tax Act, No. 09 of 2009	As at 31st December 2023, the value of the National Building Tax payable was Rs. 6.09 million, and the fine imposed for non-payment of that tax was Rs. 1.06 million, resulting in a value of Rs. 7.15 million in the Nation Building Tax that had not been paid.
(b)	Social Security Act No. 17 of 1996	Arrangements had not been made to pay the outstanding tax amount of Rs. 28.09 million as at 31st December 2023
(c)	Value Added Tax Act No. 14 of 2002	From the year 2022 to 31st December 2023, Rs. 1352.86 million in value added tax had not been paid, and from the year 2006 to 31st December 2023, Rs. 1087.21 million in fines imposed on arrears of value added tax had not been paid.
(d)	Employees' Provident Fund Act, No. 15 of 1958	As at 31st December 2023, the Corporation had not settled the unpaid Employees' Provident Funds and the surcharge payable on those unpaid Employees' Provident Funds amounting to Rs. 105.96 million and Rs. 49.53 million respectively.
(e)	Public Enterprises Circular No. 01/2021 dated 16th November 2021, Operations Manual for State-Owned Enterprises - 6.6	The Corporation's annual report for the year 2022 had not been tabled in Parliament by even October 2024.
(f)	Public Finance Circular No. 08/2019 dated 17th December	Although it was stated that the government should register with the government's electronic

	2019	procurement system and use that system to carry out procurement activities in government institutions as well as to provide business services to those government institutions, the corporation had not been registered with the government's electronic procurement system as of October 2024 for carrying out procurement activities in the institution (procurement entity) and for providing business services (vender).

2.2.3 According to the requirements set out under section 12 (g) of the National Audit Act No.19 of 2018, except the following observations, the Corporation has been acted in contradiction to its powers and functions.

2.2.4 According to the requirements set out under section 12 (h) of the National Audit Act No.19 of 2018, except the following observations, the Corporation has not procured its resources according to the relevant regulations and utilized them economically, efficiently and productively within the period.

2.3 Other Matters

(a) The Corporation's Statement of Financial Position as at 31st December 2023 showed Rs. 636.76 million as receivables, of which the balance between 3 and 5 years had been Rs. 280.41 million and the balance beyond 5 years had also been Rs. 201.86 million. Furthermore, the balance of receivables related to the suspended projects as at 31st December 2023 had been Rs. 226.96 million and the Corporation had not taken any action to recover this balance.

(b) As 31st December 2023, the Corporation had shown Rs. 233.21 million of liquidate damages deducted from bills due to delays in projects as receivables in the financial statements, of which Rs. 45.75 million was due for years 1 to 4 and Rs. 173.30 million for more than 5 years. It was observed that the possibility to recover this balance is very less.

(c) The trade payables balance was Rs. 299.47 million, and according to the maturity age analysis, the payables balance between 3 and 5 years was Rs. 42.13 million, and the payables balance for more than 5 years was Rs. 45.82 million. As at 31st December 2023, the payables balance related to suspended contract projects was Rs. 34.09 million, and the recoverability of this balance remained at a low level.

(d) During the purchase of a strain jack machine with hydraulic pump for the Bopitiya Concrete Quarry, a jack machine with specifications different from those stated in the material request dated 29th July 2021 was imported into Sri Lanka on 24 March 2022 and steps had not been taken to release it from customs until 30th December 2022, more than 9 months later. It was observed that this machine was unusable due to an oil leak and the one-year warranty period had also been expired. Therefore, the amount of Rs. 11.35 million paid by the Corporation as expenses for the purchase and import of this jack machine had become a waste of money.

(e) As 31st December 2023, 21 suspended projects had an idle stock balance of Rs. 56,519,653.

(f) It was also observed that no work had been done in respect of 16 capital work projects in progress costing Rs. 6.07 million during the year under review and that there were such 8 capital work projects in progress of costing Rs. 2.70 million for which no work had been done for a period of 2 years from 01 January 2022 to 31st December 2023. Moreover, due to the financial difficulties of the Corporation, it had not been possible to complete these capital works on time.

(g) The land worth of Rs. 317.54 million and the building worth of Rs. 37.99 million owned by the Corporation at Hector Kobbekaduwa Mawatha, Colombo 07, were leased to the Sri Lanka Technical College from 2020 to May 2021, and the rent of Rs. 4.09 million had not been collected for more than 3 years as at 31st December 2023.

(h) No steps had been taken by the Corporation to transfer the ownership of 8 lands extent in 16 acres and 12 perches, which are being used by the Corporation on a long-term basis, to the Corporation or to obtain them on a long-term lease basis until 31st October 2024.

(i) 3 tractors of worth of Rs. 1.20 million purchased in the year 2021 had not been registered with the Motor Vehicle Registration Department by 24th October 2024, and 4 motor vehicles received by the Corporation from the Divi Neguma Development Department and Devco Showa had not been taken over by the Corporation by 24th October 2024.

(j) During the period from 2019 to the end of 2023, 27 vehicles costing Rs. 63.9 million were taken from running due to non-repair work and no steps had been taken to dispose of them.

(k) Out of the Rs. 626.76 million in the 2023 financial statements, Rs. 35.55 million were outstanding for more than 5 years, and the outstanding Rs. 432.15 million in the 45 projects that were suspended in 2023. The Corporation had not taken steps to settle this advance balance by successfully completing the construction work.

(l) During the year under review, the Corporation had completed 75 projects, out of which 46 projects had resulted in a loss of Rs. 636.38 million.

(m) It was observed that the Corporation was unable to recover the excess cost of Rs. 409.50 million due to non-issuance of bills covering the total cost incurred for 42 suspended projects as at 31st December 2023. Similarly, administrative expenses, bond fees and land rent of Rs. 23.63 million incurred for 19 suspended projects in the year 2023 had remained unrecoverable.

(n) As at 31st December 2023, 109 posts, including the posts of Deputy General Manager (Planning and Production) and Deputy General Manager (Mechanical), had fell into vacant in the Corporation. No steps had been taken to fill these posts or to revise the number of posts appropriately.

W.P.C. Wickramaratne

Auditor General

FINANCIAL STATEMENT FOR YEAR 2023

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER

(All amounts are in Sri Lanka Rupees)	Note	2023	2022 Restated
Revenue	01	218,615,272	2,545,681,276
Cost Of Sales	02	(1,193,507,544)	(2,189,627,632)
Gross Profit / (Loss)		**(974,892,272)**	**356,053,644**
Other Income	03	87,515,472	176,779,285
Profit / (Loss) Before Operating Expenses		**(887,376,800)**	**532,832,930**
Administrative Expenses	04	(209,428,866)	(310,281,434)
Other Expenses	05	(932,232,889)	(66,801,235)
Results From Operating Activities		**(2,029,038,555)**	**155,750,260**
Financial Income	06	154,766,003	8,018,943
Financial Expenses	06	(386,852,490)	(122,150,767)
Profit Before Tax		**(2,261,125,042)**	**41,618,436**
Tax Expenses	07	163,388,607	79,329,775
Profit For The Year		**(2,097,736,435)**	**120,948,211**
Other Comprehensive Income			
Defined Benefit Plan Actuarial Gain/(Loss)	17.01	(23,542,523)	25,780,239
Revaluation Gain/(Loss)		-	699,838,643
Tax On Other Comprehensive Income		-	(217,685,664)
Other Comprehensive Income Net of Tax		**(23,542,523)**	**507,933,217**
Total Comprehensive Income		**(2,121,278,957)**	**628,881,428**

The Significant Accounting Policies and Notes 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	2023	2022 Restated	2021 Restated
ASSETS				
Non - Current Assets				
Property, Plant & Equipment	08	1,560,629,214	1,668,197,743	1,037,400,527
Capital Work in Progress	08.01	6,075,567	6,075,566	5,135,307
Investments In Government Owned Companies	09	-	-	-
Deferred Tax Assets	11.02	-	103,612,894	95,283,568
Total Non Current Assets		**1,566,704,780**	**1,777,886,203**	**1,137,819,402**
Current Assets				
Inventories	12	592,454,299	675,836,601	447,173,312
Other Investments, Including Derivatives	10	2,050,064	98,652,577	30,000,000
Income Tax Assets	13.01	-	138,538,712	138,538,712
Trade & Other Receivables	14	1,391,544,211	3,398,880,478	3,502,515,370
Cash & Cash Equivalents	15	185,273,951	285,120,536	275,113,129
Total Current Assets		**2,171,322,525**	**4,597,028,905**	**4,393,340,523**
Total Assets		**3,738,027,305**	**6,374,915,108**	**5,531,159,925**
EQUITY & LIABILITIES				
Capital & Reserves				
Capital		16,671,650	16,671,650	16,671,650
Capital Grant		51,140,000	51,140,000	51,140,000
Capital Reserves		6,629,760	6,629,760	6,629,760
Government Grant		189,474,257	199,285,140	216,660,477
Revaluation Reserve		1,145,768,139	1,146,143,425	656,256,375
Retained Earnings		(4,671,354,410)	(2,550,075,452)	(2,607,073,443)
Total Equity		**(3,261,670,605)**	**(1,130,205,478)**	**(1,659,715,180)**
Non - Current Liabilities				
Loans & Borrowings	16	1,808,012,039	1,565,734,288	1,653,125,484
Retirement Benefit Obligation	17	66,137,831	58,983,584	59,408,198
Deferred Tax Liabilities	11.01	-	267,001,501	120,316,286
Total Non Current Liabilities		**1,874,149,870**	**1,891,719,374**	**1,832,849,968**
Current Liabilities				
Income Tax Liability	13.02	80,964,285	82,633,339	82,633,339
Trade & Other Payables	18	4,970,340,230	5,114,401,327	4,959,250,490
Loans & Borrowings	16	-	282,515,292	171,633,802
Bank Overdrafts	19	74,243,525	133,851,255	144,507,507
Total Current Liabilities		**5,125,548,040**	**5,613,401,212**	**5,358,025,138**
Total Equity & Liabilities		**3,738,027,305**	**6,374,915,108**	**5,531,159,925**

The Significant Accounting Policies and Notes form an integral part of these Financial Statements.

Deputy General Manager-Finance
19th July 2024

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
19th July 2024	19th July 2024	19th July 2024

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2023
(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
Effect Of Prior Year Transactions - **Adjusted in year 2023 (Note 27)**						(1,983,440,917)	(1,983,440,917)
(Restated) Balance As At 1st January 2021	**16,671,651**	**51,140,000**	**6,629,760**	**656,256,375**	**295,460,507**	**(2,693,820,222)**	**(1,667,661,929)**
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	-	-	-	-	(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**	**(2,607,073,443)**	**(1,659,715,180)**
Effect Of Prior Year Transactions - **Adjusted in year 2022 (Note 25)**						(81,996,388)	
Balance As At 1st January 2022 - Restated	**16,671,650**	**51,140,000**	**6,629,760**	**656,256,375**	**216,660,477**	**(2,689,069,831)**	**(1,741,711,569)**
Profit For The Year - **Restated**	-	-	-	-	-	120,948,211	120,948,211
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 - Restated	**16,671,650**	**51,140,000**	**6,629,760**	**1,146,143,425**	**199,285,140**	**(2,550,075,452)**	**(1,130,205,478)**
Profit For The Year						(2,097,736,435)	(2,097,736,435)
Received during the year					7,000,000		7,000,000
Revaluation Adjustment				(375,287)			(375,287)
Amount of Government Grant Recognised as Income During The Year					(16,810,883)		(16,810,883)
Other Comprehensive Income	-	-	-	-	-	(23,542,523)	(23,542,523)
Balance As At 31stDecember 2023	**16,671,650**	**51,140,000**	**6,629,760**	**1,145,768,139**	**189,474,257**	**(4,671,354,410)**	**(3,261,670,605)**

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

(All amounts are in Sri Lanka Rupees)	Note	2023	2022 Restated	2021 Restated
Cash Flow From Operating Activities				
Profit / (Loss) Before Tax		(2,261,125,042)	41,618,436	96,124,611
Adjustments For ;				
Depreciation		111,076,890	110,285,049	101,559,870
Provision For Defined Benefit Plan		9,232,283	47,060,571	11,774,245
(Gain)/Loss On Disposal Of Property, Plant & Equipment		(15,863,459)	(9,063,963)	(9,320,036)
(Gain)/Loss On Translation Of Foreign Currency Loans		-	(68,669,722)	-
Impairment Loss On Trade & Other Receivables		758,804,008	86,781,117	121,904,988
Finance Expenses		386,852,490	122,150,767	259,168,706
Deferred Income		(16,810,883)	(17,375,337)	(78,800,030)
Provision For Slow & Non Moving Stock		(912,193)	(359,238)	352,321
Government Grant Received				(53,000,000)
Finance Income		(154,766,003)	(8,018,943)	(7,789,263)
Operating Profit / (Loss) Before Working Capital Changes		**(1,183,511,910)**	**304,408,737**	**441,975,413**
(Increase) / Decrease In Inventory		93,423,654	(228,304,052)	(157,607,146)
(Increase) / Decrease In Trade & Other Receivables		1,184,228,292	(118,033,574)	(1,110,037,476)
(Increase) / Decrease In Purchases & Sub Contract Advances		191,221,605	130,344,241	(247,725,392)
Increase / (Decrease) In Advances & Retention		(255,860,790)	(365,430,236)	623,687,884
Increase / (Decrease) In Trade & Other Payables		(129,248,338)	548,059,801	493,985,039
Cash Generated From / (Used In) Operations		**(99,747,487)**	**271,044,917**	**44,278,323**
Finance Cost Paid		(163,373,381)	(140,935,703)	(247,780,947)
Gratuity Paid		(8,051,636)	(21,787,932)	(23,144,108)
Tax Paid		(2,788,422)	-	-
Net Cash Flow From / (Used In) Operating Activities		**(273,960,926)**	**108,321,282**	**(226,646,733)**
Cash Flows From / (Used In) Investing Activities				
Acquisition Of Property, Plant & Equipment		(5,942,149)	(46,277,850)	(78,124,838)
Proceeds From Disposal Of Property, Plant & Equipment		15,792,804	20,384,242	10,567,764
Withdrawal/(Investment) In Fixed Deposits		96,602,513	(68,652,577)	27,925,796
Finance Income Received		165,930,829	3,475,835	4,596,929
Net Cash Flow From / (Used In) Investing Activities		**272,383,997**	**(91,070,351)**	**(35,034,349)**
Cash Flows From / (Used In) Financing Activities				
Repayment Of Loans & Borrowings		(40,237,542)	(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		**(40,237,542)**	**3,412,728**	**468,681,133**
Net Increase / (Decrease) In Cash & Cash Equivalents		**(41,814,471)**	**20,663,659**	**207,000,051**
Cash & Cash Equivalents At The Beginning Of The Year		151,269,281	**130,605,622**	(76,394,429)
Cash & Cash Equivalents At The End Of The Year	15	**109,454,810**	**151,269,281**	**130,605,622**

The Significant Accounting Policies and Notes 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 regionalize 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, products installation and maintenance of traffic light signal systems.

1.4 Number of Employees

The number of employees at the end of the year was 426.

1.5 Date of Authorization for Issue

The Financial Statements were authorized for issue by the Board of Directors on 19th July 2024.

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.

2.1.2 Going Concern

Due to the economic crisis faced by the country in early 2022, construction industry was badly affected mostly in the form of contract postponement or cancellation. The significant devaluation of the national currency versus the US dollar had a detrimental impact on the sector since it has created an additional expense.

As a consequence of the financial crisis, the Corporation was adversely impacted and generated a net loss of Rs. 2,261 Mn during the year 2023. Thereby the accumulated loss of the Corporation has amounted to Rs. 4,671 Mn as at 31st December 2023 resulting a serious loss of capital of the company.

The Board further notes that this loss is mainly due to recording of items, which should have been recognized in the previous years, but not carried out in the past. These include:

1. Revenue impact of projects temporarily suspended/ halted due to various reasons prior year 2023, which were officially declared closed in year 2023 (Eg: Nagamu Purawara projects at Hambantota was temporarily suspended in year 2019). The revenue loss based on “percentage of completion revenue recognition method” is more than Rs. 780 Mn for these temporarily suspended/ halted projects.
2. Recording of Surcharges on unpaid EPF during year 2020 - 2022 amounting to Rs. 49.5 Mn
3. Recognition of Tax penalties with regard to unpaid VAT, ESE, NBT since year 2000 based on assessments notices issued by Inland Revenue Department (IRD) amounting to more than 175Mn.
4. Clearing of provisions related to long outstanding due from customer, retention, liquidated damages amounting to more than Rs. 367 Mn

Above items had no relevance to year 2023 performance, but due to recognition of above items, profit of SD&CC has reduced by the same. In addition, Interest cost of unpaid deferred loans of more than Rs. 360 Mn has been taken into accounts.

Hence, considering the positive developments taken place and the support of the Government, the Board of Directors believe that there is no material uncertainty related to the events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. The financial statements for the year ended 31st December, 2023, have been prepared on a going concern basis.

2.1.3 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.

2.1.4 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.

2.1.5 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.

2.1.6 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 recognised as an expense when incurred.

Revaluation

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

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.

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 SLFRS 9 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. 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 SLFRS 15 are recorded at the transaction price, which is the amount of consideration given or received. Impairment provision on debtors is calculated at the end of each reporting period base on the past cash settlement patterns of the debtors and default probability ratio, impairment loss/(reverse) recognized in statement of comprehensive income

Held-To-Maturity Investments

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

c) Available-For-Sale Financial Investments

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

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

Derecognition

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

Impairment of Financial Assets

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset 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 SLFRS 9 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.

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.

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.

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.

2.2.9 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

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 in line 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.

a) Construction Revenue

The revenue from construction contract is recognized on a percentage completion method as per SLFRS 15.

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.

2.6 Comparatives

Where necessary, comparative figures have been adjusted to conform to 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 recognized as Deferred Income and is recognized in profit or loss on a systematic basis over the useful life of the asset.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER
(All amounts are in Sri Lanka Rupees)

	Note	2023	2022 Restated
NOTE 01 - REVENUE			
Construction Income	Shedule 1	(298,608,357)	2,059,987,261
External Sales - Concrete Yards		197,145,186	168,777,731
Internal Sales - Concrete Yards		71,149,795	118,877,060
Traffic Light Systems & Work Services		248,928,647	198,039,225
Total		**218,615,272**	**2,545,681,276**

	Note	2023	2022 Restated
NOTE 02 - COST OF SALES			
Operating Expenses			
Employee Benefits	04.01	374,925,033	643,740,912
Cement		25,205,165	32,972,247
Sand		6,921,500	10,141,658
Metal		12,408,268	52,011,061
Steel		51,050,794	153,410,950
Timber		2,924,181	7,635,253
Fuel & Lubricants		56,370,886	75,623,695
Explosive & Blasting Materials		4,045	324,795
Ready Mix Concrete		25,402,241	98,694,976
Concrete Products		71,789,293	150,377,973
Machinery & Vehicle Spare Parts		11,964,290	14,595,820
Stationery Consumption		1,107,372	2,491,479
Tar Consumption		2,387,828	38,525,183
Electrical Spare Parts Consumption		52,495,496	67,353,295
Pipes & Drainages Items Consumption		1,671,879	1,744,301
Other Stocks		54,998,499	123,909,010
Earth Gravel		2,908,900	12,270,762
Works Services		59,525	5,552,740
Capital Item Expenditure - RDA		373,852	3,683,077
Legal Charges		17,250	32,408
Hire Charges		24,542,422	125,974,402
Transport Charges (Material)		581,720	3,154,387
Transport Charges (Others)		459,795	6,693,893
Storage Charges		8,500	8,040
Vehicle Insurance		1,030,752	678,754
Depreciation On Plant, Machinery & Equipment		54,457,393	54,450,001
Depreciation On Motor Vehicles		22,882,108	22,682,127
Depreciation On Computers, Accessories & Software		1,509,277	1,501,165
Repairs & Maintenance -Plant, Machinery & Equipment		523,490	1,331,062
Repairs & Maintenance - Vehicles (Work Shop)		2,619,482	2,648,655
Repairs & Maintenance -Plant, Machinery & Equipment (Transport)			-
Repairs & Maintenance -Plant, Machinery & Equipment (Other)		3,056,668	4,309,594
Registration & Licence Fees		843,494	4,969,780
Sub Contracts		156,207,741	416,782,728
Liquidation Damages		1,427,255	2,131,965
Assignments		16,356,737	29,786,374
Charges For Bonds		10,699,099	18,012,242
Telephone - Sites		1,531,994	2,255,900

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER
(All amounts are in Sri Lanka Rupees)

	Note	2023	2022 Restated
Postage & Telex - Sites		114,628	134,066
Printing & Stationery - Sites		505,114	1,936,449
Travelling - Sites		5,530,815	7,258,451
Entertainment		675,005	3,606,446
Stamp Fees - Sites		4,359	47,173
Rent - Sites		11,363,016	31,544,468
Electricity - Sites		12,109,913	4,737,272
Computer		4,500	55,200
Water - Sites		1,866,784	2,137,216
Tender Fees -Sites		161,564	326,619
Security Expenses - Sites		261,000	-
Welfare & Recreation - Sites		314,775	434,293
Liquidation Damages - Construction		7,165	-
Insurance All Risk Policy - Sites		953,344	11,763,442
Newspapers & Periodicals - Sites		40,075	19,730
Sundry Expenses- Sites		2,597,247	9,777,103
Consultancy & Professional Fees		446,815	865,000
Building Repairs -Sites		-	24,575
Service Charges - Sites		3,575,368	7,849,068
Testing Charges -Sites		1,303,951	9,289,018
Advertisements		-	102,960
Repairs & Maintenance - Office Equipment		24,500	253,500
Rates & Taxes		2,417,770	28,819
Impairment provision for Slow & Non Moving Stock		(912,193)	(359,238)
Personal Accident Insurance		32,144	686,810
Sub Total		**1,097,121,883**	**2,284,981,105**
Add - Opening Stock		289,328,427	247,779,912
Less - Closing Stock		(192,942,766)	(343,133,385)
Cost Of Sales		**1,193,507,544**	**2,189,627,632**

NOTE 03 - OTHER INCOME

		2023	2022
Transport Hire Charges		31,650,608	5,953,765
Machinery Hire Charges		364,900	-
Deferred Income		16,810,883	17,375,337
Consultancy Fee		5,462,386	8,649,086
Sundry Income		32,860,209	66,215,816
Income from Knowledge Enhancing Programes		11,739	-
Government Grant Received For Salaries		-	-
Insurance Income		289,900	451,948
Income On Rent		13,500	399,649
Training Income		1,473,000	-
Foreign Exchange Gain/ (Loss)		(17,285,112)	68,669,722
Profit On Disposal Of Property, Plant & Equipment		15,863,459	9,063,963
Total		**87,515,472**	**176,779,285**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER
(All amounts are in Sri Lanka Rupees)

NOTE 04 - ADMINISTRATIVE EXPENSES

	Note	2023	2022 Restated
Employee Benefits	04.01	147,770,871	214,288,124
Telephone		1,615,664	2,116,920
Postage & Telex		78,510	47,597
Printing & Stationery		4,182	-
Travelling & Subsistence		458,219	787,053
Entertainment		603,390	653,887
Advertising		136,080	882,648
Legal Charges		785,001	2,438,223
Audit Fees		900,000	4,712,400
Rate & Taxes		177,888	1,627,962
Electricity		901,435	3,142,337
Computer Expenses		243,808	253,048
Rental - GPS Tracking		-	-
Establishment Expenses		2,300	-
Depreciation - Land & Buildings		7,612,859	7,472,380
Depreciation - Furniture & Fixture, Office &Welfare		9,426,049	9,378,091
Depreciation - Computer Accessories & Software		1,012,708	1,003,844
Depreciation - Other Assets		14,176,496	13,797,441
Water		1,106,383	1,196,344
Non Refundable Tender Fees		209,000	360,815
Service Charges		251,820	668,070
Sundry Expenses		4,735,445	9,383,155
Consultancy & Professional Fees		-	156,000
Welfare & Recreation Expenses		151,250	1,546,895
Repairs & Maintenance - Land & Buildings		1,258,647	14,339
Repairs &Maintenance - Other Assets		142,862	60,461
Insurance Contractors All Risk Policy		8,000	8,183,036
Newspapers & Periodicals		185,420	65,450
Steel Consumption		-	6,431,040
Timber Consumption		-	-
Fuel Consumption		4,368,312	1,984,970
Stationery		2,765,093	5,762,939
Electrical Items Consumption		214,081	323,573
Water Supply Items		47,118	31,439
Other Stocks Consumption		2,279,725	4,448,742
Sub Contract Labour		4,094,766	4,364,981
Repairs - Light Vehicles		108,250	300
Fixed Assets Revaluation Charges		246,600	-
Bond Charges - Head Office		96,154	127,090
Assignment - Head Office		1,184,016	1,595,223
Training & Development - Head Office		70,466	460,320
Revaluation Loss		-	514,298
External Hire - Head Office			-
Total		**209,428,866**	**310,281,434**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER
(All amounts are in Sri Lanka Rupees)

	Note	2023	2022 Restated
NOTE 04 . 01 - EMPLOYEE BENEFIT EXPENSES			
Operating Expenses			
Salaries & Wages -Permanent		217,893,718	235,401,430
Overtimes -Permanent		27,166,399	42,431,320
Employees' Provident Fund - Permanent Staff		20,012,647	21,384,730
Employees' Trust Fund -Permanent Staff		5,003,162	5,346,183
Salaries & Wages -Casual Staff		1,436,455	2,979,506
Overtime -Casual staff		117,136	130,919
Employees' Provident Fund -Casual Staff		131,061	226,464
Employees' Trust Fund -Casual Staff		32,765	56,616
Sub Contract Labour		43,310,721	208,301,717
Salaries Training		-	1,232,806
Workmen Compensation		4,755,710	4,921,623
Encashment Of Leave		308,992	429,152
Bonus Payment		-	4,082,500
Incentive Payments		194,511	574,984
Professional Subscription		31,872	6,380
Salaries - Contract		47,940,576	93,723,034
Overtime - Contract		1,211,650	12,048,911
Employees' Provident Fund - Contract		4,302,127	8,370,109
Employees' Trust Fund - Contract		1,075,532	2,092,527
Sub Total		**374,925,033**	**643,740,912**
Administrative Expenses			
Defined Benefit Pension Cost	17.01	9,232,283	47,060,571
Directors Fees		479,850	1,201,200
Chairman's Remuneration		1,200,000	840,048
Salaries & Wages		78,362,415	134,974,186
Overtime		6,753,793	12,133,580
Employees' Provident Fund		7,440,867	11,524,364
Employees' Trust Fund		1,858,458	2,881,091
EPF Surcharges		42,343,205	-
Professional Subscription		-	423,522
Gratuity Surcharges		-	2,121,063
Death Donation		100,000	-
Bonus Payment		-	1,128,500
Sub Total		**147,770,871**	**214,288,124**
Total Employee Benefit Expenses		**522,695,904**	**858,029,036**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER

(All amounts are in Sri Lanka Rupees)	Note	2023	2022 Restated
NOTE 05 - OTHER EXPENSES			
Impairment Loss On Trade Receivables		758,804,008	58,862,683
VAT Penelty		158,232,009	-
SSCL Expenditure		12,918,647	5,526,209
Bank Charges		2,278,226	2,412,344
Total		**932,232,889**	**66,801,235**
NOTE 06 - FINANCIAL INCOME & FINANCIAL EXPENSES			
Financial Income			
Interest Income On Treasury Bonds		143,183,051	-
Interest Income On Available-For-Sale Financial Assets		2,364,911	1,610,964
Interest Income On Held - To - Maturity Investments		8,860,464	6,126,649
Interest Income On Loans & Receivables		357,576	281,330
Total Finance Income Recognized In Profit Or Loss		**154,766,003**	**8,018,943**
Financial Expenses			
Interest On Bank Overdrafts		22,823,699	21,730,315
Interest Expense on Financial Liabilities Measured At Amortized Cost		359,295,447	96,708,228
Other Financial Expenses		4,733,344	3,712,224
Total Financial Expenses Recognized In Profit Or Loss		**386,852,490**	**122,150,767**
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		(163,388,607)	(79,329,775)
Change In Recognized Deductible Temporary Differences	11		
Total Tax Expenses On Continuing Operations		**(163,388,607)**	**(79,329,775)**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2023

(All amounts are in Sri Lanka Rupees)

NOTE 08 - PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation

Description	Note	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance as at 1st January 2022		**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	45,337,593
Disposals				(20,000)	(34,000)	(11,212,475)	(53,804)		(11,320,279)
Adjustment				10,535,168	(18,227,654)	(328,654,726)	70,109,606	(41,679,051)	(307,916,657)
Balance as at 31st December 2022		**654,812,513**	**152,257,174**	**42,238,778**	**17,479,850**	**618,443,845**	**283,370,000**	**107,909,239**	**1,876,511,399**
Additions				486,349	61,100		11,200,000	1,194,700	12,942,149
Disposals				(7,000)		(380,000)			(387,000)
Adjustment				(79,583)				(9,072,481)	(9,152,064)
Balance as at 31st December 2023		**654,812,513**	**152,257,174**	**42,638,544**	**17,540,950**	**618,063,845**	**294,570,000**	**100,031,458**	**1,879,914,484**

Accumulated Depreciation

Description	Note	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance as at 1st January 2022			**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)
Effect of Prior Year Transactions								**(602,102)**	(602,102)
Balance as at 31st December 2022		**-**	**105,500,987**	**9,378,091**	**2,505,009**	**54,450,001**	**22,682,128**	**13,797,439**	**208,313,655**
Depreciation charge for the year			7,612,859	9,426,049	2,521,985	54,457,393	22,882,108	14,176,496	111,076,890
Disposals						(82,369)			(82,369)
Adjustment				(16,066)				(6,840)	(22,906)
Balance as at 31st December 2023		**-**	**113,113,846**	**18,788,074**	**5,026,994**	**108,825,025**	**45,564,236**	**27,967,095**	**319,285,270**

Description	Note	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance as at 31st December 2022		**654,812,513**	**46,756,187**	**32,860,687**	**14,974,841**	**563,993,844**	**260,687,872**	**94,111,800**	**1,668,197,744**
Balance as at 31st December 2023		**654,812,513**	**39,143,328**	**23,850,470**	**12,513,956**	**509,238,820**	**249,005,764**	**72,064,363**	**1,560,629,214**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2023
(All amounts are in Sri Lanka Rupees)

NOTE 08. 01 - CAPITAL WORKING PROGRESS

Description	EXPLOSIVE STORES 053	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
Cost									
Balance As at 1st January 2023	121,032	7,821	1,990,778	154,758	12,936	375,474	8,727	27,106	97,452
Additions									
Transfers to Building									
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 2023									
Depreciation charge for the year									
Depreciation for Transfers									
Total	-	-	-	-	-	-	-	-	-
Balance As at 31st December 2023	**121,032**	**7,821**	**1,990,778**	**154,758**	**12,936**	**375,474**	**8,727**	**27,106**	**97,452**

(Contd…)

Description	BEAM BED - 1276	CONSTRUCTIO OF LABOUR QUARTES - 1276	CONSTRUCTION OF VEHICLE PARK TOILET 001	STORES BUILDING - 1276	PROJECT ENGINEAR'S QUARTES 052	ROOF OF CONCRETE MIXCHER 812	STEEL HUT 1276	TOTAL
Cost								
Balance As at 1st January 2023	1,989,339	965,854	9,037	169,207	42,344	65,708	37,994	6,075,567
Additions								-
Transfers to Building								-
Transferred to Building Maintainance								
Total	**1,989,339**	**965,854**	**9,037**	**169,207**	**42,344**	**65,708**	**37,994**	**6,075,567**
Accumulated Depreciation								
Depreciation 1st January 2023								-
Depreciation charge for the year								-
Depreciation for Transfers								-
Total	-							-
Balance As at 31st December 2023	**1,989,339**	**965,854**	**9,037**	**169,207**	**42,344**	**65,708**	**37,994**	**6,075,567**

Carrying Amounts	Capital Work in Progress	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
At 31st December 2022	6,075,567	654,812,513	46,756,187	32,860,687	14,974,841	563,993,844	260,687,872	94,111,800	1,674,273,310
At 31st December 2023	6,075,567	654,812,513	39,143,328	23,850,470	12,513,956	509,238,820	249,005,764	72,064,362	1,566,704,780

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2023
(All amounts are in Sri Lanka Rupees)

NOTE 8.02. RE-VALUATION OF LANDS AND BUILDINGS

The Land Buildings at No. 07,Hector Kobekaduwa Mawatha, Colombo 07 were revalued for Rs. 317.54 Mn and Rs. 37.99 Mn respectively based on the valuation method of Contractor's Principal on 28.03.2005 by an incorporated valuer. The effect of this revaluation has been incorporated in the accounts as at 31.12.2005.

NOTE 8.03. RE-VALUATION OF MOTOR VEHICLE

Values of Office Equipment, Plant & Machinery, Motor Vehicles, Computer Accessories & Software and Other Assets were revalued at Rs. 41,099,500, Rs. 601,549,000 , Rs. 282,575,000 , Rs. 16,889,000 and Rs. 86,114,000 respectively as at 01.01.2022.

NOTE 8.04. FIXED ASSETS NOT INCLUDED IN THE ACCOUNTS

The following properties have not been taken into the books of accounts as at 31st December 2023, since SD&CC does 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" at Peliyagoda.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER		2023	2022	2021
(All amounts are in Sri Lanka Rupees)	Note		Restated	Restated
NOTE 9 -INVESTMENTS IN GOVERNMENT OWNED COMPANIES				
Devcoshowa (Pvt) Ltd		9,210,740	9,210,740	9,210,740
Sub Total		9,210,740	9,210,740	9,210,740
Provision For Investments		(9,210,740)	(9,210,740)	(9,210,740)
Total		-	-	-
NOTE 10 - OTHER INVESTMENTS				
Non - Current Investments				
		-	-	-
Total		-	-	-
Current Investments				
Fixed Deposits		2,050,064	98,652,577	30,000,000
Total		**2,050,064**	**98,652,577**	**30,000,000**
Total Investment		**2,050,064**	**98,652,577**	**30,000,000**
NOTE 11 - DEFERRED TAX ASSETS & LIABILITIES				
At The Beginning Of The Year		(163,388,607)	(25,032,718)	7,100,560
Transfer To / (From) Income Statements		163,388,607	(138,355,889)	(32,133,278)
At The End Of The Year		**-**	**(163,388,607)**	**(25,032,718)**
NOTE 11.01 - DEFERRED TAX LIABILITIES				
Capital Allowances For Tax Purpose		-	267,001,501	120,316,286
Retirement Benefit Obligation				
Total		**-**	**267,001,501**	**120,316,286**
NOTE 11.02 - 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

AS AT 31ST DECEMBER		**2023**	**2022**	**2021**
(All amounts are in Sri Lanka Rupees)	Note		Restated	Restated

NOTE 12 - INVENTORIES

Cement	1,049,333	3,081,591	1,718,331
Sand	1,817,248	1,451,394	1,543,515
Metal	13,600,812	16,221,567	16,995,682
Steel	87,691,294	128,824,131	186,285,797
Timber	4,244,805	5,482,359	2,402,570
Fuel & Lubricants	3,106,090	2,953,256	3,190,530
Explosive & Blasting Materials	221,795	233,339	72,603
Concrete Items	13,376,116	16,120,152	48,243,752
Vehicle Spare Parts	15,534,483	13,881,691	16,899,889
Stationery	1,824,886	2,001,047	1,853,309
Tar	3,916,376	4,416,140	3,737,154
Electrical Goods	26,698,675	31,163,453	32,280,923
Pipes & Drainage Items	3,602,674	4,229,646	3,125,049
Other Stock Items	153,689,288	143,212,914	135,151,594
Earth Gravel Stock	2,262,399	3,724,449	3,951,273
Fabrication	1,630,100	1,630,100	3,800,700
Finished Goods - Concrete Items	188,404,084	278,113,510	193,825,980
Finished Goods - Metal Products	4,389,709	11,065,944	-
Steel RDA	-	552,461	311,296
Stock Adjustments	68,744,494	11,740,011	(203,594,843)
	595,804,661	**680,099,156**	**451,795,105**
Provision for Slow & Non Moving stock	(3,350,362)	(4,262,555)	(4,621,793)
Total	**592,454,299**	**675,836,601**	**447,173,312**

NOTE 13 - INCOME TAX ASSETS & LIABILITIES

NOTE 13.01 - INCOME TAX ASSETS

With Holding Tax On Projects	128,336,127	128,336,127	128,336,127
With Holding Tax On Interest	8,200,042	7,080,674	7,080,674
With Holding Tax On Rent	3,121,911	3,121,911	3,121,911
Total	**139,658,080**	**138,538,712**	**138,538,712**
Provision for WHT	(139,658,080)		
Total	**-**	**138,538,712**	**138,538,712**

NOTE 13.02 - INCOME TAX LIABILITIES

Provision For Tax	80,964,285	82,633,339	82,633,339
Total	**80,964,285**	**82,633,339**	**82,633,339**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER

(All amounts are in Sri Lanka Rupees)	Note	2023	2022 Restated	2021 Restated
NOTE 14 - TRADE & OTHER RECEIVABLES				
Trade Debtors	14.01	848,378,172	2,588,062,420	2,526,576,793
Retention	14.02	460,690,137	547,350,867	492,087,334
Sundry Debtors	14.03	31,211,388	16,252,297	93,604,621
Loans & Advances	14.04	2,505,745	2,132,419	3,660,793
Advances On Purchases & Sub Contracts	14.05	24,541,616	218,429,116	356,994,147
Other Advances & Deposits	14.06	24,217,153	26,653,359	29,591,680
Total		**1,391,544,211**	**3,398,880,478**	**3,502,515,370**
Non Current Trade & Other Receivables				
Current Trade & Other Receivables		1,391,544,211	3,398,880,478	3,502,515,370
Total		**1,391,544,211**	**3,398,880,478**	**3,502,515,370**
NOTE 14.01 - TRADE DEBTORS				
Construction Debtors		141,085,437	489,000,342	381,473,957
Concrete Yard Debtors		69,341,348	52,635,175	71,444,046
Traffic Light System Debtors		88,988,211	34,884,101	102,153,306
Asphalt Debtors		54,600	1,622,511	1,622,511
Provision for Doubtful Debtors	24	(59,815,047)	(97,062,624)	(108,526,998)
Due From Customers		1,167,538,886	2,100,741,098	2,059,016,528
Provision for Due From Customers	24	(572,581,372)	(7,470,670)	-
Trade Creditors - Debit balances		13,766,110	13,712,487	19,393,442
Total		**848,378,172**	**2,588,062,420**	**2,526,576,793**
NOTE 14.02 - RETENTION				
Retention - Construction		636,761,546	635,542,793	534,627,182
Provision for Retention - Construction	24	(232,886,964)	(169,726,356)	(146,607,283)
Liquidated Damages Receivables		233,208,971	229,802,761	226,401,748
Provision for Liquidated Damages Receivables	24	(176,393,416)	(148,268,330)	(122,334,312)
Total		**460,690,137**	**547,350,867**	**492,087,334**
NOTE 14.03 - SUNDRY DEBTORS				
Security Deposits Of Employees		967,185	925,434	926,730
Salaries & Wages Control Account			-	80,335,283
Interest Receivable		23,653	11,188,478	6,645,370
Rent Receivable		4,245,500	4,295,500	4,095,500
Sundry Debtors		433,520	351,521	432,503
Sundry Creditors - Debit balances		29,152,139	2,058,023	2,620,086
Provision For Sundry Debtors	24	(3,610,610)	(2,566,659)	(1,450,851)
Ready Mixed Debtors (Devcoshowa)		30,602,842	34,802,842	34,802,842
Provision For Ready Mixed Debtors	24	(30,602,842)	(34,802,842)	(34,802,842)
Total		**31,211,388**	**16,252,297**	**93,604,621**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER

(All amounts are in Sri Lanka Rupees)	Note	2023	2022 Restated	2021 Restated
NOTE 14.04 - LOANS AND ADVANCES				
Prepaid Cost On Distress Loans		-	-	528,340
Salaries & Wages Advances		482,469	605,664	-
Festival Advances		91,250	118,000	616,750
Travelling Advances		512,031	313,735	333,735
Distress Loans		5,947,189	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		69,014	49,014	6,274
Medical Insurance		(3,376,242)	(2,537,120)	(580,219)
Provision For Loans & Advances	24	(1,219,965)	(1,108,194)	(1,010,975)
Total		**2,505,745**	**2,132,419**	**3,660,793**
NOTE 14.05 - ADVANCES ON PURCHASES & SUB CONTRACTS				
Letter Of Credit Margin Account		11,289,519	11,289,519	5,538,739
Purchase Advances - Head Office		240,317	1,043,265	12,951,324
Purchase Advances - Sites		21,652,757	183,997,651	303,719,027
Purchase Advances - Construction		-	3,802,323	7,852,243
Purchase Advances - Concrete Yard		9,224,652	10,565,361	5,535,442
Sundry Advances		12,816,958	16,841,287	18,727,509
MPCS Polonnaruwa		-	-	5,000
Service Advance		-	76,806	83,306
Purchase Advances - Peliyagoda (CE)		2,170,000	21,484,694	21,484,694
Sub Contract Advances		15,299,042	15,299,042	15,299,042
Advances Control Account			-	86,244
Provision For Advances on Purchase & Sub Contract	24	(48,151,628)	(45,970,831)	(34,288,421)
Total		**24,541,616**	**218,429,116**	**356,994,147**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER		2023	2022	2021
(All amounts are in Sri Lanka Rupees)	Note		Restated	Restated
NOTE 14.06 - OTHER ADVANCES AND DEPOSITS				
Tender Deposits (Refundable)		199,875	199,875	260,156
Other Deposit		2,484,958	2,484,958	1,809,958
Fuel Deposit -Amithirigala 992		2,400,000	2,400,000	2,400,000
Telephone Deposits		8,000	8,000	8,000
Electricity Board Deposits		3,031,290	3,131,750	3,103,095
Deposit-Construction Project		240,000	240,000	240,000
Water Deposit		725,661	740,661	790,661
Deposit - Land - UDA		70,000	70,000	70,000
House Rent Deposit		802,400	928,000	868,000
Fuel Deposit - Weeragantota		90,000	90,000	90,000
Fuel Deposit - Rattanapitiya				
Fuel Deposit - Head Office - Transport		300,100	300,100	300,100
Fuel Deposit - CME		415,000	415,000	415,000
Fuel Deposit - Katugastota WP -		4,421	4,421	4,421
Fuel Deposit Control A/C		11,648,739	13,067,868	15,511,706
Fuel Deposit - Mawanella Aranayake Road		400,000	400,000	400,000
Fuel Deposit - Kegalle -Rambukkana Road		300,000	300,000	300,000
Fuel Deposit - Negombo General Hospital		300,000	300,000	300,000
Fuel Deposit - Sengaloya		300,000	300,000	300,000
Fuel Deposit - Pannegamuwa Weekly fair		50,000	50,000	50,000
Fuel Deposit - Yatiyantota Deraniyagala Road		1,300,000	1,300,000	1,300,000
Fuel Deposit - Medawachchiya		150,000	150,000	150,000
Fuel Deposit - Polonnaruwa		1,000,000	1,000,000	1,000,000
Fuel Deposit - 980		400,000	400,000	400,000
Fuel Deposit - Galpottagama & Thanthirimale-		49,993	49,993	49,993
Fuel Deposit - Manick Farm -Chettikulam		200,000	200,000	200,000
Other Deposit - Rathkinda		10,000	10,000	250,000
Fuel Deposit - Road close to Talaimannar		134,051	134,051	134,051
Fuel Deposit - Bopitiya Quarry Crusher -		655,000	655,000	655,000
Fuel Deposit - Monaragala		7,726	7,726	7,726
MPCS - Moratuwa		250,000	250,000	250,000
Fuel Deposit - Ulapane		600,000	600,000	600,000
Fuel Deposit - Blumendhal		11,534	11,534	11,534
Fuel Deposit - Lunugamwehera Concrete Yard		100,000	60,000	60,000
Fuel Deposit - Muwagama		3,000	3,000	3,000
Fuel Deposit - Hekitta		44,573	-	-
Provision For Other Advances And Deposits	24	(4,469,169)	(3,608,579)	(2,700,721)
Total		**24,217,153**	**26,653,359**	**29,591,680**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER

(All amounts are in Sri Lanka Rupees)	Note	2023	2022 Restated	2021 Restated
NOTE 15 - CASH & CASH EQUIVALENTS				
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		1,216,978	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)		42,958,828	409,002	833,419
People's Bank - Ratmalana - 080100381101178 (38)		2,658,683	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		64,293	21,668	381,694
Bank Of Ceylon - 86654175 (175)		10,100	19,718	12,566,831
People's Bank - Ratmalana 080101361101178 (136)		141,064	1,827,580	864,372
People's Bank - Ratmalana 080101181101178 (118)		1,601,056	2,097,468	1,061,961
Pan Asia Bank - 101100630		19,241	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)		15,000	49,007	
Bank Of Ceylon -87643685 (685)		-	109,119	19,044,921
People's Bank - 080101271101178 (127)		153,302	23,778,893	
Sampath Bank - 1860000365			-	304
Sampath Bank - 001860000 349 (349)		4,127	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	15,000	25,250
Bank Of Ceylon - 87948785		29,983	29,983	17,233
Bank Of Ceylon - 87948798		15,000	19,000	25,250
Bank Of Ceylon - 683116 (116)		15,000	25,135	-
Bank Of Ceylon - 683114 (114)		2,134,933	-	
People's Bank - 080101721101178 (72)		832,828	33,810	-
People's Bank - 080101811101178 (181)		512,999	-	
People's Bank - 080101541101178 (54)		777,087	156,763	-
People's Bank - 080101451101178 (45)		563,537	1,305,045	-
People's Bank - 080101901101178 (90)		700,920	74,295	-
People's Bank - 080101631101178 (63)		451,967	50,000	-
Bank Of Ceylon - 88497527 (7527)		-	15,503	-
Bank Of Ceylon - 88497541 (7541)		-	15,000	-
Saving Deposits		120,505,533	87,574,689	31,647,400
Sub Total		**175,397,459**	**279,060,087**	**266,506,406**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER		2023	2022	2021
(All amounts are in Sri Lanka Rupees)	Not e		Restated	Restated
Cash in Hand - Petty Cash				
Rathmalana C\Y - Petty Cash		39,135	217,184	64,645
Construction & Head Office		9,830,304	5,838,247	8,537,059
Peradeniya Sales Centre		3,801	3,801	3,801
Mechanical Division		3,252	1,217	1,217
Sub Total		**9,876,492**	**6,060,449**	**8,606,722**
Total		**185,273,951**	**285,120,536**	**275,113,128**
Unfavourable Cash & Cash Equivalents	19	(74,243,525)	(133,851,255)	(144,507,507)
Total Cash & Cash Equivalents for the purpose of Cash Flow Statement		**111,030,426**	**151,269,281**	**130,605,621**

NOTE 16 - LOANS & BORROWINGS

Balance As At The Beginning Of The Year	1,848,249,580	1,844,836,852	1,429,155,720
Borrowings During The Year		50,329,828	868,005,959
Total	**1,848,249,580**	**1,895,166,680**	**2,297,161,679**
Repaid During The Year	40,237,542	46,917,100	**452324826.6**
Net	**1,808,012,039**	**1,848,249,580**	**1,844,836,852**
Repayable Within One Year	-	282,515,292	191,711,368
Repayable After One Year	1,808,012,039	1,565,734,288	1,653,125,484
Total Loans & Borrowings	**1,808,012,039**	**1,848,249,580**	**1,844,836,852**

No installment have been paid for the loan facilities deffered. The corresponding interest expenses have been recognised in the financial statements.

NOTE 16.1 - LOAN MORTGAGE DETAILS

Bank Name		Loan Balance	Security
Sampath Bank	22	247,636,750	Colombo 7 Land
Bank of Ceylon (BOC)	22	518,603,745	Ratmalana Land
Bank of Ceylon (BOC)		990,611,019	Treasury Gurantee
Housing Development Finance Corporation (HDFC)	22	30,360,524	Peliyagoda Land
Construction Guarantee Fund (CGF)		20,800,000	
		1,808,012,039	

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER		2023	2022	2021
(All amounts are in Sri Lanka Rupees)	Note		Restated	Restated
NOTE 17 - RETIREMENT BENEFIT OBLIGATIONS				
Balance As At The Beginning Of The Year		58,983,584	59,408,198	79,332,387
Opening Balance Correction		(82,986)	-	
Cancel Payment		-	82,985	-
Charges To / (Reverse From) Income	17.01	32,774,806	21,280,333	3,219,919
Payment/payables During The Year		(25,537,573)	(21,787,932)	(23,144,108)
Balance As At End Of The Year		**66,137,831**	**58,983,584**	**59,408,198**
NOTE 17.01 - PROVISION MADE DURING THE YEAR				
Interest Cost		5,201,056	22,701,861	7,990,082
Current Service Costs		4,031,227	24,358,710	3,784,163
Sub Total		**9,232,283**	**47,060,571**	**11,774,245**
Net Actuarial (Gain) / Loss Recognized Immediately		23,542,523	(25,780,239)	(8,554,326)
Total		**32,774,806**	**21,280,332**	**3,219,919**
NOTE 18 - TRADE & OTHER PAYABLES				
Trade Payables	18.01	1,635,746,766	1,532,153,931	1,596,788,225
Value Added Tax	18.02	1,352,864,625	1,247,686,217	1,122,575,543
Sundry Payables	18.03	1,146,894,726	1,294,788,157	886,786,372
Employee Benefit Payables	18.04	181,587,749	130,679,906	78,714,714
Refundable Advances & Retentions	18.05	652,129,164	907,989,954	1,273,420,191
Refundable Deposits	18.06	1,117,200	1,103,162	965,445
Total		**4,970,340,230**	**5,114,401,327**	**4,959,250,490**
Non Current Trade & Other Payables				
Current Trade & Other Payables		4,970,340,230	5,114,401,327	4,959,250,490
Total		**4,970,340,230**	**5,114,401,327**	**4,959,250,490**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER *(All amounts are in Sri Lanka*	Note	2023	2022 Restated	2021 Restated
NOTE 18 . 01 - TRADE PAYABLES				
Trade Creditors		197,313,235	329,758,500	353,851,533
ESC Control AC		-	-	14,759,188
ESC Payable		67,498,764	101,228,248	23,415,620
SSCL Payable		28,018,377	5,526,209	
ESC Penelty Payable		33,729,484	-	
NBT Penelty Payable		1,057,254	806,722	806,722
VAT Penelty Payable		1,087,215,039	904,788,328	904,788,328
Nation Building Tax		6,091,713	6,342,105	6,342,105
Payment Received Material - Sites		148,299,668	152,315,384	249,318,091
Unfavourable Debtor Balances		1,000,000	-	4,082,667
Dues to Customers		65,523,233	31,388,434	39,423,971
Total		**1,635,746,766**	**1,532,153,931**	**1,596,788,225**
NOTE 18 . 02 - VALUE ADDED TAX				
Value Added Tax Control Account		1,352,864,625	1,247,686,217	1,122,575,543
Total		**1,352,864,625**	**1,247,686,217**	**1,122,575,543**
NOTE 18. 03 - SUNDRY PAYABLES				
Sundry Creditors		898,724,046	901,647,315	834,459,212
Refundable Deposits		4,091,210	9,668,304	3,089,097
Loan Interest Payable		223,479,109	-	18,784,936
Loan Capital Areas Payable		-	-	20,077,566
Bill Discounting		-	322,347,178	-
Audit Fee Payable		13,389,441	12,489,441	10,375,381
Letter of Credit		-	40,598,604	-
SSCL		-	504,795	-
Government Valuation Department		7,210,920	7,532,520	-
Refundable Loan		-	-	180
Total		**1,146,894,726**	**1,294,788,157**	**886,786,372**

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

	Note	2023	2022 Restated	2021 Restated
NOTE 18 . 04 - EMPLOYEE BENEFIT PAYABLES				
Salaries & Wages Payable - Permanent		6,236,150	316,927	47,290
Salaries & Wages Payable - Contract		1,108,573	6,865,902	12,800,482
Salaries & Wages Payable - Casual		-	191,871	536,636
Gratuity Payable		17,568,923	-	
PAYE Payable		133,925	47,305	47,305
Stamp fees Payable		30,350	-	
Cash Abatements -Control Account		5,780	2,253,055	2,488,504
Flood Relief Advance		-	-	16,250
EPF Surcharge Payable		49,528,746	11,410,428	-
Employees' Provident Fund		105,960,573	107,548,404	60,961,028
Employees' Trust Fund		567,426	1,598,712	1,369,915
Medical Insurance		447,303	447,303	447,303
Total		**181,587,749**	**130,679,906**	**78,714,714**
NOTE 18 . 05 - REFUNDABLE ADVANCES & RETENTIONS				
Mobilization Advances From Clients		626,763,348	850,018,512	1,211,209,991
On Account Payments		1,058,351	8,684,946	-
Advances Against Orders -Concrete Yards		24,307,465	49,149,606	62,073,310
Advances Against Orders -Asphalt Plant		-	136,890	136,890
Total		**652,129,164**	**907,989,954**	**1,273,420,191**
NOTE 18 . 06 - REFUNDABLE DEPOSITS				
Security Deposits - Employees		967,200	953,162	965,445
Refundable Deposit - Welfare Building		150,000	150,000	-
Total		**1,117,200**	**1,103,162**	**965,445**
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		74,243,525	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 (181)		-	3,662,766	-
Bank Of Ceylon - 84446216-(216)			-	10,782,574
Total		**74,243,525**	**133,851,255**	**144,507,507**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER
(All amounts are in Sri Lanka Rupees)

	2023	2022 Restated

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	2023	2022
Investment In Devcoshowa (Pvt) Ltd	9,210,740	9,210,740
Ready Mixed Debtors (Devcoshowa)	30,602,842	34,802,842

NOTE 21 - TRANSACTIONS WITH RELATED PARTIES

NOTE 21.01 - TRANSACTIONS WITH PARENT / SUBSIDIARIES/ASSOCIATES

Company	Transactions	2023	2022
Devcoshowa (Pvt) Ltd	Cash Receipts	-	-
	Cash Payments	-	-
Total		-	-

NOTE 21.02 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	2023	2022
Salaries To Key Management Personnel	1,679,850	2,041,248
Total	**1,679,850**	**2,041,248**

NOTE 22 - ASSETS PLEDGED

Nature of Asset	Nature of Liability
Property Indicated In Note. 08	
Land at Colombo 7	Land has been pledged against a loan facility (LKR 186,000,000, LKR 90,000,000), 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 (LKR 528,416,000) & 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) in Housing Development Finance Corporation (HDFC).

NOTE 23 - BANK GUARANTEES

The corporation has obtained bank guarantees aggregated to Rs. 25Mn. from Bank of Ceylon and Peoples Bank with regardto its Suppliers and Customers/Clients.

NOTE 24 - PROVISION FOR DEBTORS & OTHER RECEIVABLES

Provision has been made for Note 14.1 trade/ doubtful debtors (except due from customers), Note 14.2 retention and liquidated damages based on the age analysis.
Provision has been made for ‘Due from customers’, for the closed sites balance of Rs: 506,406,963.05 at a rate of 100% and for the on going sites at a rate of 10% for the current year.
Provision of 3% has been made for all other receivables in Note 14.3, 14.4, 14.5, & 14.6.

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(All amounts are in Sri Lanka Rupees)

NOTE 25 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 26 - CONTINGENT LIABILITIES

The following cases instituted against the Corporation are currently being adjudicated before court.

(a) Appeal court Case No. 736/2023. The Plaintiffs instituted this action against the Corporation, claiming to lift up the mandatory retirement scheme in age 55. An appeal was preferred to Appeal Court by the Plaintiffs and currently being adjudicated before court.

(b) Rathmalana Labour Tribunal Case No.32/RM/18- 28/2023. The outsourced labourers of Traffic Lights Systems instituted the above action against the Corporation claiming compensations for stop the service and have suggest to accept a reasonable compensations offer by the Corporation. The case is currently being adjudicated before court.

(c) Rathmalana Labour Tribunal, Mr. Mr. K.P.Ariyarathne instituted action against the Corporation claiming Rs. 1.8 million compensations for terminated the service .The case is currently fixed for trial.

NOTE 27 - PRIOR YEAR ADJUSTMENT & RESTATEMENT OF FINANCIAL STATEMENT AS AT 31.12.2023

	Before Restating Year 2022	After Restating Year 2022	Adjustment (Net)	Adjustment
The year 2022 profit of Rs. 106,250,820 restated to Rs.120,948,211 by the effect of following adjustments .				
Inventories -Stock Adjustments				
Stock Adjustment account rectified by recognising the unrecognised consumption expenses of the year 2022 by restating 2022 profit.	19,137,447	11,740,011	7,396,935.86	Debit
Accumulated Depreciation - Other Assets				
Deprecation effect on reclasification of Other assets by restating 2022 profit.	14,399,541	13,797,439	(602,102)	Credit
Trade & Other Recivable				
Provision for Due From Customers	(300,807,383)	(272,888,949)	(27,918,434)	Credit
Trade & Other Payable				
SSCL Payable				
Recognition of unrecognised Statutory liabilities on SSCL for 2022 by restating 2022 profit.	-	5,526,209	5,526,209	Debit
Audit Fee Payable	-	900,000	900,000	Debit
Total			(14,697,391)	

Retained Profit

Prior year adjustment to Rs. 81,996,388 in the equity statement include, 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 in the previous years.

Prior year adjustment amounting to Rs.1,983,440,917 in the equity statement includes, the effect of following adjustments with respect to the previous years.

	Before Restating	After Restating	Adjustment (Net)	Adjustment
Recognition of unrecognised Statutory liabilities due to ommission / disallowed VAT input taxes / issue of assessments by IRD.				
Trade & Other Payable				
VAT Control A/c	1,236,197,185	1,247,686,217	11,489,032	Debit
NBT Penelty	-	806,722	806,722	Debit
Paye Tax	-	47,305	47,305	Debit
ESC Payable	-	101,228,248	23,415,620	Debit
VAT Penelty	-	904,788,328	904,788,328	Debit
Long outstanding balances related to purchases due to mis-classifications cleared.				
Purchase & Sub Contract Advance				
Sundry Advance	18,321,687	16,841,287	1,480,400	Debit
L C Margin	134,822,839	11,289,519	123,533,321	Debit
Stock Adjustment	19,137,447	11,740,011	500	Debit
Long standing mismatches between accounting records and construction Management Division (CMD) balances related to debtors cleared.				
Trade & Other Receivable				
Due from Customer	3,519,815,424	2,100,741,098	1,419,074,326	Debit
Sundry Debtors	29,914,674	351,521	29,563,152	Debit
Retention - Construction	715,479,503	635,542,793	79,936,710	Debit
Liquidated Damages	236,033,768	229,802,761	6,231,007	Debit
Construction Debtors	488,946,699	489,000,342	(53,643)	Credit
Provision for Due From Customers	(265,418,279)	-	(265,418,279)	Credit
Provision for Retention - Construction	(241,311,180)	(169,726,356)	(71,584,824)	Credit
Provision for Liquidated Damages Receivables	(149,397,014)	(148,268,330)	(1,128,684)	Credit
Trade & Other Payable				
Long standing balances related to Trade/ expense creditors cleared.				
Trade Creditors	435,596,812	329,758,500	(105,838,311)	Credit
Sundry Creditors	977,361,721	901,647,315	(75,714,406)	Credit
Audit Fee Payable		7,550,181	7,550,181	Debit
Long standing missmatches between accounting records and construction Management Division (CMD) balances related to creditors cleared.				
Mobiliztion advances from clients	860,514,165	850,018,512	(10,495,652)	Credit
Payment Received For Meterial At Site	154,225,184	152,315,384	(1,909,800)	Credit
Due To Customer	123,720,522	31,388,434	(92,332,088)	Credit
Total			**1,983,440,917**	

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER

(All amounts are in Sri Lanka Rupees)

NOTE 28 - SEGMENT INFORMATION

Segment Income and Expenses	Note	2023 Construction	2023 Concrete Yard	2023 Traffic Light Systems & Work Services	2023 Other	2023 Total	2022 Construction	2022 Concrete Yard	2022 Traffic Light Systems & Work Services	2022 Other	2022 Total
Revenue	1	(298,608,357)	268,294,981	248,928,647		218,615,272	2,059,987,261	287,654,791	198,039,225		2,545,681,276
Cost Of Sales	2	(629,667,273)	(306,485,055)	(127,358,454)	(129,996,762)	(1,193,507,544)	(1,649,861,231)	(187,637,126)	(196,482,988)	(155,646,287)	(2,189,627,632)
Gross Profit		**(928,275,630)**	**(38,190,074)**	**121,570,193**	**(129,996,762)**	**(974,892,272)**	**410,126,030**	**100,017,665**	**1,556,237**	**(155,646,287)**	**356,053,644**
Other Income	3	28,533,567	32,676,593	2,294,668	24,010,644	87,515,472	38,058,620	9,342,798	3,465,351	125,912,514	176,779,284
Administrative Expenses	4	(10,811,863)	(6,119,919)	(2,315,848)	(190,181,236)	(209,428,866)	(14,608,164)	(4,122,539)	(1,655,549)	(289,895,183)	(310,281,434)
Other Expenses	5	(596,703,506)	(1,983,124)	(20,462,188)	(313,084,071)	(932,232,889)	(55,151,158)	664,951	9,426,820	(21,741,848)	(66,801,235)
Financial Income	6	-	-	86,169	154,679,834	154,766,003			1,263,953	6,754,990	8,018,943
Financial Expenses	6	(75,950,918)	(20,280)	-	(310,881,292)	(386,852,490)	(791,043)	(1,291,272)	7,240	(120,075,692)	(122,150,767)
Profit Before Tax		**(1,583,208,350)**	**(13,636,804)**	**101,172,994**	**(765,452,883)**	**(2,261,125,042)**	**377,634,285**	**104,611,604**	**14,064,053**	**(454,691,506)**	**41,618,436**

MANAGEMENT AUDIT REPORT 2023

My No: CAE/C/SDCC/2023/01 Date:- 21 January 2025

Chairman

State Development Construction Corporation

Detailed Auditor General's Report submitted to the Chairman in terms of Section 13 (j) of the Finance Act, No. 38 of 1971, on the activities of the State Development and Construction Corporation Limited, including its financial statements for the year ended 31st December 2023

The financial statements of the State Development and Construction Corporation Limited for the year ended 31st December 2023 were audited under my direction in accordance with the provisions of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read with the provisions of Section 13(1) of the Act No. 38 of 1971 and the National Audit Act No. 19 of 2018. The findings of the audit carried out in accordance with Section 13(j) of the Finance Act No. 38 of 1971 will be issued by this report.

1.2. Responsibilities of the management and controlling parties on Financial Statement

Management is responsible to determine the necessary internal control mechanism for the preparation and fair presentation of this financial statements in accordance with the Public Sector Accounting Standards where such statements can be free from material misstatement whether due to fraud or error.

In preparing the financial statements, the management is responsible to determine the possibility of ongoing concern of the Corporation and except if the management intends to liquidate its entity or discontinue its operations where no alternatives, then it is the responsibility of the management to maintain accounts based on the ongoing concern and disclose the matters on the ongoing concern of the Corporation.

Controlling parties will bear the responsibility with regard to the financial reporting process of the Corporation.

As per Sub Section 16 (1) of the National Audit Act No.19 of 2018, it is the responsibility of the Corporation to maintain proper books and records of all its income and expenditure and assets and liabilities in order to facilitate it to prepare annual and periodic financial statements that have to be prepared by it.

In accordance with Section 39 of the National Audit Act, No. 19 of 2018, the Board of Directors of the Corporation is required to notify me of the proposed actions to be taken in relation to the matters mentioned in this report, within 03 months from the date of this report.

1.3. Scope of Audit

In overall it is my objective is to obtain reasonable assurance about whether the financial statements as a whole are free from the 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; however is not a guarantee that an audit conducted in accordance with the Sri Lanka Auditing Standards will always detect a material misstatement when it is existing. Misstatements can arise due to fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to make effect on the economic judgments of users taken based on these financial statements.

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

- Identified and assessed the risks from material mistake of the financial statement, whether due to fraud or error, design and perform audit procedures to 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 an error, as the fraud may involve collusion, fake, deliberate omissions, misrepresentations, or override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the internal control.
- Evaluated the relevance of accounting policies used and the rationality of accounting estimates and related disclosures made by the management.

- Decided the appropriateness of the application based on the ongoing concern of the Corporation for accounting based on the audit evidence gained whether a material uncertainty appears on the ongoing concern of the Corporation due to events and conditions. If I observe any material uncertainty, I have to pay my attention in my audit report with regard to such disclosures in the financial statements and if such disclosures are not sufficient then I have to change my opinion. I made my observations based on the evidence obtained up to the date of this audit report. However, ongoing concern of the Corporation may come into cease on the future events and conditions.
- Evaluated the total presentation, structure and content of the financial statements, along with the disclosures and whether the financial statements are representing the underlying transactions and events in a manner that achieve fair presentation.

The audit scope has been expanded to examine the following, to the extent that is possible and whenever necessary.

- Whether the organization, systems, procedures, books, records and other documents of the Corporation are systematically and quantitatively designed to enable continuous evaluation of its activities in terms of information presentation, and whether such systems, procedures, books, records and other documents are maintained in a systematic manner,
- That the Corporation has acted in accordance with any applicable written law or other general or special directives issued by the Board of Directors of the Corporation,
- That it has acted in accordance with its powers, duties and functions,
- Resources have been procured and used economically, efficiently and effectively, within time limits and in accordance with the rules and regulations.

1.4. Financial Statement

1.4.1. Non-compliance with Sri Lanka Accounting Standards

Non-compliance with reference to the relevant standard	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) Contrary to paragraph 7 of Sri Lanka Accounting Standards 16, the electric stressing jack with the pump worth of Rs. 11.29 million purchased in the year 2022 had been	Existing	It must be compatible with the existing system.	After the necessary repairs are made to the machine, it will be included in fixed assets.	Fixed assets should be accounted for in accordance with Sri Lanka Accounting Standards.

recognized and accounted for as fixed assets in the financial statements, and as a result of that, the value of fixed assets had also been understated by that value.				
(b) Although the Corporation's accounting policies, as stated in paragraph 32 of Sri Lanka Accounting Standards 21, have stated that foreign exchange gains or losses should be recognized in the statement of other comprehensive income, the foreign exchange losses amounting to Rs. 17.29 million as at 31 December 2023 had not been disclosed in the statement of other comprehensive income.	New	It must be compatible with the existing system.	A foreign exchange loss of Rs. 17,285,112 arising from settlements in foreign currencies has been included in other income.	Foreign exchange gains or losses should be accounted for in accordance with Sri Lanka Accounting Standards.

1.4.2. Accounting Policies

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
According to the revenue recognition statement for construction projects in the year 2023, the value of the last bill issued by the Corporation in recognizing revenue for the suspended projects had not been included as cumulative revenue for the year 2023 and	New	It must be compatible with the existing system.	Steps have already been taken to include it in the 2024 accounting policies.	The accounting policies followed by the entity must be disclosed in the financial statements.

no disclosures had been in the financial statement regarding this between that value and the cumulative revenue recognized up to the year 2022.				

1.4.3. Accounting Deficiencies

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) Although Rs. 194.20 million had been identified as revenue from 02 projects whose construction had been completed, the project revenue for the year under review had been overstated by Rs. 30.74 million as the certified bill value was only Rs. 163.46 million.	New	It must be compatible with the existing system.	Due to the reduction in the amount of work done under the BOQ of Project 02, there has been a decrease of Rs. 19.09 million and Rs. 11.65 million. Therefore, the recognized revenue is Rs. 100.50 million and Rs. 62.96 million.	Project revenue should be accurately identified and accounted for.
(b) Revenue for the year under review had been understated by Rs. 24.44 million due to the fact that a project currently being carried out by the Corporation was considered a suspended project and revenue was recognized based on the percentage of completion instead of the final bill value.	New	It must be compatible with the existing system.	This situation has arisen due to an oversight in which Project 1321 was considered a terminated project. Adjustments have been made in the year 2024.	Construction project revenue should be accounted for in accordance with Sri Lanka Accounting Standards.
(c) Although the value of cash and equivalents as per the statement of financial position as at 31 December 2023 was Rs. 111.03 million, and therefore the value of the cash flow statement had been stated as Rs. 109.45 million. Accordingly, a	New	It must be compatible with the existing system.	The total of 'Increase / Decrease in purchase and sub contract advance' in the cash flow statement should be Rs. 192.79 million. However, the adjustment of Rs. 1.58 million in Note No. 14-06 of the	Arrangements should be made to prepare financial statements accurately.

difference of Rs. 1.58 million was observed between the balances of cash and equivalents as stated in the statement of financial position and the cash flow statement as at 31 December 2023.			statement of accounts to the cash flow statement has not been adjusted and it has been got deleted.	
(d) The finished stock value less cost of sales included in the financial statement for the year 2023 had been Rs. 192.94 million and the finished stock value shown under current assets had been Rs. 192.79 million. Accordingly, a difference of Rs. 0.15 million was observed between the balances.	New	It must be compatible with the existing system.	Adjustment will be made in 2024.	Arrangements should be made to prepare financial statements accurately.
(e) The value of the stock of gemstones obtained from gem mining activities carried out in the year 2022 had been Rs. 2.15 million according to the valuation report provided by the National Gem and Jewellery Authority on 21st November 2022, and due to the fact that that value was not included in the financial statements of the year 2023, the current assets had been understated by that value.		It must be compatible with the existing system.	It is planned to be accounted for in 2024.	Financial statements must be prepared completely and accurately.

1.4.4. Unreconciled control accounts or reports

Item	Value according to financial statements in million rupees	Value according to corresponding reports in million rupees	Difference in million rupees	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) Concrete yard debtor balance	69.34	69.77	0.43	New		The receipt of money related to the debtors' accounts has not been offset against the invoices and adjustments have been made in the year 2024.	The financial statement should be prepared with accurate schedules.
(b) Concrete item stock balance	13.38	12.69	0.69	New		This is due to an accounting error. All these changes will be corrected in the inventory adjustment to be made in 2024.	The financial statement should be prepared with accurate schedules.
(c) Purchase advance balance at the worksite	21.65	21.32	0.33	New		Adjustments have been made in 2024.	The financial statement should be prepared with accurate schedules.

1.4.5. Going concern of the organization

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) In accordance with paragraph 25 of Sri Lanka Accounting Standard 1, in preparing the financial statements, management is required to assess the going concern of an entity and disclose any events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. However, the net loss of the entity for the year under review had been Rs. 2,261.13 million, and the accumulated loss as at 31 December 2023 had been Rs. 4,671.35 million. While the total assets had been Rs. 3,738.03 million, the value of current liabilities had been Rs. 6,999.69 million, which exceeded the assets by 87 percent. The amount of current liabilities exceeding current assets had been Rs. 2,954.23 million, or 136 percent. Furthermore, as per the Cabinet decision No. අමප-24/1684/608/032 – I dated 10.09.2024, the decision to merge this institution with the Road Development Authority had been taken and the	Existing	The existing system needs to be improved.	Arrangements have been made to disclose all information in the 2024 financial statements.	Sri Lanka Accounting Standards require management to make a proper assessment of the entity's going concern status and disclose the information in the financial statements as required.

Corporation is currently carrying out the work in this regard. Accordingly, it had been stated in Note 2.1.2 that there is no material uncertainty regarding the going concern.				
(b) The Ministry of Wildlife and Forest Resources had taken steps to acquire a building belonging to the State Development Construction Corporation on a lease basis on 02 January 2024 by paying a sum of Rs. 47,400,000. The Joint Cabinet Memorandum dated 31 December 2023 (relating to the Cabinet Decision dated 18 December 2023 on අමප-24/0090/613/001) issued by the Minister of Wildlife and Forest Conservation and the Minister of Transport and Highways (relating to the Cabinet Decision dated 18 December 2023 on අමප-23/2364/613/025) had been considered by the Cabinet Sub-Committee with the observation of the Minister of Finance, Economic Stabilization and National Policies and, as the Corporation is an institution proposed to be liquidated, it had been decided to direct the Secretary of the Ministry of Transport and Highways to grant approval for the permanent transfer of	Existing	It must be compatible with the existing system.	As the process of handing over the building located in Colombo 07 to the Ministry of Wildlife has not been completed, no disclosure was made in the financial statements for the year 2023.	Matters that have a significant impact on the assets and liabilities of the entity should be disclosed in the financial statements.

this building to the Ministry of Wildlife and Forest Resources Conservation and to take the necessary steps to formally transfer it. No disclosure had been made in this regard in the financial statements for the year 2023.				

1.4.6. Lack of written evidence for audit

Item	Amount in million rupees	Non-presentation of evidence for audit	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) Investment in Devkoshowa Private Limited	9.21	Verification and detailed information	Existing	It must be compatible with the existing system.	Due to the lack of sufficient information for the investments and debtors mentioned in the accounts of Devkoshova Private Company, 100% provisions have been made for bad debts according to the safeguarding methodology.	Arrangements should be made to submit explanations and verifications to the audit to satisfactorily verify the existence of investments.
(b) Ready mix debtors - (Devkoshowa)	30.60	Verification of detailed information balance	Existing	The existing system needs to be improved.	Due to the lack of sufficient information for the investments and debtors mentioned in the accounts of Devkoshova Private Company,	Detailed documentary evidence should be submitted to the audit to verify the accuracy and completeness of the debtor's accounts.

					100% provisions have been made for bad debts according to the safeguarding methodology.	
(c) Debtors (Construction)	98.78	Verification of the balance	Existing	The existing system needs to be improved.	Requests to obtain the balance verification letter have been sent to all debtors by registered post and have been personally informed, but no verifications have been received to date.	To verify the existence of debtor balances, balance verifications should be submitted to the audit.
(d) Retention (construction)	304.50	Verification of the balance	Existing	The existing system needs to be improved.	Requests to obtain the balance verification letter have been sent to all debtors by registered post and have been personally informed, but no verifications have been received to date.	To verify the existence of retention balances, verifications should be submitted to the audit.

(e) Debtors (traffic signal systems)	7.23	Verification of the balance	Existing	The existing system needs to be improved.	Requests to obtain the balance verification letter have been sent to all debtors by registered post and have been personally informed, but no verifications have been received to date. Our legal department has also already issued a letter of demand to the Siara Company, which is a debtor in the traffic signal system.	To verify the existence of debtor balances, balance verifications should be submitted to the audit.
(F) Debtors (Concrete Yards)	28.03	Verification of the balance	Existing	The existing system needs to be improved.	Requests to obtain the balance verification letter have been sent to all debtors by registered post and have been personally informed, but no verifications have been received to date.	To verify the existence of debtor balances, balance verifications should be submitted to the audit.

1.5 Receivable and Payable Accounts

1.5.1 Receivables

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) The Corporation's Statement of Financial Position as at 31 December 2023 showed Rs. 636.76 million as receivables, of which the balance between 03 and 05 years was Rs. 280.41 million and the balance beyond 05 years was Rs. 201.86 million. Furthermore, the balance of receivables relating to suspended projects as at 31 December 2023 was Rs. 226.96 million and the Corporation had not taken steps to recover these balances.	Existing	The existing system needs to be improved.	Efforts are being made to recover all retentions.	Responsible officers should take action in accordance with the agreement to recover the retention balances due.
(b) As at 31 December 2023, the Corporation had shown Rs. 233.21 million as liquidated damages deducted from bills due to delays in projects completed as receivables in the financial statements, of which Rs. 45.75 million was due from years 01 to 04 and Rs. 173.3 million was due from years 05 and above, and it was observed that the ability to recover these balances is in low level.	New	The existing system needs to be improved.	An allocation of Rs. 176.4 million has been made for the year 2023 for liquidated damages due to delays. However, it appears that there is still a shortage of about Rs. 42 million. All adjustments will be made in the year 2024.	Projects should be completed promptly and late fees should be avoided.

(c) Trade payables balance was Rs. 299.47 million and according to the debtor period analysis, the receivables balance between 03 and 05 years was Rs. 42.13 million and the receivables balance for more than 05 years was Rs. 45.82 million. As at 31 December 2023, the receivables balance related to suspended contract projects was Rs. 34.09 million and the possibility of recovery of these balances was in low level.	Existing	The existing system needs to be improved.	Recovery will be made out in 2024.	Responsible officials should introduce and periodically review effective methods to recover outstanding balances.
(d) The Corporation had not properly reviewed the viability of the projects and identified the risk of project failure in advance, and had not properly made provisions for bad debts in previous years for the balances due from customers, and had identified bad debts of Rs. 506.41 million in the year under review for the balances due from customers that had been closed in previous years, which had materially affected the financial statements of the year under review.	New	The existing system needs to be improved.	During the year under review, a provision of Rs. 506.41 million was made for the balance due from customers due to the fact that 72 projects were terminated in 2023 without being completed due to the economic difficulties prevailing in the country.	Debtors should be reviewed annually and appropriate provisions made for bad debts.

(e) Due to the existence of a credit balance of Rs. 23.76 million in the construction debtor's schedule, the debtor balance in the financial statement as at 31 December 2023 had been understated by that amount.	New	The existing system needs to be improved.	These credit balances have been created due to online receipts. Adjustments will be made in 2024.	Debit and credit balances should be shown at the correct value.
(f) It was observed that there is an unsettled balance of Rs. 62.88 million as due from customer due to non-certification of bills in accordance with the income identified in 05 completed projects as per the Income Calculation Statement.	New	The existing system needs to be improved.	That money has not been certified.	Steps should be taken to settle the balances due from customers by verifying the bills.
(g) It was observed that there is a balance due from customers of Rs. 184.20 million due from customers due to non-certification of final bills of suspended projects included in the revenue recognition statement for the year 2023.	Existing	It must be compatible with the existing system.	The certified bill values in the final bills submitted for the projects shown here have decreased.	Steps should be taken to verify the bills issued for the suspended projects and account for them accordingly.

1.5.2. Payables

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) Of the mobilization advance balances of Rs. 626.76 million included in the financial statements of the year 2023, Rs. 35.55 million are balances older than 05 years and the outstanding mobilization advance balance relating to the 45 projects suspended in the year 2023 was Rs. 432.15 million. The Corporation had not taken steps to settle this advance balance by successfully completing the construction works.	Existing	The existing system needs to be improved.	It has not been possible to settle the advance amount due to reasons such as projects being stopped halfway, final bills not yet certified, and projects not starting despite receiving advances.	Steps must be taken to settle these balances.
(b) The Mobilization Advance Balance in the Financial Statement for the year 2023 had a debit balance of Rs. 0.45 million, which resulted in the Mobilization Advance Balance being understated by that amount.	New	The existing system needs to be improved.	The project number was incorrectly entered. It has been corrected in 2024.	Steps should be taken to accurately reflect the values of debit and credit balances in the financial statements.
(c) Creditors and sundry creditors Rs. 1,070.34 million, out of which the balance of creditors over 3 years was Rs. 304.80 million and the Corporation had not taken steps to make timely payments. Furthermore, the sundry creditors debit balance of Rs. 29.15 million within the sundry debtors balance had remained unsettled.	New	It must be compatible with the existing system.	The relevant settlements will be made in the future in accordance with the decisions of the Cabinet of Ministers regarding the future existence of the Corporation.	Immediate steps should be taken to settle these debit and credit balances.

1.5.3. Advance

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
2011 In the year, a purchase advance of Rs. 2.17 million had been given to Fujima State Corporation and arrangements had not been made to settle it by December 31, 2023.	New	The existing system needs to be improved.	Arrangements will be done to correct this in 2024.	Advances given should be repaid within the stipulated time and management should monitor and take action on this.

1.6. Non-compliance with laws, rules, regulations and management decisions, etc.

Reference to laws, rules, regulations, etc.	Non-compliance	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) Employees' Provident Fund Act, No. 15 of 1958	As 31 December 2023, the Corporation had not settled the unpaid Employees' Provident Funds and the surcharge payable on those unpaid Employees' Provident Funds amounting to Rs. 105.96 million and Rs. 49.53 million respectively.	Existing	Existing	All payments will be made in accordance with the proposals that the Corporation will work on in the future, i.e., the decisions of the Cabinet.	Steps should be taken to settle these statutory payments.

(b) Public Finance Circular No. 08/2019 dated 17th December 2019	Although it has been stated that the government e-procurement system in Sri Lanka should be registered and used to carry out procurement activities (Procuring Entity) and business services provided by those government institutions (Vendor), the Corporation had not been registered in the government e-procurement system as of October 2024 for the procurement activities of the Corporation and for the provision of business services provided by the Corporation.	New	The system should be introduced.	Although registration in the government's electronic procurement system was requested in accordance with the circular, it has not been possible to do so properly due to the constant change of managers in the supply sector.	Due attention should be paid to complying with the circular.
(c) Section 18(6) of the Audit Act, No. 19 of 2018	As at 31 December 2023, outstanding audit fees of Rs. 13.39 million had not been paid to the Auditor General.	Existing		All payments will be made in accordance with the proposals that the Corporation will work on in the future, that is, the decisions of the Cabinet.	Steps should be taken to settle these statutory payments promptly.

(d) Stamp Duty Regulations of the Democratic Socialist Republic of Sri Lanka 756	The Board of Survey Report for the year 2023 had not been prepared and submitted to the Auditor General.	Existing	Existing	Measures will be taken to submit board of survey reports in 2024.	Steps should be taken according to financial regulations.

1.7. Non-compliance with tax regulations

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) The Nation Building Tax Act No. 09 of 2009, which is Rs. 6.09 million, payable by 31 December 2023, and the penalty imposed on it due to non-payment of that tax is Rs. 1.06 million, has not been paid, resulting in a Nation Building Tax value of Rs. 7.15 million.	Existing	Existing	All payments will be made in accordance with the proposals that the Corporation will work on in the future, i.e., the decisions of the Cabinet of Ministers.	Steps should be taken according to tax regulations.
(b) The Economic Service Fees Amendment Act No. 13 of 2015, excluding the Economic Service Fees Amendment Act, from the year 2005 to the year 2020, was Rs. 67.50 million, and due to the failure to remit the said amount to the Inland Revenue Department on the due date, the arrears of Rs. 101.23 million, including the fine imposed on it, had not been paid.	Existing	Existing	All payments will be made in accordance with the future decisions of the Cabinet of Ministers.	Steps should be taken according to tax regulations.
(c) In addition to the Value Added Tax Act No. 14 of 2002, Rs. 1,352.86 million in value added tax from the year 2002 to 31	Existing		All payments will be made in accordance with the future decisions of the Cabinet of Ministers.	Steps should be taken according to tax regulations.

December 2023 and Rs. 1,087.21 million in fines on arrears of value added tax from the year 2006 to 31 December 2023 had not been paid.				
(d) Apart from the Social Security Act No. 17 of 1996, arrangements had not been made to pay the outstanding tax amounting to Rs. 28.02 million up to 31 December 2023.	Existing	Existing	All payments will be made in accordance with the future decisions of the Cabinet of Ministers.	Steps should be taken according to tax regulations.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a loss of Rs. 2,029.04 million, compared to the corresponding profit for the previous year of Rs. 155.75 million. Accordingly, a decline of Rs. 2,184.79 million was observed in the financial result. This decline was mainly due to a decrease in construction income of Rs. 2,358.59 million due to the suspension of construction projects.

2.2 Trend analysis of major income and expenditure items

Description	2023 (Rs. Million)	2022 (Rs. Million)	Difference (Rs. million)	Percentage difference %
Income	218.62	2545.68	-2,327.06	-91
Cost of sales	1193.51	2189.63	-996.12	-45
Other income	87.51	176.78	-89.27	-50
Administrative expenses	209.43	310.28	-100.85	-33
Other expenses	932.23	66.8	865.43	1296
Financial income	154.77	8.02	146.75	1830
Financial costs	386.85	122.15	264.70	217

Although the cost of sales had decreased by 45 percent in the year under review, sales revenue had doubled, or 91 percent. Also, the high percentage increase in expenses and financial expenses other than administrative expenses had led to a financial decline.

2.3 Ratio Analysis

Ratio	2023	2022
Gross profit margin	(445.94)	(13.97)
Net profit ratio	(1034.29)	(1.63)
Liquidity ratio - current ratio	0.42:1	0.82:1
Loan ratio - balance ratio	2.15	6.64

It was observed that the Corporation recorded high losses during the year under review and that its current ratio and leverage ratio were also in an unfavorable condition. The total assets had decreased by Rs. 2,131.47 million.

3. Operational Review

3.1 Uneconomical Transactions

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) The Corporation had incurred a net loss of Rs. 5.98 million from the gem mining project implemented by the Corporation in the year 2022, and it was observed that it had been an unproductive project carried out without a license and using money and labor, away from the primary objective of the Corporation. Even though 02 years have passed since the completion of the project, steps had not been taken to recover the deposit amount of Rs. 0.68 million paid to the National Gem and Jewellery Authority.	New	Existing	This project cannot be called an unproductive project since it has been abandoned halfway. In order to recover this deposit, the currently excavated area must be restored and completed.	When initiating projects, attention should be paid to their relevance to the organization's objectives and their economic effectiveness.

3.2 Identified Losses

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
The land worth of Rs. 317.54 million and the building worth of Rs. 37.99 million owned by the Corporation at Hector Kobbekaduwa Mawatha, Colombo 07, which was leased to the Sri Lanka Technological University from the year 2020 to May 2021, had not been recovered for more than 3 years as at 31 December 2023.	New	Existing	Action is being taken to recover outstanding balances.	Action should be taken to recover outstanding tax amounts in accordance with agreements.

3.3 Management Inefficiencies

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
No action had been taken by the Corporation to transfer the ownership of 8 lands extent in 16 acres and 12 perches, which are being used by the Corporation on a long-term basis, or to obtain them on a long-term lease basis, until 31 October 2024.	Existing	The existing system needs to be improved.	Requests had been made to the Divisional Secretaries to acquire the lands of Weraganthota, Medawachchiya, Lunugam Vehera, Kalahagala land, Medawachchiya land and Weerawila land, and the Peradeniya land is scheduled to be surveyed after evicting the encroachers. The acquisition of the Ratmalana Polwatta land has been halted.	Action must be taken to take over the ownership.

3.4 Operational Inefficiencies

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) Adjustments were made by adding Rs. 68.74 million to stocks during the year under review due to weaknesses in internal control over stocks such as issuing stocks received before inclusion, failure to maintain records of stock transfers between branches in a timely manner and failure to maintain stock issuance records properly.	New	The existing system needs to be improved.	Now steps are being taken to rectify the deficiencies.	Internal control systems related to stocks need to be improved.
(b) Construction of the Panagoda Henpita Road Bridge - Project No. 1269, due to the longer than expected time frame taken, the Road Development Authority had recovered a delay fee of Rs. 2.00 million and had incurred a loss of Rs. 6.03 million as at 31 December 2023.	New	The existing system needs to be improved.	The third time extension is being reviewed. Once approved, late fees will be charged again.	Delay charges should be minimized by completing the project on time.

(c) Reconstruction of the bridge on Pitigala Road, Pelawatte, Horawala - Project No. 1279 Although the project value is Rs. 58.15 million, this project was to be completed by 25, October 2021 as per the extension granted by the Road Development Authority. It had been not completed by December 31, 2023 and according to the profit calculation statement, the completion percentage of the project is only 76 percent. Furthermore, although Rs. 65.76 million had been spent by 31 December 2023, the certified bill value had been only Rs. 24.85 million and the loss of the project by 31 December 2023 had been Rs. 26.64 million.	New	The existing system needs to be improved.	Due to the prevailing financial crisis, work on the project was halted halfway as it was not possible to provide continuous funding. Therefore, the expected progress could not be achieved.	The project must be completed within the stipulated time frame.

3.5. Project or Capital Work Delays

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
It was observed that no work had been carried out in respect of 16 capital works projects (Work in Progress) costing Rs. 6.07 million during the year under review and that there were 8 capital works projects costing Rs. 2.70 million for which no work had been carried out for a period of 2 years from 01 January 2022 to 31 December 2023. Moreover, due to the financial crisis of the Corporation, it had not been possible to complete these capital works on time.	Existing	The existing system needs to be improved.	Work in progress has not been completed in 2023 and transferred to fixed assets.	Management should follow appropriate methods to complete these projects in a usable condition.

3.6 Procurement Management

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
When purchasing a Stressing Jack with the Hydraulic Pump for the Bopitiya Concrete Yard, a jack machine with specifications different from those stated in the material request dated 29 July 2021 was imported into Sri Lanka on 24 March 2022 and steps had not been taken to release it from customs until 30 December 2022, more than 9 months had passed. It was observed that this machine was out of order due to an oil	New	The existing system needs to be improved.	Although this jack machine was imported to Sri Lanka on March 24, 2023, our organization was facing severe financial problems at that time, so it took a long time to pay the relevant money and release the product.	Goods must be obtained according to specifications and arrangements must be made to release them from customs within the stipulated time frame.

leak and the one-year warranty period had also expired. Therefore, the amount of Rs. 11.35 million paid by the Corporation as expenses for purchasing and bringing this jack machine had become a waste of money.				

3.7 Deficiencies in Contract Administration

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) As at 31 December 2023, 21 suspended projects had an idle stock balance of Rs. 56.2 million.	New	The system should be introduced.	These projects have been suspended as per the monitoring and most of them are currently undergoing the process of project completion. Until these activities are completed, the removal of goods and raw materials cannot be carried out as per the contract. We would also like to inform you that since there is money to be paid for these goods and projects, we will face problematic situations when clearing the work sites.	Since these are suspended projects, both parties should get involved and settle the balance.

(b) During the year under review, the Corporation had completed 75 projects and out of these, the Corporation had incurred a loss of Rs. 436.38 million from 46 projects.	New	The existing system needs to be improved.	It is noted.	Timely plans must be implemented to run projects profitably.
(c) It was observed that the Corporation had been unable to recover the excess cost of Rs. 409.50 million due to non-issuance of bills covering the total cost incurred for 42 suspended projects as at 31 December 2023. Also, administrative expenses, bond fees and site rent incurred for 19 suspended projects in the year 2023 amounted to Rs. 23.63 million had remained unrecoverable .	New	The existing system needs to be improved.	Due to the lack of continuous provision of necessary funds for the projects, they have had to be maintained for a longer period than expected. Although the projects have been suspended, they cannot be withdrawn until they are deactivated, so guards have been deployed for that purpose.	New bills should be issued on time.

3.8 Human Resource Management

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) As at 31 December 31 2023, 109 posts, including the posts of Deputy General Manager (Planning and Production) and Deputy General Manager (Mechanical), remained vacant in the Corporation. No steps had been taken to fill these posts or to revise the number of posts appropriately.	Existing	Existing	A senior mechanical engineer in the corporation has been appointed to act as Deputy General Manager (Mechanical) of the corporation. A senior civil engineer who has served in the planning and production division for 15 years has been appointed to act as Deputy General Manager (Planning and Production). Recruitment has been made for the posts of Chief Engineer (Concrete Yard), Chief Engineer (Estimate), Secretary to the Chairman, Heavy Vehicle Operator, in the year 2024 and a letter has been sent seeking the approval of the Department of Management Services to make appointments to employees currently serving in the corporation on a contract and casual basis for other posts.	The role of the institution should be reviewed and steps should be taken to fill vacancies or revise the number of posts.
(b) As per Management Services Circular No. 02(11) dated 26th October 2020, all recruitments/filling of vacancies should be made in accordance with the approved service regulations/recruitment procedures. However, it was observed that 57 employees had been	Existing	Existing	The number of engineers on contract basis has been kept at a minimum as the services of the employees recruited on contract basis have been terminated and only essential services have been retained. There is a surplus in those posts due to the	Action must be taken in accordance with the circular instructions.

recruited in excess of the approved number of employees for the following posts.			granting of permanent appointments to all casual and contract employees upon completion of 180 days as per Public Administration Circulars Nos. 25/2014 and 29/2019.	

3.9 Vehicle System Management

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
(a) 03 tractors purchased in the year 2021 worth Rs. 1.20 million had not been registered with the Motor Vehicle Registration Department by 24th October 2024 and 04 motor vehicles received by the Corporation from the Divi Neguma Development Department and Devcoshowa had not been taken over by the Corporation by 24th October 2024.	Existing	The existing system needs to be improved.	I would like to inform you that the necessary steps will be taken to register the 03 tractors in the future. The vehicles that had not been used for many years by the Divi Neguma Department were given to us with the intention of training technicians and students. These vehicles are in an unsuitable condition for operation. I would like to inform you that if we want to take over these vehicles, we will repair them and bring them into a condition suitable for operation and take them over to the Corporation.	Steps should be taken to register the purchased vehicles and steps should be taken to appropriate other vehicles.
(b) During the period from 2019 to the end of 2023, 27 vehicles costing Rs. 63.98 million were taken out of service due to non-repair work and no steps had been taken to dispose of them.	Existing	It must be compatible with the existing system.	Since it was not possible to allocate funds for vehicle repairs in the past period, it has been not possible to carry out those repairs.	Steps should be taken to promptly repair or dispose of these vehicles as appropriate.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
In contradiction to paragraph 6.6 of the Public Enterprises Operations Manual dated November 16, 2021, the annual financial statements for the year under review had been submitted to the Auditor General on 24 July 2024, with a delay of 97 days.	Existing	It must be compatible with the existing system.	Financial statements should be prepared after settling the balances payable to customers and receivable from customers included in the previous year's financial statements.	Steps should be taken according to the Public Enterprises Circular instructions.

4.2 Tabling of Annual Reports in Parliament

Audit observation	New observation/existing observation?	Control risk coverage	Comments by management	Recommendations
Public Enterprise Circular No. 2021/01 dated 16th November 2021, Operations Manual for State-Owned Enterprises, Section 6.6 - The Corporation's Annual Report for the year 2022 had not been tabled in Parliament by October 2024.	Existing	It must be compatible with the existing system.	45 copies of the 2022 Annual Report have been submitted to the Ministry of Transport and Highways.	Steps should be taken according to the Public Enterprises Circular instructions.

H.A.D. Chandani Abeysinghe

Senior Assistant Auditor General

For Auditor General

REPLY TO THE MANAGEMENT AUDIT REPORT 2023

Assistant Auditor General,
National Audit Office,
No. 306/72, Polduwa Road
Battaramulla.

Dear Sir,

Replies to the detailed Auditor General's report submitted to the Chairman in terms of Section 13 (7) (j) of the Finance Act, No. 38 of 1971, on the activities of the State Development and Construction Corporation, including its financial statements for the year ended 31st December 2023

This has reference to the letter received by us under reference number CAE/C/SDCC/FS/2023/01 dated 31st January 2025 regarding the above matter.

1.4 Financial Statements

1.4.1 Non-compliance with Sri Lanka Accounting Standards

(a) Arrangements are being made to account for it under fixed assets in the year 2025.

(b) In future, the matter will be rectified.

1.4.2 Accounting Policies

* The suspended projects had been included in 2023. But, they were not included in the year 2024. Therefore, as an accounting policy, they had not been included in the financial statements of 2024.

1.4.3 Accounting Deficiencies

(a), (b), (c), (d) - Several errors have been identified in accounting which have led to audit observations. These have been rectified and steps have been taken to prevent such errors from occurring in future.

(e) After obtaining the approval of the Board of Directors, arrangements are being made for sale of gems.

1.4.4 Unconsolidated Control Accounts or Reports

(a), (b), (c) - Adjustments have been made for the year 2024.

1.4.5 Ongoing Concern of the Corporation

(a) The corporation had not taken the decision mentioned here when preparing the 2023 financial report. This has been shown in the 2024 financial report in detail.

(b) The process of conveying the land to the Ministry of Wildlife has been cancelled.

1.4.6 Lack of Written Evidence for Audit

(a). (b). Audit comments were noted.

(c). Requesting letters to confirm the 2024 debtor balance have been sent to the relevant debtors.

(d). Requesting letters have been sent to clients in order to confirm the 2024 retention balances.

(e) Requesting letters to confirm the 2024 debtor balance have been sent to the relevant debtors.

(f) Requesting letters to confirm the 2024 debtor balance have been sent to the relevant debtors.

1.5 Receivable and Payable Accounts

1.5.1 Receivables

(a) Steps are already being taken to recover all the retentions.

(b) Audit recommendations are accepted.

Necessary adjustment will be made for the allowance for receivable amounts on the accounts receivable.

(c) Both the Board of Directors and the Chairman, is currently taking steps to recover the outstanding receivables.

(d) Audit recommendations are accepted and appropriate provisions will be made for doubtful debts to the accounts in future.

(e) The accounts will be adjusted in next year yet to come, in accordance with the recommendations.

(f) Audit recommendations are accepted.

(g) Steps have been taken to recover receivables related to the suspended projects.

1.5.2 Payables

(a) A considerable amount of mobilization advances have already been settled and steps will be taken to settle such advances in future too.

(b) Audit recommendations are accepted.

(c) The relevant settlements will be made in future according to the decisions of the Cabinet of Ministers with regard to the future ongoing concern of the Corporation.

1.5.3 Advance

* Necessary adjustment will be in future.

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

(a) It has already been settled.

(b) Arrangements are being made for register in 2025.

(c) The Corporation will make all the relevant payments in accordance with future proposals, i.e. Cabinet Decisions.

(d) Arrangements will be made to provide reports appropriately next year.

1.7 Non-compliance with Tax Regulations

(a), (b), (c), (d) All payments will be made in accordance with the decisions of the Cabinet of Ministers.

3. Operational Review

3.1 Uneconomical Transactions

(a) Steps are being made to recover the money from the Gem and Jewellery Authority and attention has been paid by taking the productivity and the objectives of the institution into account as per the audit recommendation when securing future projects.

3.2 Identified Deficiencies

* Steps are being made to recover the outstanding amount.

3.3 Management Inefficiencies

* Requests made on the lands of the Weraganthota, Medawachchiya, and Lunugamvehera through their respective Divisional Secretaries have been forwarded to the Land Commissioner's Office.

* *Ratmalana Polwatta Land:*

  Arrangement are being made to find out the relevant documents in order to successfully acquire these lands with involvement of Moratuwa Divisional Secretariat.

* Funds have been allocated to the Department of Survey in order carry out to survey the land at Peradeniya. We are waiting for a date to beginning of the said survey.

3.4 Operational Inefficiencies

(a) Arrangements are already being made to rectify the said deficiencies.

(b) The third time extension is being reviewed. Once approved, late fees will be charged again.

(c) Due to the prevailing financial crisis, work on the project was halted halfway since it had not been possible to provide uninterrupted outputs. As a result, the expected progress could not be achieved.

3.5 Delays in project or Capital Work

* Adjustments have been made by including the project buildings completed into fixed assets in 2024.

3.6 Procurement Management

* We are taking steps to replace this jack machine with a new machine from the manufacturing company by brought it to our corporation by its chief supplier.

3.7 Shortcomings in Contract Administration

(a) As at 31st December 2023, out of 21 projects listed here, 8 projects have been fully suspended (mutual termination). As no final decision has been taken on the other projects, the stock balances remain unchanged.

(b) Due to the lack of continuous provision of necessary funds for projects, more time has been consumed than expected. As a result, more costs have been incurred to complete the said projects. Arrangements are being made to maintain profitability by giving more attention to income and expenses of the future projects.

(c) By now, for most of the projects, steps have taken to terminate contracts and write off expenditure. Also, idling claims have been submitted for the projects that have not yet been decided and completed.

3.8 Human Resource Management

(a) A Senior Mechanical Engineer has been appointed to the Post of Deputy General Manager (Mechanical) existing in the Corporation. A Senior Civil Engineer who has served in the Planning and Production Division for 15 years was appointed to the Post of Deputy General Manager (Planning and Production). Recruitment has been made for the Posts of Chief Engineer (Concrete Yard), Chief Engineer (Estimates), Secretary to the Chairman, and Heavy Transport Operator in the year 2024, and a letter has been sent to the Department of Management Services seeking the approval to grant appointments to the employees currently serving on a contract basis in the Corporation for other posts.

* In addition, a new data on employees is being prepared.

(b) As number of engineers on contract basis has been retained for essential services only after the termination of the services of the employees recruited on contract basis, the number is currently found at a minimum level. As per Public Administration Circulars Nos. 25/2019 and 29/2019, permanent appointments have been granted to all casual and contract employees on completion of 180 days. There is an excess in those posts. Nevertheless, as 206 persons have retired under the Voluntary Retirement Compensation Scheme implemented in the institution as at 31.12.2024. Currently vacancies are existing in the approved cadre.

3.9 Vehicle System Management

(a) We would like to inform you that the necessary steps will be taken to register the said 03 tractors in future. The vehicles that had not been used for many years by the Divi Neguma Department were given to us with the intention of training technicians and students. These vehicles are in an unsuitable condition for their operation. Further, we would like to inform you that if we want to take over these vehicles, we will have to carry out repairs for them and bring into a condition suitable for operation and then only we would take such vehicles over to our Corporation.

(b) Since it had not been possible to allocate funds for vehicle repairs in the past, it was not possible to carry out such repairs.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

* The presentation of the financial statements was delayed as the financial statements had to be prepared after the balances due to the customers and receivables from the customers which had been included in the previous year's financial statements were settled. But, we will take steps to submit the accounts on the correct date in future.

4.2 Tabling of Annual Reports in Parliament

* 45 copies of the 2022 Annual Report have been submitted to the Ministry of Transport and Highways.

Eng. S. B. Wijekoon
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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Turnover	3,466	2,430	2,103	2,348	2,878	4,192	1,449	4,216	2,546	219
2. Operating Expenses	3,234	2,193	1,834	2,175	2,696	4,584	1,338	3,812	2,182	1194
3. Gross Profit	232	236	269	173	182	(392)	111	403	363	(975)
4. Other Income	171	177	148	172	192	119	327	259	177	88
5. Admin. Expenses	180	201	199	197	200	229	211	177	310	209
6. Other Expenses	23	77	104	28	23	125	281	138	89	932
7. Financial Income	6	3	6	11	12	66	61	78	80	155
8. Financial Expenses	93	87	96	119	145	224	209	259	122	387
9. Net Profit before Taxation	112	50	23	12	19	(844)	(257)	96	27	(2,261)
10. Total Assets	4,374	4,224	4,472	5,111	6,148	5,472	5,799	6,770	7,593	3,738
11. Net Assets	1,750	1,555	1,500	1,588	1,556	637	310	324	839	(3,262)
12. ROCE - %	6.85	3.5	6.71	6.43	5.41	-32.69	-3.37	16.11	5.17	146.23
13. Return on Assets %	2.57	1.19	2.53	2.35	2.46	-11.15	-0.99	5.13	1.86	(54.28)
14. Gross Profit %	6.7	9.71	12.70	7.38	6.33	-7.75	7.65	9.56	14.28	(445.94)
15. Net Profit %	3.2	2.0	1.1	0.52	0.64	-16.68	-17.76	2.28	1.06	(1,034.29)
16. Current Ratio - Times	1.02	1.04	1.04	1.1	1.4	1.16	1.10	1.22	1.20	0.42