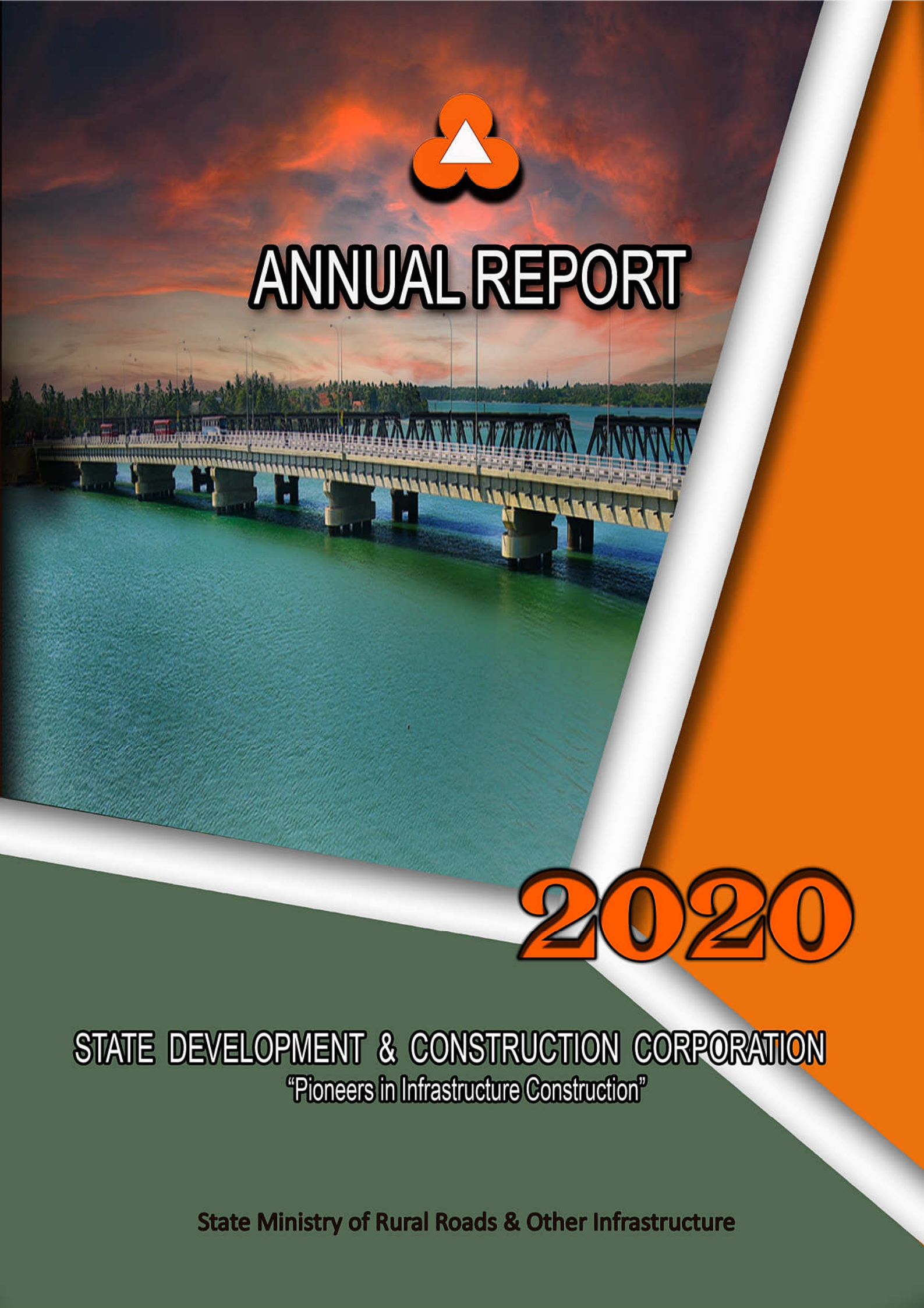




# ANNUAL REPORT



# 2020

**STATE DEVELOPMENT & CONSTRUCTION CORPORATION**  
"Pioneers in Infrastructure Construction"

State Ministry of Rural Roads & Other Infrastructure



## CONTENTS

|                                                                  | Page No |
|------------------------------------------------------------------|---------|
| • The Corporation                                                | 01      |
| • Corporate Information                                          | 02      |
| • Vision, Mission & Objectives                                   | 03      |
| • Chairman's Message                                             | 04-05   |
| • Board of Directors & Senior Staff Members                      | 06      |
| • Locations of Construction Projects                             | 07-09   |
| • Corporate Governance                                           | 10-14   |
| • Operational & Financial Review                                 | 15-21   |
| • Human Resources Review                                         | 22-23   |
| • Audit Committee Report                                         | 24-25   |
| • Statement of Director's Responsibility for Financial Reporting | 26      |
| • 10 Years Performance Summary                                   | 27      |
| • Auditor General's Report                                       | 28-37   |
| • Statement of Comprehensive Income                              | 38      |
| • Statement of Financial Position                                | 39      |
| • Statement of Changes in Equity                                 | 40      |
| • Cash Flow Statement                                            | 41      |
| • Accounting Policies                                            | 42-53   |
| • Notes to the Accounts                                          | 54-73   |





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## **STATE DEVELOPMENT & CONSTRUCTION CORPORATION**

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

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

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

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



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## CORPORATE INFORMATION

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



## **VISION, MISSION AND OBJECTIVES**

### **VISION**

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

### **MISSION**

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

### **OBJECTIVES**

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





## CHAIRMAN'S MESSAGE

I am pleased to present the Annual Report of the State Development & Construction Corporation for the financial year ended 31st December 2020.

### Overview of the Macroeconomic Environment

The country's real GDP negative growth was recorded at 3.6 percent in 2020, compared to positive growth of 2.3 percent in the previous year. The negative growth was indicated by industry sector recording a negative growth of 6.9 percent, service sector recording a negative growth of 1.5 percent and agricultural sector too recording a negative growth of 2.4 per cent during the year mainly due to the impact of Covid 19 pandemic.

The four major components of the economy, Agriculture, Industries, Services and Taxes less subsidies contributed to the GDP 7%, 25.5%, 58.7%, and 8.8% respectively for the year 2020.

### Overview of the Construction Industry

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

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

### SD & CC Performance

The Corporation recorded a turnover of Rs.1,449 million during the year 2020 compared to Rs. 4,192 million recorded in the previous year. The decrease in turnover was mainly due to the impact of Covid 19 pandemic and most of the projects in hands were delayed during the year. It shows a net loss (before tax) of Rs. 257 million for the year 2020 compared to a net loss of Rs 844 million during the year 2019.

Operating cost of the Corporation came down comparatively due to low turnover, however Corporation was recorded a Rs 111 million gross profit during the financial year compared to a gross loss of Rs 392 million during the year 2019. Results from operating activities also reduced the loss from Rs 626 million to loss of Rs 54 million during the year.

Further Corporation has encountered problems in collecting the outstanding dues from the government institutions as currently they do not have adequate provisions to settle the outstanding payments for the projects. As a result trade receivables have increased significantly.

When the cash inflow is not received on due dates, Corporation has to resort to bank loans and overdraft facilities to finance the working capital requirements of the Corporation to meet commitments in construction contracts. Cost of borrowing is also high, which inturn adversely affects the profitability and the working capital of the Corporation.

**The number of employees as at the end of the year stood at 594.**

### **Challenges faced by the Corporation**

Main challenge during the year under review was the Covid 19 pandemic and it caused us to delayed most of the projects in hand during the year. Further the decrease in foreign funded projects has caused difficulties to secure sufficient number of projects for the Corporation to survive in the industry. Restrictions imposed on the Corporation to bid for projects financed by the Asian Development Bank is also one of the factors which hinders the growth of the corporation.

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

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

### **Conclusion**

I take this opportunity to express my deep and sincere gratitude to Hon. Minister of Highways, Hon. State Minister of Rural Road and Other Infrastructure, Secretary to the Ministry of Highways, Secretary of Rural Road and Other Infrastructure and other senior staff of the Ministry for their guidance and the cooperation given for the success of the performance of the organization.

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

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



**ENG. D. P.M. CHANDANA**

**BOARD OF DIRECTORS & SENIOR STAFF MEMBERS****BOARD OF DIRECTORS**

- |                                 |   |                         |
|---------------------------------|---|-------------------------|
| 1. Eng. D.P. M. Chandana        | - | Chairman                |
| 2. Eng. V.I. Roshan Dayarathna  | - | Director                |
| 3. Ms. Punya Jayatilake (LLB)   | - | Directress              |
| 4. Arch. Athula Amarasekara     | - | Director                |
| 5. Eng. O. Kingsly Wijesinghe   | - | Director                |
| 6. Eng. M. Jayantha Abayarathna | - | Director                |
| 7. Ms. J.K.N. Samanmalie        | - | Treasury Representative |

**SENIOR STAFF MEMBERS**

- |                                 |   |                                            |
|---------------------------------|---|--------------------------------------------|
| 1. Eng. D.S.D.D.C. Rajasinghe   | - | General Manager                            |
| 2. Eng. W.A.D.R. Shantha Kumara | - | Act. Deputy General Manager (Construction) |
| 3. Eng. R.D.S.T. Ranthilaka     | - | Act. Deputy General Manager (DP& P)        |
| 4. Eng. D.A.P. Damayanthi       | - | Deputy General Manager (PMU )              |
| 5. Mr. K.A.G. Wickramasinghe    | - | Senior Manager (Human Resources & Admin).  |
| 6. Mr. R.A.K. Nishantha         | - | Chief Internal Auditor                     |
| 7. Mr. Asanka Mohan             | - | P/D Deputy General Manager (Finance)       |
| 8. Eng. E.D.N. Ranjith          | - | P/D Chief Engineer (Mechanical)            |
| 9. Eng. E.K.G. Chandana         | - | P/D Supply Manager                         |
| 10. Eng. M.A.W.S. Udayarathna   | - | P/D Chief Engineer (Electrical)            |
| 11. A.W.S. Jayawickrama         | - | Chief Security Officer                     |

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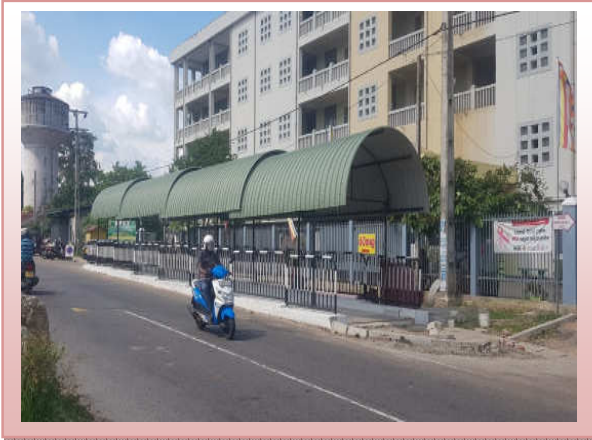


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| <p>1119 Implementation of proposed works to upgrade Tissamaharama Water supply scheme</p> <p>1121 Proposed buildings for Medical Ward and Operation Theatres at Chilaw District General Hospital</p> <p>1138 Dehiwala - Maharagama Road</p> <p>1139 Jetty facility for Galle Fishery Harbour</p> <p>1155 Station Master Bungalows at Thaleimannar, Murukkan, Elephantpass, Pallei</p> <p>1157 Rectification of damages of Kelani Bridge on Colombo - Kandy road</p> <p>1161 Bridge across Kirindi Oya at Modarapelessa</p> <p>1163 Bridge across Walawe River between Thaligala and Ridiyagama</p> <p>1171 Bridge across Kirindi Oya between Uduwila &amp; Rubberwatta</p> <p>1172 Bridge across Urubokka Oya at Keselwatta in Katuwana</p> <p>1174 Bridge across Weligaththara in Rambukwewa Division</p> <p>1175 Bridge across Weerawil Ara between Muwanwewa &amp; Weerawil Ara</p> <p>1176 Diyabandiya Bridge between Abhayapura division and Pannegamuwa division</p> <p>1177 Bridge across Walawe River between Badiganthota and Liyangasthota</p> <p>1178 Bridge across Malal Ara in Ranmuduwewa Thanamalwila road</p> <p>1179 Yaya Bridge on Walasmulla Pallekanda Road</p> <p>1180 Bridge on Urubokka Oya in Kumbukmulla Medagoda</p> <p>1181 Bridge joining Thalunna and Andupelena</p> <p>1184 Design &amp; Construction of Tharuna Sewa Bridge across Kirama Ara in Handugala</p> <p>1190 Rectification of Foundation and replacement of bearings at bridge no. 1/1 Hanwella - Pugoda - Wake - Urapola road</p> <p>1205 Sooriyawewa Bridge</p> <p>1206 Walasmulla National School Bridge</p> <p>1207 Pathegama Bridge</p> <p>1209 Naula Elehara -Hettipola road</p> <p>1210 Level crossing &amp; Tank 04 - Labyrinth Spillway</p> <p>1238 Katugasthota- Babarelal Bridge</p> <p>1264 Construction of Steel Bridge across McCollum Canal in SLPA</p> <p>1265 Improvement to Giridara Junction</p> <p>1266 Improvement to Katuwana Road, Rukmalpitiya, Hulankanda, Hegoda Rd.</p> | <p>1267 Improvements to Ja-Ela Junction Peliyadoda/Puttalam Road.</p> <p>1268 Reconstruction of Galle Deniyaya Bridge</p> <p>1269 Reconstruction of Bridge No. 1/3 on Panagoda</p> <p>1271 Rectangular Lining of Kaluganga right bank main canal</p> <p>1272 Bridge No 36/6 across Ma oya in Naula - Elahera Pallegama Road</p> <p>1273 Construction of Agrauvah Bridge (N' Eliya District)</p> <p>1274 Construction of Dayagama Bridge (N' Eliya District)</p> <p>1276 Lunugamwehera Precast Yard</p> <p>1277 Asphalt Plant Bopitiya</p> <p>1278 Reconstruction of Bridge No. 12/1 on Paranthan - Karachchi Mullaithivu Rd.</p> <p>1279 Reconstruction of Bridge No. 4/1 on Horawala-Pelawatta Pitigala Rd.</p> <p>1280 Widening of Bridge No. 5/1 Kollupitiya - Sri Jayawardhanapura Rd.</p> <p>1281 Rehabilitation/ Improvement of Ambalanthota Ridiyagama Rd. (Stage 1)</p> <p>1282 Rehabilitation/ Improvement of Ambalanthota Ridiyagama Rd. (Stage 2)</p> <p>1283 Widening and Improvements to Aluth mawatha</p> <p>1284 Improvements to Wattala- Hekitta Rd.</p> <p>1285 Rehabilitation/ Improvement of Moronthota - Arandara Road</p> <p>1286 Rehabilitation/ Improvement of Embilipitiya - Panamura - Buluthota Rd.</p> <p>1287 Rehabilitation/ Improvement of Kandevihara Junction</p> <p>1288 Rural Roads in Velanai PS - Jaffna District</p> <p>1289 Connecting of New Bridge across Rajagiriya Nawala Canal</p> <p>1290 Reconstruction of Bridge No. 105/2 on Colombo Ratnapura Wellaway Road</p> <p>1291 Urgent repairs to Canyon Head race Tunnel</p> <p>1294 Construction of Retaining walls on Kandy Jaffna Road</p> <p>1295 Removal of sediments in Tanks in Mahawali B Zone</p> <p>1296 Improvement to Welioya Sampathnuwara Road</p> <p>1298 Repair Work of Sirikurusa Bridge on St. Nicholas Rd, Negambo</p> <p>1299 Construction of Viaduct on VVIP Access Road Defense headquarters complex</p> <p>1300 Rural Roads in Anuradhapura (P – 22)</p> <p>1301 Rural Roads in Anuradhapura (P – 23)</p> |
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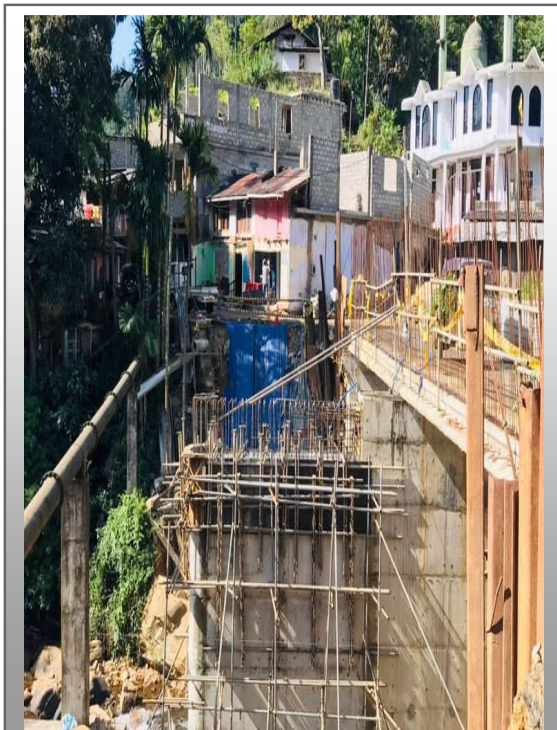
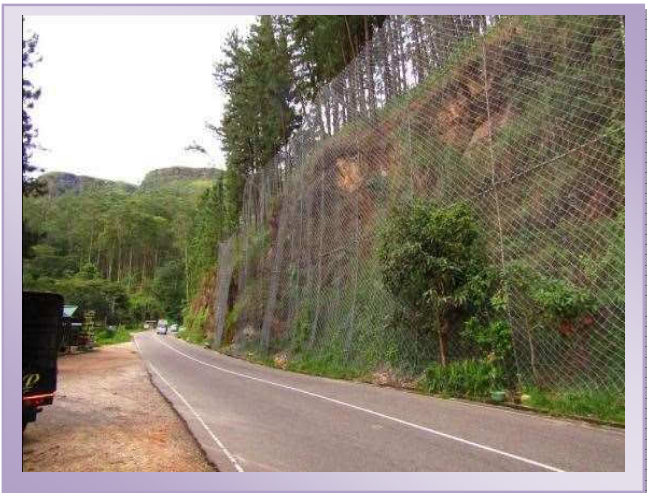
Kuliyapitiya Underpass



Steel Bridge Across McCollum Canal - SLPA



Nawalapitiya LDPP



Katugastota Madawala Bambarella Bridge Road



Hulankanda Heegoda Road



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## CORPORATE GOVERNANCE

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

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

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

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

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

**CORPORATE GOVERNANCE PRINCIPLES**

| <b>Principles of Corporate Governance</b>                                                           | <b>Methodology &amp; Extent of Adherence</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Board of Directors</b>                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 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. | <p><b><u>Board is responsible for:</u></b></p> <ul style="list-style-type: none"> <li>• Ensuring satisfactory performance of the Corporation as representatives of the line Ministry and the General Treasury.</li> <li>• <b><u>Formulation of policies and strategies</u></b> and monitoring successful implementation thereof</li> <li>• Appointment of the General Manager and key Management staff, approving the Organization structure and planning for succession of Senior Management.</li> <li>• Ensuring the implementation of an effective internal control system.</li> <li>• 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.</li> <li>• Approval of annual Bonus and Medical leave which are beyond the authority of General Manager and Chairman.</li> <li>• Deciding of major capital investments in property plants and equipment.</li> <li>• Approval of the annual budget and the Corporate Plan.</li> <li>• Approval of Annual financial statements for publications.</li> </ul> |



|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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                                          | <p>There is no specific method in operation to assess the performance of the board. Therefore the board has the autonomy to implement a self assessment exercise covering the key functions under the following activities to assess the performance of the board where necessary.</p> <ul style="list-style-type: none"> <li>• Discharge of statutory / regulatory duties and board responsibilities.</li> <li>• Corporate governance and monitoring of the Management.</li> </ul> |



|                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                           | <ul style="list-style-type: none"> <li>• Seeking &amp; contributing views &amp; opinions on strategic decision making.</li> <li>• Continuous progress review meetings by the line ministry.</li> <li>• Undertaking the succession plans to ensure comprehensive staff succession for engineers and CSS, Accountants and other skilled employees.</li> <li>• Overall view of management of the business by the Board of Directors.</li> </ul>                                                                 |
| Appraisal of the General Manager and Senior Management                                                                                                                    | The board sets financial and non – financial goals and objectives for the General Manager and Senior Staff in line with the corporate goals and objectives of the Corporation. The General Manager is entrusted with management of SD&CC's operations.                                                                                                                                                                                                                                                       |
|                                                                                                                                                                           | The main corporate goals and objectives emanating from the Corporation's Corporate plan and the budget are incorporated as personal goals of the GM and Senior Management whose performance is assessed by the Chairman and Board of Directors.                                                                                                                                                                                                                                                              |
| <b>Major Transactions</b>                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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.                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Accountability and Audit</b>                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Financial Reporting</b>                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Disclosure of an assessment of the position and prospects of the Corporation                                                                                              | Corporation exercises management priority to timely submission of quarterly reports to the General Treasury in accordance with a specified format enabling them to make a fair assessment of the Corporations performance. The financial statements are prepared in accordance with Sri Lanka Accounting Standards, which are based on the International Accounting standards. Therefore the Corporation's financial statements comply with the international accounting standards in all material respects. |
| Annual Report should contain a declaration by the Chairman.                                                                                                               | Report of the Chairman is given on pages 04 & 05 of this Annual Report.                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Presenting a statement setting out the responsibilities of the directors for financial statements and a statement by the Auditors about their reporting responsibilities. | The statement of Directors responsibilities for financial reporting is given on page 26 of this Annual Report. Auditors report on the financial statements of the Corporation for the year ended December 31 <sup>st</sup> 2020 is given on page 28 to 37 of this annual report.                                                                                                                                                                                                                             |
| <b>Internal Controls</b>                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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.                                                                                                                                                                                                                                                                                                           |



|                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Direction</b>                                                                                                                 | <p>i. Decisions made at the Meeting of the Board of Directors were communicated to the relevant officials for implementation and the outcomes were reported back to the Board of Directors.</p> <p>ii. Senior Staff Meeting with the participation of all the Heads of Divisions &amp; Chief Engineers are held monthly to discuss the operational, financial &amp; personnel matters and matters arising are brought to the notice of Board of Directors.</p> <p>iii. Progress monitoring meetings for Construction Division and the Concrete Yards are held every month with the participation of all the project/ yard managers and the outcome is reported to the Board of Directors.</p>                                                                                                         |
| <b>Audit Committee and Auditors</b>                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 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 31.12.2021.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Corporate Governance Disclosures</b>                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Disclosures of Corporate Governance practices adopted in the Corporation                                                         | <p>In order to strengthen the good corporate governance practices, already in place in the Corporation, it identifies the best Industry practices in accordance with the guide line given by the General Treasury for good governance and implements them.</p> <p>It is encouraging to note that the majority of the principles and practices recommended by the General Treasury are already in place in the Corporation. A few of the practices not found to be in place in the Corporation have been identified and corrective actions are being taken. It is also believed that the amendments proposed to the guide lines for good governance will improve the operational structure and the regulatory framework relating to corporate governance of the corporations and statutory boards.</p> |





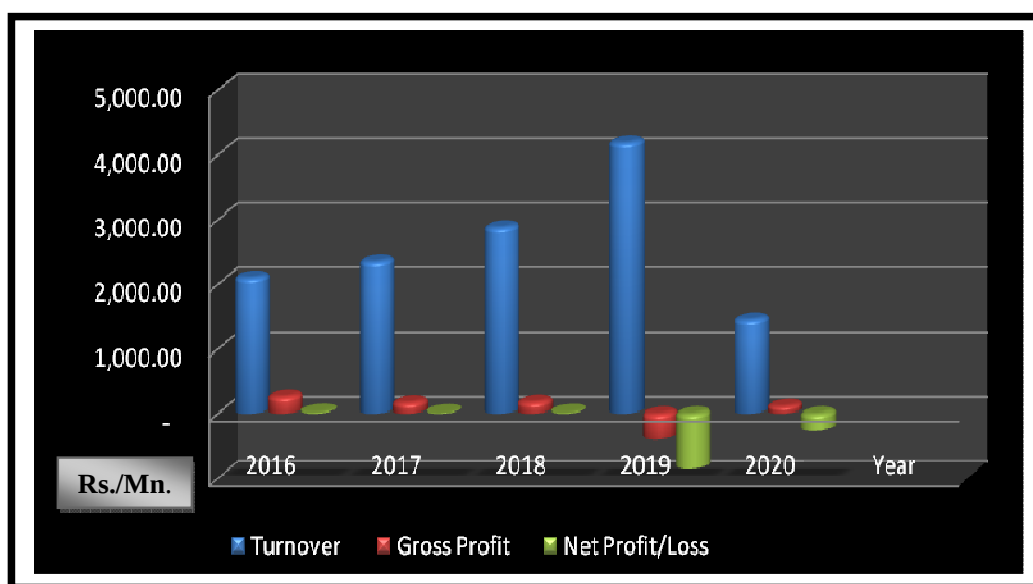
## OPERATIONAL AND FINANCIAL REVIEW

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

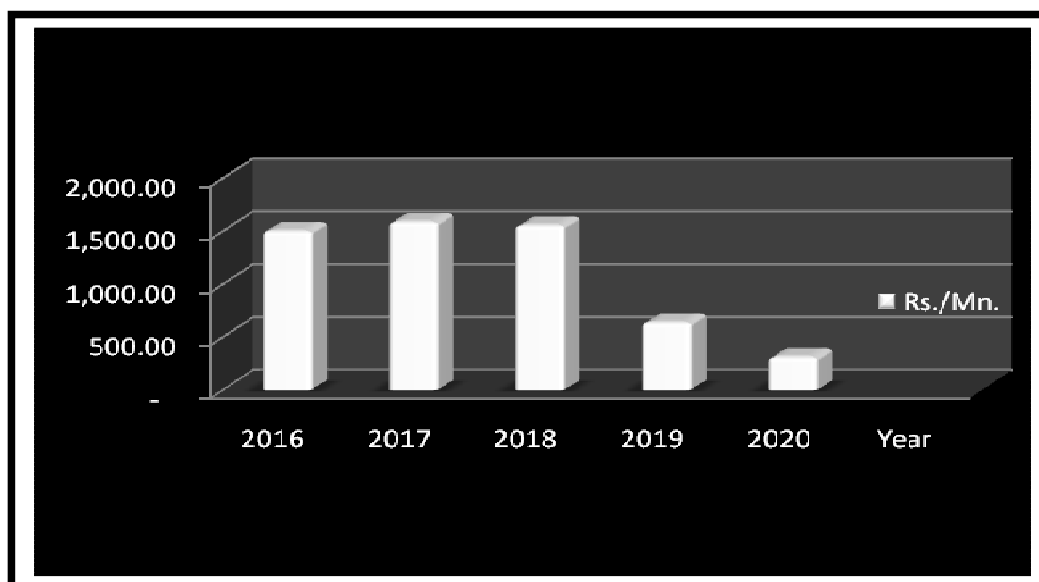
### Performance of the Corporation

The Corporation recorded a turnover of Rs.1,449 million during the year 2020 compared to Rs.4,192 million recorded in the previous year. The decrease in turnover was mainly due to the impact of COVID 19 pandemic and most of the projects in hands were delayed during the year. It shows a net loss (before tax) of Rs.257 million for the year 2020 compared to a net loss of Rs.844 million during the year 2019.

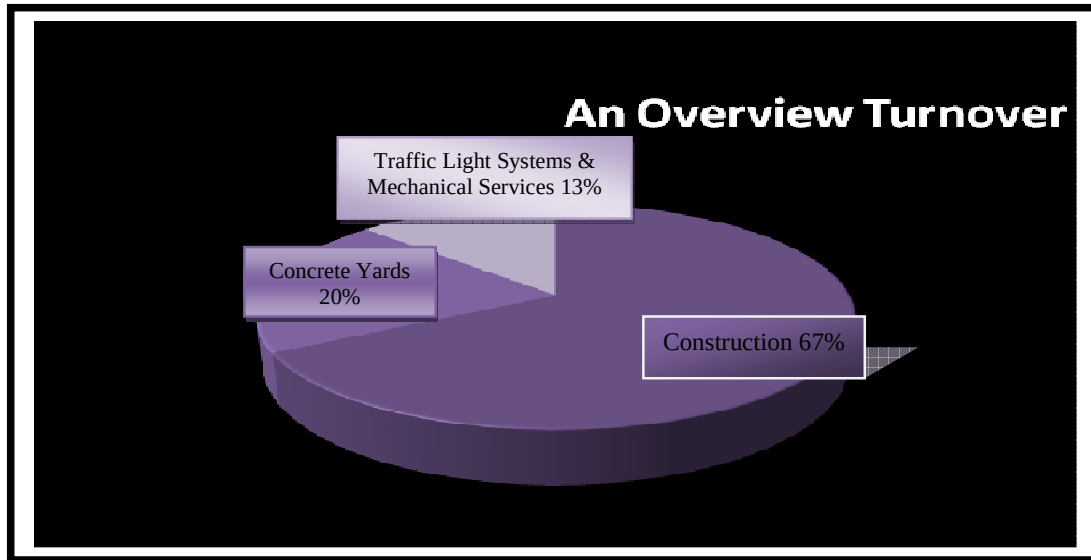
#### An Overview of Profit and Gross Profit to Turnover



#### Net Assets



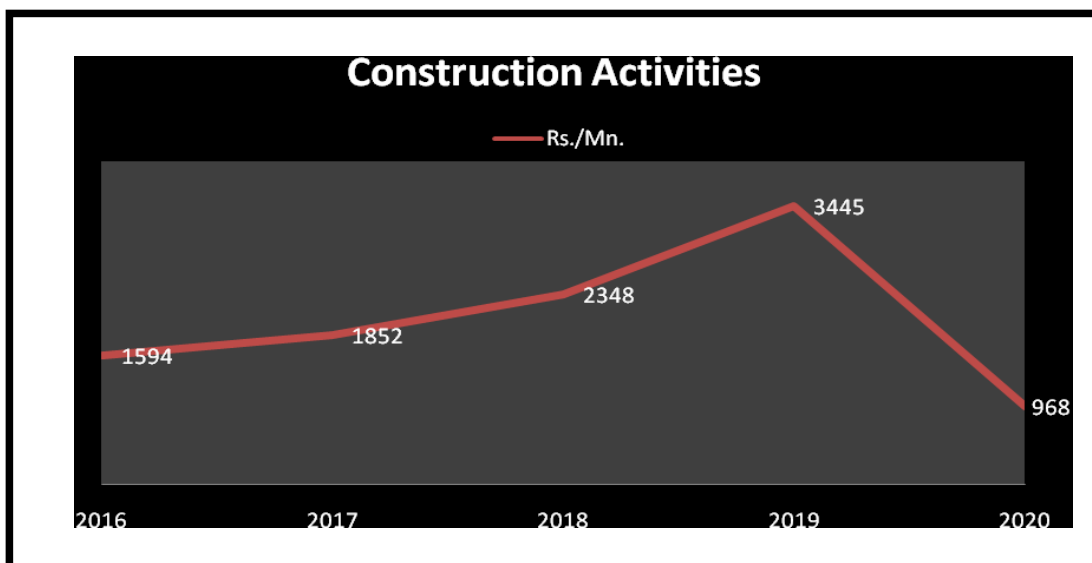
## Sectorial Performance



### Construction Division

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

### Turnover from Construction Activities



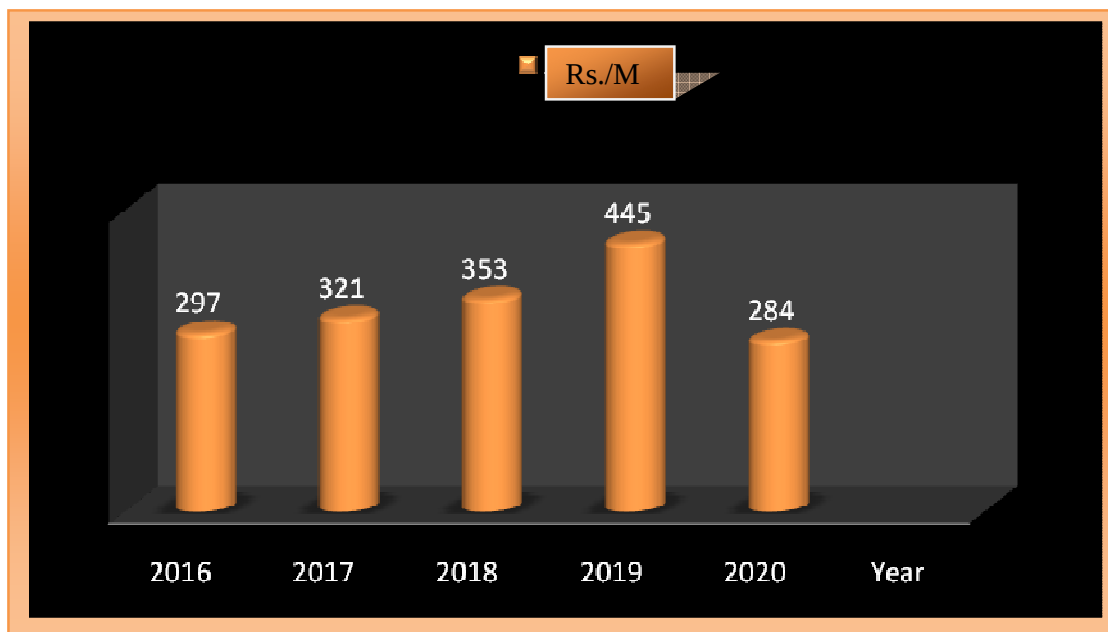
The value of recognized income on projects during the year under review has decreased from Rs.3445 Mn. in 2019 to Rs. 968 Mn. in 2020. Construction Division has made 67% contribution to the total turnover of the Corporation. This division has made a Gross Profit of Rs. 273 Mn. during the year under review.



## Concrete Yards

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

### Concrete Yards Turnover



The Turnover from Concrete Yards was Rs. 284 Mn. during the year under review compared to the previous year turnover of Rs. 445 Mn. and contributed to 20% of the total turnover of the Corporation. This division has made a Gross loss of Rs.41.5.

## Work Services & Others

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

The turnover from work services & others stood at Rs.197 Mn. and compared to the previous year turnover of Rs.302 Mn. The contribution of work services and others to the turnover of the Corporation in year 2020 is 13%.



## SUMMARY OF THE PROGRESS OF ON GOING PROJECTS AS AT 31<sup>st</sup> DECEMBER 2020

| Pro. code | Project                                                                                               | Client | Total Estimate Cost | Progress as at 31 <sup>st</sup> December 2020 |            |
|-----------|-------------------------------------------------------------------------------------------------------|--------|---------------------|-----------------------------------------------|------------|
|           |                                                                                                       |        |                     | Income (Rs. Mn.)                              | Physical % |
|           | <b>Bridges</b>                                                                                        |        |                     |                                               |            |
| 1161      | Bridge across Kirindi Oya at Modarapelessa.                                                           | NHDA   | 205.20              | 153.75                                        | 71%        |
| 1163      | Bridge across Walawe river between Thaligala and Ridiyagama.                                          | NHDA   | 235.61              | 113.46                                        | 54%        |
| 1171      | Construction of Bridge Across Kirindioya between Uduwila & Rubberwatta.                               | NHDA   | 163.69              | 128.70                                        | 85%        |
| 1172      | Construction of Bridge Across Urubokka oya at Keselwatta in Katuwana.                                 | NHDA   | 55.49               | 27.81                                         | 55%        |
| 1177      | Construction of Bridge Across Walawe river Between Badigantota & Liyangastota.                        | NHDA   | 245.71              | 55.63                                         | 25%        |
| 1178      | Construction of Bridge Across Malala Ara on Ranmaduwewa Thanamalvila Road.                            | NHDA   | 90.19               | 36.22                                         | 44%        |
| 1179      | Yaya Bridge on Walasmulla Pallekanda Road                                                             | NHDA   | 83.76               | 27.44                                         | 36%        |
| 1180      | Bridge on Urubokka oya in Kumbukmulla Medagoda.                                                       | NHDA   | 93.94               | 51.63                                         | 61%        |
| 1181      | Bridge joining Thalunna & Andupelena.                                                                 | NHDA   | 93.04               | 30.90                                         | 36%        |
| 1184      | Design & construction of Tharuna sewa Bridge across kirama ara in Hadugala.                           | NHDA   | 35.76               | 24.81                                         | 74%        |
| 1185      | Design & Construction of Bridge Across Urubokka oya at Kammale Thotupola.                             | NHDA   | 43.98               | 27.06                                         | 64%        |
| 1186      | Design and Construction of Bridge Across Thundola.                                                    | NHDA   | 39.76               | 30.78                                         | 82%        |
| 1188      | Design & Construction of Bridge across Kirama oya on Angulmaduwa Aranwela Road.                       | NHDA   | 97.63               | 38.39                                         | 43%        |
| 1190      | Rectification of damages of bridge 1/1 Hanwella - Pugoda road.                                        | RDA    | 112.94              | 24.71                                         | 25%        |
| 1205      | Construction of Bridge across a Canal behind the Sooriyawewa Hospital.                                | NHDA.  | 28.77               | 22.60                                         | 85%        |
| 1206      | Pedestrian Overhead Bridge for Walasmulla National School.                                            | NHDA   | 22.03               | 3.10                                          | 15%        |
| 1207      | Construction of Bridge across Dimbulahahena Dola at Pathegama on Warapitiya – Deiyandara access Road. | NHDA   | 38.09               | 12.64                                         | 37%        |
| 1238      | Bridge 28/3 Katugasthota - Bambarella .                                                               | RDA    | 60.50               | 23.87                                         | 45%        |
| 1264      | Steel bridge across McCullum in SLPA                                                                  | CMC    | 63.96               | 8.53                                          | 14%        |
| 1268      | Reconstruction of bridge no. 62/5 on Galle - Deniyaya - Madampe road                                  | RDA    | 80.68               | 20.57                                         | 29%        |
| 1269      | Reconstruction of bridge no. 1/3 on Panagoda Henpita road (B354)                                      | RDA    | 71.13               | 26.48                                         | 42%        |
| 1272      | Bridge No. 36/5 across MaOya in Naula - Elahera Pallegama Hettipola road                              | RDA    | 50.04               | 14.71                                         | 34%        |
| 1278      | Reconstruction Of Bridge No.12/1 On Paranthan-Karachchi Mullaitivu Road                               | RDA    | 109.83              | 11.89                                         | 13%        |



|                  |                                                                                               |                        |          |       |      |
|------------------|-----------------------------------------------------------------------------------------------|------------------------|----------|-------|------|
| 1279             | Horawala Bridge                                                                               | RDA                    | 58.14    | 5.67  | 11%  |
| 1280             | Bridge 5/1 at Rajagiriya near McDonalds                                                       | RDA                    | 93.17    | 10.41 | 13%  |
| 1289             | Nawala Bridge                                                                                 | RDA                    | 1,698.55 | 40.79 | 3%   |
| 1290             | Bridge 105/2 on Colombo Wellawaya Road                                                        | RDA                    | 48.47    | 7.11  | 17%  |
| 1298             | Repair works of Sirikurusa bridge                                                             | RDA                    | 38.60    | 0.18  | 1%   |
| 1299             | VVIP access bridge in Defense HQ                                                              | RDA                    | 409.66   | 0     | 0%   |
| <b>Roads</b>     |                                                                                               |                        |          |       |      |
| 1209             | Naula Hettipola Road.                                                                         | MASL                   | 41.77    | 37.96 | 91%  |
| 1265             | Improvements to Giridara Junction.                                                            | RDA                    | 60.38    | 17.39 | 33%  |
| 1266             | Improvements to Katuwana Rukmalpitiya Hulankanda Heegoda road.                                | RDA                    | 73.39    | 23.31 | 37%  |
| 1267             | Intersection at Ja-ela - Ekala road, Peliyagoda Puttalam road and Gama Meda road.             | RDA                    | 79.24    | 12.24 | 18%  |
| 1281             | Improvements to Ambalanthota Ridiyagama Stage I                                               | RDA                    | 205.36   | 80.18 | 39%  |
| 1282             | Improvements to Ambalanthota Ridiyagama Stage II                                              | RDA                    | 207.06   | 78.38 | 38%  |
| 1283             | Widening & improvements to Aluth Mawatha upper St. Andrews road to Tobacco company.           | RDA                    | 159.40   | 8.25  | 6%   |
| 1284             | Improvements to Wattala-Hekitta road.                                                         | RDA                    | 189.94   | 22.37 | 14%  |
| 1285             | Improvements to Moronthota - Arandara Road.                                                   | RDA                    | 167.32   | 16.36 | 11%  |
| 1286             | Improvements to Panamura - Buluthota Road.                                                    | RDA                    | 177.41   | 14.15 | 9%   |
| 1287             | Improvements to Kandevihara Junction Stage 1/ Stage2                                          | RDA                    | 206.87   | 13.83 | 7%   |
| 1288             | Improvements to Roads in Velanai PS- Jaffna District                                          | RDA                    | 112.83   | 5.45  | 5%   |
| 1294             | Construction of retaining walls Kandy/Jaffna Road                                             | RDA                    | 49.55    | 0.93  | 2%   |
| 1296             | Welioya Sampath nuwara to Gajabapura Road                                                     | RDA                    | 56.00    | 0.00  | 0%   |
| 1300             | Kapugollawa road (Rural roads in A' pura) (P-22)                                              | RDA                    | 211.29   | 0.00  | 0%   |
| 1301             | Rural roads in Apura (5 Nos) (P-23)                                                           | RDA                    | 180.39   | 0.00  | 0%   |
| <b>Buildings</b> |                                                                                               |                        |          |       |      |
| 1121             | Proposed buildings for Medical ward & operation theatres at Chilaw district General Hospital. | Ministry of Health     | 94.56    | 54.43 | 60%  |
| 1155             | Station Master Bungalows at Thaleimannar, Murukkan, Elephant pass, Pallei                     | Department of Building | 28.11    | 16.71 | 100% |
| 1226             | Modification to the Church of Our Lady of Madhu, Shrine in Mannar District.                   | Central Cultural Fund  | 54.14    | 14.70 | 100% |
| 1234             | "Sri Wimalasiri" Pre-school building at Udayala.                                              | Department of Building | 3.95     | 0.71  | 20%  |
| 1235             | Design & construction of multi purpose building - Pallegunnepana Kandy.                       | Department of Building | 7.60     | 2.39  | 35%  |



|                                                        |                                                                                                         |                                        |        |        |      |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------------------------------------|--------|--------|------|
| 1236                                                   | Design & construction of extension of existing building at Pathegama, Balapitiya.                       | Department of Building                 | 23.73  | 2.07   | 9%   |
| 1237                                                   | Design & Construction of works at Sapugoda Viharaya, Beruwala.                                          | Department of Building                 | 5.47   | 4.41   | 100% |
| 1243                                                   | Rehabilitation of Zion Church in Batticaloa.                                                            | Central Cultural Fund                  | 55.15  | 15.88  | 100% |
| 1254                                                   | Reconstruction of St. Martin's Seminary in Jaffna.                                                      | Central Cultural Fund                  | 12.27  | 1.64   | 12%  |
| <b>Water Supply &amp; Irrigation &amp; Hydro Power</b> |                                                                                                         |                                        |        |        |      |
| 1119                                                   | Implementation of proposed works to upgrade Tissamaharama Water supply scheme.                          | Ministry of City Plann. & Water Supply | 393.00 | 108.32 | 98%  |
| 1156                                                   | Tunnel in left Bank Main Canal of Kaluganga Reservoir Project.                                          | Mahaweli Authority of Sri Lanka        | 62.28  | 62.30  | 100% |
| 1167                                                   | Godakoggalla Water Supply Scheme – Stage II                                                             | NWS&DB                                 | 42.36  | 28.23  | 52%  |
| 1271                                                   | Rectangular Lining of Kaluganga Right bank Canal                                                        | Mahaweli Authority of Sri Lanka        | 34.74  | 7.89   | 23%  |
| <b>Miscellaneous (Others)</b>                          |                                                                                                         |                                        |        |        |      |
| 1210                                                   | Labyrinth spill way and outlet structure for level crossing 04 at Right Bank Main Canal (Moragahakanda) | Mahaweli Authority of Sri Lanka        | 50.55  | 42.76  | 77%  |
| <b>02. Concrete Yards</b>                              |                                                                                                         |                                        |        |        |      |
| 051                                                    | Ratmalana                                                                                               |                                        |        | 120.20 |      |
| 052                                                    | Bopitiya                                                                                                |                                        |        | 55.38  |      |
| 053                                                    | Weragantota                                                                                             |                                        |        | 83.54  |      |
| 812                                                    | Medawachchiya                                                                                           |                                        |        | 50.88  |      |
| <b>03. Consultancy</b>                                 |                                                                                                         |                                        |        |        |      |
| 01                                                     | Consultancy                                                                                             |                                        |        | 8.00   |      |
| <b>04. Mechanical Division</b>                         |                                                                                                         |                                        |        |        |      |
| 01                                                     | Transport                                                                                               |                                        |        | 39.08  |      |
| 02                                                     | Traffic Light signal system (TLS)                                                                       |                                        |        | 286.80 |      |
| 03                                                     | Asphalt Plants                                                                                          |                                        |        | -      |      |



HARDY COLLEGE AMPARA



SIRIKURUSA BRIDGE



MADIWELA EAST DIVERSION SCHEME

BRIDGE OF KIRINDI OYA  
BETWEEN UDUWILA &  
RUBBERWATTA



## HUMAN RESOURCES

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

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

In the year 2020 many programs were launched out in order to develop knowledge, skills, and to maintain standards to keep the Employees satisfied and motivated. Human Resources look forward to fulfill the goals and objectives of the Corporation.

### 1. **Staff Promotions**

All members of the staff who were qualified for promotions in the year 2020 have been promoted.

### 2. **Staff Welfare**

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

### 3. **Salary Increases**

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

In the Year 2020 All employees benefited an Attendance Allowance granted by the Management.

For Engineers – RS. 20,000/- and others Rs.8,500/- per month.

### 4. **Rewards to Employees**

All employees who have completed 25 years of continuous service in the Corporation were felicitated with a gold sovereign and a memento as a token of appreciation of dedicated service at the 49<sup>th</sup> Anniversary Celebrations of the Corporation.

### 5. **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                                                      | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       |
|------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|
| Civil Engineers                                                  | 47         | 56         | 73         | 73         | 73         | 76         |
| Mechanical & Electrical Engineers                                | 10         | 09         | 09         | 08         | 08         | 07         |
| Senior Managers                                                  | 03         | 03         | 03         | 03         | 03         | 01         |
| Accountants                                                      | 05         | 08         | 08         | 08         | 07         | 07         |
| Other Staff Officers                                             | 16         | 17         | 19         | 18         | 18         | 16         |
| Construction Superintendents<br>(Civil/ Mechanical / Electrical) | 24         | 28         | 28         | 22         | 25         | 24         |
| Draftsman / Quantity Surveyor                                    | 04         | 04         | 03         | 03         | 05         | 05         |
| Security Staff                                                   | 39         | 43         | 56         | 52         | 50         | 51         |
| Clerical & Allied Grades                                         | 91         | 105        | 107        | 105        | 104        | 99         |
| Supervisory & Other Skill Grades                                 | 313        | 310        | 348        | 337        | 334        | 308        |
|                                                                  | <hr/>      |            |            |            |            |            |
| <b>Total</b>                                                     | <b>552</b> | <b>583</b> | <b>654</b> | <b>629</b> | <b>627</b> | <b>594</b> |

## AUDIT COMMITTEE REPORT

### REPORT OF THE AUDIT COMMITTEE – 2020

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

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

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

Representative of the National Audit Office participated as an observer as per the above Circular and Chief Internal Auditor of line Ministry also participated as an observer as appointed by the Ministry. During the financial year 2020, three (03) Audit Committee meetings were held. Over the year 2020, the Audit Committee.

1. Paid attention for the preparation and presentation of Annual Reports for the years 2014 to 2018 and 2019.
2. Reviewed the Internal Audit Queries, Internal Audit Investigation Reports covering the nature of the issues, responses by the Departmental Heads and corrective actions that were taken by the Management to overcome the noted deficiencies.
3. Specific attention was given to propose recommendations to strengthen several internal control systems in the areas of purchasing, stores, trade and other receivables, advances, long outstanding creditor balances, project operations, closing of sites, billing, fleet management, finance and human resources such as interdepartmental transactions in order to ensure the smooth operations of the corporation.
4. Paid attention for the Auditor General's Interim Reports issued in 2019 and reviewed follow up actions for rectifying accounting deficiencies and non - compliance of rules mentioned therein.
5. Reviewed and approved the Internal Audit Programme - 2020.
6. Paid attention to ensure that all relevant rules and regulations and circulars issued by the government are complied with.
7. Reviewed the follow up actions taken by the respective Manager/Officer on the recommendations of the Committee.

1. Reviewed the financial statements 2019 to ensure to compliance with Sri Lanka Accounting Standards (SLFRS/LKAS).
2. Paid attention for the preparation and presentation of Action Plan, Procurement Plan, Corporate Plan and Implementation & COPE decisions.
3. Considered the strength of Internal Audit Staff and their findings specially belongs to risk areas.

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

#### **Audit Committee Members.**

- Ms. M.K.D.N. Madampe - Chairman/Board Director/Treasury Representative (Up to 2<sup>nd</sup> Meeting held on 14<sup>th</sup> July 2020)
- Ms. J.K.N. Samanmalie - Chairman/Board Director/Treasury Representative (From 3<sup>rd</sup> Meeting held on 10<sup>th</sup> December 2020)
- Mr. V.I. RoshanDayarathna - Member/Board Director
- Ms. Punya Jayathilaka - Member/Board Director



Ms. J.K.N. Samanmalie

Ms. J.K.N. Samanmalie  
**Chairman - Audit Committee**

## STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

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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 2021, 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. D. P.M. CHANDANA**  
**CHAIRMAN**

**10 YEARS PERFORMANCE SUMMARY.**

| Description                          | 2011<br>(Rs.) | 2012<br>(Rs.) | 2013<br>(Rs.) | 2014<br>(Rs.) | 2015<br>(Rs.) | 2016<br>(Rs.) | 2017<br>(Rs.) | 2018<br>(Rs.) | 2019<br>(Rs.) | 2020<br>(Rs.) |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>1.Turnover</b>                    | 2,564,139,185 | 3,534,179,480 | 3,565,830,370 | 3,466,394,952 | 2,429,513,031 | 2,102,584,401 | 2,348,272,403 | 2,878,188,260 | 4,191,834,537 | 1,449,321,086 |
| <b>2. Operating Expenses</b>         | 2,288,062,266 | 3,421,538,609 | 3,439,676,689 | 3,234,011,015 | 2,193,414,947 | 1,833,679,730 | 2,175,009,845 | 2,695,978,650 | 4,583,749,210 | 1,338,451,467 |
| <b>3.Gross Profit</b>                | 276,076,919   | 112,640,871   | 126,153,681   | 232,383,938   | 236,098,085   | 268,904,671   | 173,262,558   | 182,209,610   | (391,914,674) | 110,869,618   |
| <b>4.Other Income</b>                | 32,857,265    | 172,380,088   | 199,234,550   | 171,015,809   | 176,631,024   | 147,891,323   | 171,592,907   | 192,102,685   | 119,464,993   | 326,623,242   |
| <b>5.Admin. Expenses</b>             | 143,558,270   | 133,379,468   | 170,114,913   | 180,308,429   | 201,089,843   | 199,344,818   | 197,056,502   | 199,602,006   | 228,759,127   | 211,104,565   |
| <b>6.Other Expenses</b>              | 57,476,813    | 22,896,549    | 9,582,288     | 22,928,839    | 77,026,709    | 104,152,652   | 27,828,652    | 23,395,705    | 125,008,681   | 280,515,508   |
| <b>7.Financial Expenses</b>          | 65,582,132    | 62,872,698    | 67,646,914    | 93,350,261    | 87,193,708    | 96,407,382    | 118,644,663   | 144,776,454   | 224,331,579   | 209,417,300   |
| <b>8. Net Profit before Taxation</b> | 42,316,969    | 65,872,244    | 97,208,693    | 112,449,561   | 50,339,247    | 22,841,652    | 12,206,658    | 18,523,726    | (843,901,384) | (257,420,711) |
| <b>9.Total Assets</b>                | 3,558,253,858 | 5,115,747,833 | 4,892,581,938 | 4,374,397,115 | 4,223,624,771 | 4,472,138,666 | 5,110,846,002 | 6,148,278,911 | 5,799,104,956 | 5,472,482,069 |
| <b>10.Net Assets</b>                 | 819,601,521   | 1,871,466,720 | 1,792,746,938 | 1,750,282,565 | 1,555,293,002 | 1,500,379,882 | 1,587,711,808 | 1,555,932,204 | 637,117,760   | 309,993,011   |
| <b>11.ROCE - %</b>                   | 7.2           | 3.6           | 5.89          | 6.85          | 3.5           | 6.71          | 6.43          | 5.41          | -32.69        | -3.37         |
| <b>12.Return on Assets %</b>         | 1.18          | 1.29          | 1.99          | 2.57          | 1.19          | 2.53          | 2.35          | 2.46          | -11.15        | -0.99         |
| <b>13.Gross Profit Ratio - %</b>     | 10.77         | 3.19          | 3.54          | 6.7           | 9.71          | 12.70         | 7.38          | 6.33          | -7.75         | 7.65          |
| <b>14.Net Profit Ratio - %</b>       | 1.64          | 1.86          | 2.73          | 3.2           | 2.0           | 1.1           | 0.52          | 0.64          | -16.68        | -17.76        |
| <b>15.Current Ratio - Times</b>      | 1.10          | 1.20          | 1.06          | 1.02          | 1.04          | 1.04          | 1.1           | 1.4           | 1.16          | 1.10          |





# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

CAE/C/SDCC/01/2020/02

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

31 December 2021

Chairman

State Development and Construction Corporation

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the State Development and Construction Corporation for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

#### 1. Financial Statements

##### 1.1 Qualified Opinion

The audit of the financial statements of the State Development and Construction Corporation ("Corporation") for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and statement of comprehensive Income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and *Finance Act No. 38 of 1971*. My comments and observations which I consider should be published with the annual report of the *Authority* in terms of Section 12 of the National Audit Act, appear in this report. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair



view of the financial position of the Corporation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## 1.2 Basis for Qualified Opinion

### (a) LKAS 01 – Presentation of Financial Statements

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Credit balances of debtors amounting to Rs.8,562,252 and the debit balances of creditors amounting to Rs.247,182,859 had been offset against the debit and credit balances of such accounts as at 31 December 2020 contrary to the provision in *LKAS 1 – Presentation of financial statements*. Hence, current assets and current liabilities had been understated by Rs.8,562,252 and Rs.247,182,859 respectively.

### (b) LKAS 08 – Accounting Policies, Changes in Accounting estimates and errors

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The comparative information had not been restated and the relevant disclosures had not been done in respect of the prior year adjustment of Rs. 4,335,613 made in the changes in equity statement during the year under review as per the section 45 and section 49 of LKAS 08.

### (c) LKAS 16 – Property, Plant and Equipment.

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Fully depreciated computer accessories and software, Office Furniture, Machinery and Equipment, Motor Vehicle, and other Assets costing to Rs.7,665,759, Rs.11,838,574, Rs.122,478,704, Rs.180,936,809 and Rs.63,041,070 respectively are being continuously used by the Cooperation without reassessing the useful economic lifetime of those assets and accounted them accordingly as per the provisions in Section 51 of *LKAS 16 – Property, Plant and Equipment*.

(d) **SLFRS 10 - Consolidated Financial Statements.**

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Devcoshowa (Pvt) Ltd the fully own subsidiary of the Corporation had been inactive for a long time and the board had taken a decision to wind up the company in the year 2006. The winding up process was not get completed and the consolidated financial statements were not prepared by the corporation.

- (e) According to section 02 of the Economic Service Charges Amendment Act No.13 of 2015, Economic Service Charges (ESC) and surcharges there on amounting to Rs.64,158,593 and Rs.13,654,032 respectively had not been paid or brought to the financial statements for the year 2020.
- (f) Accounting policy for the provision for doubtful debts amounting to Rs.669,791,349 as at 31 December 2020 had not been disclosed in the financial statements.
- (g) Provision for Gratuity amounting Rs.79,332,387 had been computed as at 31 March 2020 instated of 31 December 2020.
- (h) Balance of stock adjustment amounting to Rs.19,348,787 had not been adjusted as at 31 December 2020.
- (i) The overvalued creditors amounting to Rs. 234,194,578 in the year 2019 had been credited to the subcontract expenses during the year under review without crediting the prior year adjustment accounts, thus understate the cost of sale and overstate the total loss.

- (j) Following balances were not verified in audit due to the unavailability of the supporting documents.

| Item of Account                                 | Value       | Evidence not made available          |
|-------------------------------------------------|-------------|--------------------------------------|
| -----                                           | -----       | -----                                |
|                                                 | (Rs.)       |                                      |
| (i) Loan Balance of Construction Guarantee Fund | 20,800,000  | Loan Agreement                       |
| (ii) Creditors balance                          | 43,829,527  | Individual schedule and age analysis |
| (iii) Letter of credit Margin Account           | 114,127,998 | Detail schedule                      |
| (iv) Sub contract advances                      | 15,299,042  | Detail schedule                      |
| (v) Trade Creditor - Site                       | 69,515,187  | Age Analysis                         |
| (vi) Sundry Creditors                           | 1,356,639   | Detail schedule and Age Analysis     |
| (vii) Refundable Deposits                       | 1,201,004   | Detail schedule and Age Analysis     |

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.



### 1.3 Other information included in the Corporation's 2020 Annual Report.

The other information comprises the information included in the Corporation's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Corporation's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatement are existed those will be included in my report to Parliament in pursuance of provisions in Article 154(6) of the Constitution that will be tabled in due course.

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

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

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

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

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

### 1.5 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## **2. Report on Other Legal and Regulatory Requirements**

- 2.1 The National Audit Act, No. 19 of 2018 include specific provisions for following requirements.
- 2.1.1 Expect for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirements of Section 12 (a) of the National Audit Act No, 19 of 2018.



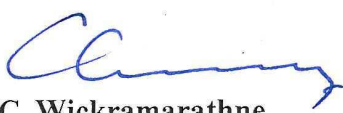
- 2.1.2 The Financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3 The Financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;
- 2.2.1 to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2 To state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- 2.2.3 To state that the Corporation has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- 2.2.4 to state that the resources of the Corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

### 3. Other Audit observations.

- (a) Debtor balances of Rs.609,829,608 had remained over 03 years without being recovered. Effective actions had not been taken to recover those debtors other than the provisioning for the doubtful debts.
- (b) Mobilization advances received amounting to Rs.19,177,978 with regard to 05 completed construction projects had remained in the financial statements as at 31 December 2020 without been settled since 2018.
- (c) The Value Added Tax and Nation Building Tax totaling to Rs.942,436,927 and Rs.6,342,105 had remained over ten years without been settled as at 31 December 2020.
- (d) An overdraft of Rs.10,831,519 had been obtained from the bank as at 31 December 2020 exceeding the approved credit limit.
- (e) The bank loan outstanding as at 31 December 2020 was of Rs.1,420 million and the interest expense for those loans was Rs.164,565,105. This interest expense represents 78 percent of the total financial expenses of the year.
- (f) The approved cadre of the Corporation as at 31 December 2020 was 491 while the actual cadre was 594. Accordingly, this shows an excess recruitment of 103 employees to the Corporation to the various positions.
- (g) The approved cadre for civil engineers was 19, however 50 Civil Engineers had been recruited as contract basis. Further 28 Security officers had been recruited exceeding the approved cadre.
- (h) Although four bridges construction projects amounting to Rs.137.28 million and nine building construction projects amounting to Rs.361.74 million had been

expected to complete during the year under review, actual progress was below 75 per cent.

- (i) There were 16 bridge projects contract value amounting to Rs.1572.65 million, received from National Housing Development Authority which should be scheduled to be completed in 2018 and 2019 had not been completed even by 31 December 2020. It was observed that physical progress of 08 projects were below 50 percent.
- (j) Eight building construction projects and water supply and irrigation project where the total contract value is Rs.830.97 million, remained without any progress.
- (k) Although the budgeted net cash flow from operating activities for the year under review were Rs.1,002.64 million, the actual net cash flow from operating activities were negative balance of Rs.85.18 million. It was 108 per cent decreased when compared with the budgeted amount.
- (l) A total loss amounting to Rs.186,279,697 had been identified from 17 projects as at 31 December 2020.
- (m) It was observed that there is an unusable motor vehicle, machinery, and equipment valued at Rs.67,133,489 remained the Head office premises in Rathmalana.

  
**W.P.C. Wickramaratne**  
**Auditor General**

STATE DEVELOPMENT & CONSTRUCTION CORPORATION  
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

(All Amounts Are In Sri Lanka Rupees)

|                                               | Note  | 2020            | 2019            |
|-----------------------------------------------|-------|-----------------|-----------------|
| Revenue                                       | 01    | 1,449,321,086   | 4,191,834,537   |
| Cost Of Sales                                 | 02    | (1,338,451,467) | (4,583,749,210) |
| Gross Profit / (Loss)                         |       | 110,869,618     | (391,914,674)   |
| Other Income                                  | 03    | 326,623,242     | 119,464,993     |
| Profit / (Loss) Before Operating Expenses     |       | 437,492,860     | (272,449,681)   |
| Administrative Expenses                       | 04    | (211,104,565)   | (228,759,127)   |
| Other Expenses                                | 05    | (280,515,508)   | (125,008,681)   |
| Results From Operating Activities             |       | (54,127,213)    | (626,217,488)   |
| Financial Income                              | 06    | 6,123,801       | 6,647,683       |
| Financial Expenses                            | 06    | (209,417,300)   | (224,331,579)   |
| Profit Before Tax                             |       | (257,420,711)   | (843,901,384)   |
| Tax Expenses                                  | 07    | 11,735,078      | 29,061,024      |
| Profit For The Year                           |       | (245,685,634)   | (814,840,359)   |
| Other Comprehensive Income                    |       |                 |                 |
| Defined Benefit Plan Actuarial Gains (Losses) | 18.01 | (7,218,787)     | (3,216,011)     |
| Tax On Other Comprehensive Income             | 11    | 1,010,630       | 450,242         |
| Other Comprehensive Income Net of Tax         |       | (6,208,157)     | (2,765,770)     |
| Total Comprehensive Income                    |       | (251,893,791)   | (817,606,129)   |

The Significant Accounting Policies and Notes on pages 05 to 35 form an integral part of these Financial Statements.





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

2020

2019

(All Amounts Are In Sri Lanka Rupees)

Note

|                                           |    |                      |                      |
|-------------------------------------------|----|----------------------|----------------------|
| <b>ASSETS</b>                             |    |                      |                      |
| <b>Non - Current Assets</b>               |    |                      |                      |
| Property, Plant & Equipment               | 08 | 1,074,011,490        | 1,152,012,211        |
| Investments In Government Owned Companies | 09 | 1,842,148            | 3,684,296            |
| Deferred Tax Assets                       | 11 | 143,051,168          | 151,518,342          |
| <b>Total Non Current Assets</b>           |    | <b>1,218,904,805</b> | <b>1,307,214,850</b> |
| <b>Current Assets</b>                     |    |                      |                      |
| Inventories                               | 12 | 289,918,988          | 127,944,993          |
| Other Investments, Including Derivatives  | 10 | 57,925,796           | 26,296,183           |
| Income Tax Assets                         | 13 | 70,664,562           | 70,664,362           |
| Trade & Other Receivables                 | 14 | 3,486,196,995        | 3,958,833,196        |
| Cash & Cash Equivalents                   | 15 | 348,870,921          | 308,151,373          |
| <b>Total Current Assets</b>               |    | <b>4,253,577,263</b> | <b>4,491,890,106</b> |
| <b>Total Assets</b>                       |    | <b>5,472,482,069</b> | <b>5,799,104,956</b> |
| <b>EQUITY &amp; LIABILITIES</b>           |    |                      |                      |
| <b>Capital &amp; Reserves</b>             |    |                      |                      |
| Capital                                   |    | 16,671,651           | 16,671,651           |
| Capital Grant                             |    | 51,140,000           | 51,140,000           |
| Capital Reserves                          |    | 6,629,760            | 6,629,760            |
| Government Grant                          |    | 295,460,507          | 375,027,079          |
| Revaluation Reserve                       |    | 656,256,375          | 656,256,375          |
| Retained Earnings                         |    | (716,165,282)        | (468,607,105)        |
| <b>Total Equity</b>                       |    | <b>309,993,011</b>   | <b>637,117,760</b>   |
| <b>Non - Current Liabilities</b>          |    |                      |                      |
| Loans & Borrowings                        | 17 | 1,068,338,693        | 1,051,020,000        |
| Retirement Benefit Obligation             | 18 | 79,332,387           | 56,405,054           |
| Deferred Tax Liabilities                  | 11 | 150,151,728          | 171,364,610          |
| <b>Total Non Current Liabilities</b>      |    | <b>1,297,822,809</b> | <b>1,278,789,664</b> |
| <b>Current Liabilities</b>                |    |                      |                      |
| Trade & Other Payables                    | 19 | 3,078,583,873        | 3,254,243,349        |
| Loans & Borrowings                        | 17 | 360,817,026          | 247,387,791          |
| Lease Creditors                           | 16 | -                    | -                    |
| Bank Overdrafts                           | 20 | 425,265,350          | 381,566,392          |
| <b>Total Current Liabilities</b>          |    | <b>3,864,666,249</b> | <b>3,883,197,533</b> |
| <b>Total Equity &amp; Liabilities</b>     |    | <b>5,472,482,069</b> | <b>5,799,104,956</b> |

Deputy General Manager-Finance.....  
23rd March 2021

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

Chairman.....  
23rd March 2021

Director.....  
23rd March 2021

General Manager.....  
23rd March 2021

The Significant Accounting Policies and Notes on pages 05 to 35 form an integral part of these Financial Statements.



**STATE DEVELOPMENT & CONSTRUCTION CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**  
*(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 2019                                  | 16,671,651 | 51,140,000    | 6,629,760       | 763,088,809         | 454,413,701      | 263,988,285              | 1,555,932,205 |
| Prior Year Adjustments                                          | -          | -             | -               | -                   | -                | 85,010,739               | 85,010,739    |
| Deferred Tax on Revaluation Reserves                            | -          | -             | -               | (106,832,433)       | -                | -                        | (106,832,433) |
| Profit For The Year                                             | -          | -             | -               | -                   | -                | (814,840,359)            | (814,840,359) |
| Amount of Government Grant Recognised as Income During The Year | -          | -             | -               | -                   | (79,386,622)     | -                        | (79,386,622)  |
| Other Comprehensive Income                                      | -          | -             | -               | -                   | -                | (2,765,770)              | (2,765,770)   |
| Balance As At 31st December 2019                                | 16,671,651 | 51,140,000    | 6,629,760       | 656,256,375         | 375,027,079      | (468,607,105)            | 637,117,760   |
| Effect Of Prior Year Transactions                               |            |               |                 |                     |                  | 4,335,613                |               |
| Balance As At 1st January 2020 (Restated)                       | 16,671,651 | 51,140,000    | 6,629,760       | 656,256,375         | 375,027,079      | (464,271,492)            | 641,453,373   |
| Profit For The Year                                             | -          | -             | -               | -                   | -                | (245,685,634)            | (245,685,634) |
| Amount of Government Grant Recognised as Income During The Year | -          | -             | -               | -                   | (79,566,571)     | -                        | (79,566,571)  |
| Other Comprehensive Income                                      | -          | -             | -               | -                   | -                | (6,208,157)              | (6,208,157)   |
| Balance As At 31st December 2020                                | 16,671,651 | 51,140,000    | 6,629,760       | 656,256,375         | 295,460,507      | (716,165,282)            | 309,993,011   |

The Significant Accounting Policies and Notes on pages 05 to 35 form an integral part of these Financial Statements.





STATE DEVELOPMENT & CONSTRUCTION CORPORATION  
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

(All Amounts Are In Sri Lanka Rupees)

|                                                                 | 2020                | 2019                 |
|-----------------------------------------------------------------|---------------------|----------------------|
|                                                                 | Note                |                      |
| <b>Cash Flow From Operating Activities</b>                      |                     |                      |
| Profit / (Loss) Before Tax                                      | (257,420,711)       | (843,901,384)        |
| Adjustments For ;                                               |                     |                      |
| Depreciation                                                    | 98,694,848          | 98,138,128           |
| Prior Year Adjustment                                           | -                   | (81,688,777)         |
| Provision For Defined Benefit Plan                              | 10,109,842          | 14,247,280           |
| (Gain)/Loss On Disposal Of Property, Plant & Equipment          | -                   | (8,770,316)          |
| (Gain)/Loss On Translation Of Foreign Currency Loans            | (7,477,498)         | 46,357,653           |
| Impairment Loss On Trade & Other Receivables                    | 277,448,063         | 112,616,769          |
| ESC Written Off Expense                                         | -                   | 6,101,533            |
| Finance Expenses                                                | 209,417,300         | 224,331,579          |
| Deferred Income                                                 | (79,566,571)        | (79,617,464)         |
| Provision for Slow & Non Moving Stock                           | (1,044,622)         | 1,692,796            |
| Finance Income                                                  | (6,123,801)         | (6,647,683)          |
| <b>Operating Profit / (Loss) Before Working Capital Changes</b> | <b>244,036,848</b>  | <b>(517,139,886)</b> |
| (Increase) / Decrease In Inventory                              | (156,425,972)       | 180,579,839          |
| (Increase) / Decrease In Trade & Other Receivables              | 282,477,105         | (35,765,222)         |
| (Increase) / Decrease In Purchases & Sub Contract Advances      | (88,529,086)        | 8,276,673            |
| Increase / (Decrease) In Advances & Retention                   | 243,281,095         | (460,064,644)        |
| Increase / (Decrease) In Trade & Other Payables                 | (367,114,427)       | 750,107,533          |
| <b>Cash Generated From / (Used In) Operations</b>               | <b>157,725,561</b>  | <b>(74,005,706)</b>  |
| Finance Cost Paid                                               | (227,225,528)       | (214,602,311)        |
| Gratuity Paid                                                   | (15,534,521)        | (8,292,850)          |
| Tax Paid                                                        | (145,200)           | (2,281,628)          |
| <b>Net Cash Flow From / (Used In) Operating Activities</b>      | <b>(85,179,688)</b> | <b>(299,182,494)</b> |
| <b>Cash Flows From / (Used In) Investing Activities</b>         |                     |                      |
| Acquisition Of Property, Plant & Equipment                      | (20,092,070)        | (14,191,925)         |
| Proceeds From Disposal Of Property, Plant & Equipment           | -                   | 9,838,448            |
| Investment in Fixed Deposits                                    | (31,629,613)        | 46,496,582           |
| Finance Income Received                                         | 3,174,034           | 7,592,400            |
| <b>Net Cash Flow From / (Used In) Investing Activities</b>      | <b>(48,547,650)</b> | <b>49,735,505</b>    |
| <b>Cash Flows From / (Used In) Financing Activities</b>         |                     |                      |
| Repayment Of Loans & Borrowings                                 | (45,380,618)        | (93,192,209)         |
| Proceeds From Borrowings                                        | 176,128,546         | 246,000,000          |
| Repayment Of Finance Leases                                     | -                   | (12,033,333)         |
| <b>Net Cash Flow From / (Used In) Financing Activities</b>      | <b>130,747,928</b>  | <b>140,774,458</b>   |
| <b>Net Increase / (Decrease) In Cash &amp; Cash Equivalents</b> | <b>(2,979,409)</b>  | <b>(108,672,531)</b> |
| <b>Cash &amp; Cash Equivalents At The Beginning Of The Year</b> | <b>(73,415,020)</b> | <b>35,257,511</b>    |
| <b>Cash &amp; Cash Equivalents At The End Of The Year</b>       | <b>(76,394,429)</b> | <b>(73,415,020)</b>  |

The Significant Accounting Policies and Notes on pages 05 to 35 form an integral part of these Financial Statements.





ACCOUNTING POLICIES (Contd...)

## 1. CORPORATE INFORMATION

### 1.1 General

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

### 1.2 Comparative Information

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

### 1.3 Principal Business Activities

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

### 1.4 Number of Employees

The number of employees at the end of the year was 594.

### 1.5 Date of Authorization for Issue

The Financial Statements were authorised for issue by the Board of Directors on 23<sup>rd</sup> March 2021.

## 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 Foreign Currency Translation

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

## 2.1.3 Related Party Relationships

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

## 2.1.4 Taxation

### (a) Current Tax

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

### (b) Deferred Tax

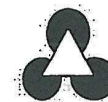
Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets & liabilities for the financial reporting purpose and amounts used for tax purpose. Deferred tax is measured at the tax rate that is expected to apply to temporary differences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

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

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

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





## 21.5 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 22 Valuation of Assets & Liabilities and Their Bases of Measurement

### 22.1 Property, Plant and Equipment

#### Cost and Valuation

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

#### Subsequent Expenditure

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

#### Revaluation

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





ACCOUNTING POLICIES (Contd...)

### Impairment

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

Corporation does not foresee any indication of impairment as at reporting date due to COVID-19 pandemic allowing its' operations to function whilst strictly adhering to and supporting government directives.

### 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

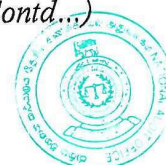
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

### 2.2.2 Leases

#### a) Finance Leases

Property, plant and equipment on finance leases, which effectively transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased items, are capitalized and disclosed as finance leases at their cash price and depreciated over the period the Corporation is expected to benefit from the use of the leased assets. The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations

(Contd...)





ACCOUNTING POLICIES (Contd...)

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

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

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

**Subsequent Measurement**

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

**a) Financial Assets at Fair Value Through Profit or Loss**

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

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

(Contd...)







ACCOUNTING POLICIES (Contd...)

**b) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income. Short term receivables are measured at cost.

**Staff Loans**

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

**Trade Receivables**

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

**Held-To-Maturity Investments**

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

**c) Available-For-Sale Financial Investments**

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

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







### **Derecognition**

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

### **Impairment of Financial Assets**

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

## **2. Financial Liabilities**

### **Initial Recognition and Measurement**

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

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

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

### **Subsequent Measurement**

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

#### **Financial Liabilities at Fair Value through Profit or Loss**

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

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

#### **Loans and Borrowings and Other Financial Liabilities**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

(Contd...)





ACCOUNTING POLICIES (Contd...)

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

**Derecognition**

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

**3. Fair Value of Financial Instruments**

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

**2.2.4 Impairment of Assets**

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

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

(Contd...)







ACCOUNTING POLICIES (Contd...)

## 2.2.5 Investments

### a) Current Investments

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

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

### b) Associate Company Investments

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

## 2.2.6 Inventories

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

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

## 2.2.7 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

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

(Contd...)





ACCOUNTING POLICIES (Contd...)

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### 2.2.8 Recognition of Due from Customer and Due to Customer

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

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

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

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

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

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

### 2.3 Liabilities and Provisions

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

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

#### 2.3.1 Retirement Benefit Obligations

##### a) Defined Benefit Plan – Gratuity

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

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

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







ACCOUNTING POLICIES (Contd...)

**2.4 Revenue**

**2.4.1 Revenue Recognition**

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

**a) Construction Revenue**

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

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

**b) Sale of Goods**

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

**c) Interest**

Interest income is recognized on a time apportioned basis.

**d) Rental and Other Income**

Rental income is recognized on accrual basis.

**e) Gains & Losses**

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

(Contd...)





ACCOUNTING POLICIES (Contd...)

**2.5 Expenditure Recognition**

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

**2.6 Comparatives**

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

**2.7 Events Occurring After the Reporting Date**

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

**2.8 Segment Information**

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

**2.9 Government Grant**

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

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

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





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

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note

2020

2019

NOTE 01 - REVENUE

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Construction Income                | 968,253,815   | 3,445,475,738 |
| External Sales - Concrete Products | 251,656,357   | 275,599,528   |
| Internal Sales - Concrete Products | 32,779,815    | 169,116,000   |
| Work Services                      | 196,631,099   | 206,383,177   |
| Internal Sales - Fabrications      | -             | 95,260,094    |
| Total                              | 1,449,321,086 | 4,191,834,537 |

NOTE 02 - COST OF SALES

Operating Expenses

|                                                                 |       |             |             |
|-----------------------------------------------------------------|-------|-------------|-------------|
| Employee Benefits                                               | 04.01 | 525,992,160 | 747,251,471 |
| Cement                                                          |       | 47,426,936  | 71,804,096  |
| Sand                                                            |       | 22,565,599  | 43,215,599  |
| Gravel                                                          |       | 76,415,178  | 42,242,956  |
| Steel                                                           |       | 94,799,237  | 185,210,082 |
| Timber                                                          |       | 6,639,354   | 13,395,800  |
| Fuel & Lubricants                                               |       | 54,703,915  | 97,529,008  |
| Explosive & Blasting Materials                                  |       | 717,312     | 7,870,197   |
| Ready Mix Concrete                                              |       | 31,129,939  | 179,702,647 |
| Concrete Products                                               |       | 25,629,517  | 176,403,412 |
| Machinery & Vehicle Spare Parts                                 |       | 15,538,915  | 19,374,658  |
| Stationery Consumption                                          |       | 1,886,617   | 3,005,234   |
| Tar Consumption                                                 |       | 24,992,698  | 30,400,199  |
| Electrical Spare Parts Consumption                              |       | 64,855,356  | 94,575,665  |
| Pipes & Drainages Items Consumption                             |       | 10,704,515  | 16,254,867  |
| Other Stocks                                                    |       | 111,943,902 | 390,778,955 |
| Earth Gravel                                                    |       | 3,369,082   | 17,843,045  |
| Work Services                                                   |       | 399,348     | -           |
| Landslide Capital Item Expenditure                              |       | 17,456,928  | 1,350,031   |
| Legal Charges                                                   |       | 67,817      | -           |
| Hire Charges                                                    |       | 69,651,061  | 145,608,630 |
| Transport Charges (Material)                                    |       | 595,655     | 5,689,179   |
| Transport Charges (Others)                                      |       | 3,786,238   | 14,772,463  |
| Storage Charges                                                 |       | 3,000       | 17,840      |
| Vehicle Insurance                                               |       | 13,336      | 73,747      |
| Depreciation On Plant, Machinery & Equipment                    |       | 83,607,968  | 83,532,294  |
| Depreciation On Motor Vehicles                                  |       | 2,371,200   | 2,189,050   |
| Depreciation On Computers, Accessories & Software               |       | 750,716     | 663,238     |
| Repairs & Maintenance -Plant, Machinery & Equipment             |       | 1,280,805   | 1,929,404   |
| Repairs & Maintenance - Vehicles (Work Shop)                    |       | 949,409     | 1,102,201   |
| Repairs & Maintenance -Plant, Machinery & Equipment (Transport) |       | 441,686     | 279,464     |
| Repairs & Maintenance -Plant, Machinery & Equipment (Other)     |       | 4,114,612   | 2,213,700   |



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

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

2020

2019

(All amounts Are In Sri Lanka Rupees)

Note

Operating Expenses (Contd...)

|                                                  |                      |                      |
|--------------------------------------------------|----------------------|----------------------|
| Registration & Licence Fees                      | 2,517,066            | 2,602,749            |
| Sub Contracts **                                 | (76,407,185)         | 1,968,314,945        |
| Discounts                                        | -                    | 41,521               |
| Compensation Damages                             | 5,354,356            | 8,888,702            |
| Assignments                                      | 5,266,905            | 9,592,455            |
| Charges For Bonds                                | 34,031,228           | 7,976,517            |
| Telephone - Sites                                | 2,125,313            | 3,795,379            |
| Postage & Telex - Sites                          | 24,290               | 16,798               |
| Printing & Stationery - Sites                    | 797,210              | 1,443,291            |
| Travelling - Sites                               | 11,722,427           | 10,308,246           |
| Entertainment                                    | 1,152,059            | 3,435,880            |
| Pump Fees - Sites                                | 68,877               | 16,779               |
| Rent - Sites                                     | 26,473,903           | 19,779,994           |
| Electricity - Sites                              | 3,247,307            | 7,177,883            |
| Computer                                         | 6,500                | 33,900               |
| Water - Sites                                    | 1,837,887            | 2,073,101            |
| Tender Fees - Sites                              | 301,404              | 124,825              |
| Security Expenses - Sites                        | 11,530               | 14,000               |
| Welfare & Recreation - Sites                     | 124,990              | 225,660              |
| Insurance - Sites                                | 3,426,841            | 7,929,637            |
| Insurance All Risk Policy - Sites                | 4,102,480            | 6,043,580            |
| Newspapers & Periodicals - Sites                 | 49,500               | 116,532              |
| Sundry - Sites                                   | 23,126,966           | 24,969,332           |
| Consultancy & Professional Fees                  | 84,003               | 4,311,058            |
| Building Repairs - Sites                         | 44,519               | 7,635                |
| Service Charges - Sites                          | 945,313              | 3,424,797            |
| Testing Charges - Sites                          | 7,519,129            | 15,184,277           |
| Advertisements                                   | 254,540              | 61,125               |
| Repairs & Maintenance - Office Equipment         | 172,600              | 184,275              |
| Rates & Taxes                                    | 40,864               | 831,546              |
| Impairment provision for Slow & Non Moving Stock | (1,044,622)          | 1,692,796            |
| Personal Accident Insurance                      | 802,762              | 1,628,267            |
| <b>Sub Total</b>                                 | <b>1,362,980,973</b> | <b>4,508,526,619</b> |
| Add - Opening Stock                              | 93,673,494           | 168,896,086          |
| Less - Closing Stock                             | (118,203,000)        | (93,673,494)         |
| <b>Cost Of Sales</b>                             | <b>1,338,451,467</b> | <b>4,583,749,210</b> |

\* Provision for subcontract fee has been made as at 31.12.2020, Rs.395,480,878. Actual subcontract fee is Rs. 161,286,296.40. So Rs. 234,194,578.60 has been reversed for the current financial year.





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

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

(All Amounts Are In Sri Lanka Rupees)

|                                                      | Note  | 2020               | 2019               |
|------------------------------------------------------|-------|--------------------|--------------------|
| <b>NOTE 03 - OTHER INCOME</b>                        |       |                    |                    |
| Transport Hire Charges                               |       | 12,246,115         | 13,935,084         |
| Metal & Rubble Sale                                  |       | 7,644,562          | 4,000              |
| Deferred Income                                      |       | 79,566,571         | 79,617,464         |
| Consultancy Fee                                      |       | 9,517,384          | 40,100,401         |
| Sundry Income                                        |       | 10,899,672         | 10,708,795         |
| Treasury Funds Received For Salaries                 |       | 165,000,000        | -                  |
| Insurance Receivable                                 |       | 328,108            | 1,264,629          |
| Income On Rent                                       |       | 33,920,350         | 17,306,900         |
| Miscellaneous                                        |       | 22,981             | 564,773            |
| Foreign Exchange Gain\ Loss                          |       | 7,477,498          | (46,357,653)       |
| Profit On Disposal Of Property, Plant & Equipment    |       | -                  | 2,320,600          |
| <b>Total</b>                                         |       | <b>326,623,242</b> | <b>119,464,993</b> |
| <b>NOTE 04 - ADMINISTRATIVE EXPENSES</b>             |       |                    |                    |
| Employee Benefits                                    | 04.01 | 160,808,280        | 176,707,055        |
| Corporate Social Responsibility                      |       | -                  | 100,000            |
| Telephone                                            |       | 1,705,822          | 2,049,189          |
| Postage & Telex                                      |       | 269,199            | 693,322            |
| Printing & Stationery                                |       | 197,350            | 219,965            |
| Travelling & Subsistence                             |       | 653,738            | 1,641,873          |
| Entertainment                                        |       | 473,024            | 676,007            |
| Advertising                                          |       | 361,045            | 2,500,550          |
| Legal Charges                                        |       | 326,500            | 277,540            |
| Rate & Taxes                                         |       | 1,034,484          | 2,136              |
| Electricity                                          |       | 4,030,576          | 4,432,045          |
| Computer Expenses                                    |       | 224,850            | 379,452            |
| Rental - GPS Tracking                                |       | 365,670            | -                  |
| Rent                                                 |       | 20,300             | -                  |
| Depreciation - Land & Buildings                      |       | 7,018,070          | 6,779,560          |
| Depreciation - Furniture & Fixture, Office & Welfare |       | 912,846            | 819,032            |
| Depreciation - Computer Accessories & Software       |       | 502,517            | 442,159            |
| Depreciation - Other Assets                          |       | 3,531,531          | 3,712,797          |
| Water                                                |       | 1,130,511          | 1,039,549          |
| Non Refundable Tender Fees                           |       | 1,725,617          | 1,002,934          |
| Service Charges                                      |       | 39,217             | 426,988            |
| Sundry Expenses                                      |       | 3,988,649          | 6,408,698          |
| Consultancy & Professional Fees                      |       | 89,000             | 191,086            |
| Welfare & Recreation Expenses                        |       | 48,000             | 142,500            |
| Repairs & Maintenance - Land & Buildings             |       | 1,494,853          | 1,179,143          |
| Repairs & Maintenance - Other Assets                 |       | 1,069,719          | 457,818            |
| Insurance Contractors All Risk Policy                |       | 6,123,663          | (824,260)          |



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

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

2020

2019

(All Amounts Are In Sri Lanka Rupees)

Note

Administration Expenses (Contd...)

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Death Donation                       | -                  | 100,000            |
| Newspapers & Periodicals             | 42,870             | 47,910             |
| Timber Consumption                   | 6,017              | 12,380             |
| Fuel Consumption                     | 172,003            | 570,347            |
| Stationery                           | 3,190,597          | 3,334,932          |
| Electrical Items Consumption         | 87,334             | 77,581             |
| Water Supply Items                   | 24,002             | 17,603             |
| Other Stocks Consumption             | 1,030,897          | 860,692            |
| Sub Contract Labour                  | 3,860,230          | 4,546,315          |
| Repairs - Light Vehicles             | 1,730              | 245,714            |
| Registration & Licence Fees          | 177,308            | 50,971             |
| Road Charges - Head Office           | 2,643,182          | 4,591,071          |
| Assignment - Head Office             | 945,363            | 1,860,440          |
| Training & Development - Head Office | 698,000            | 146,550            |
| Subscription                         | -                  | 4,626              |
| Vehicle Allowance (Executive)        | -                  | 205,577            |
| External Hire - Head Office          | 80,000             | 629,281            |
| <b>Total</b>                         | <b>211,104,565</b> | <b>228,759,127</b> |



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

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

2020

2019

(All Amounts Are In Sri Lanka Rupees)

Note

**NOTE 04 . 01 - EMPLOYEE BENEFIT EXPENSES**

Operating Expenses

|                                             |                    |                    |
|---------------------------------------------|--------------------|--------------------|
| Work Services                               | -                  | 446,830            |
| Salaries & Wages -Permanent                 | 216,256,237        | 193,603,325        |
| Overtimes -Permanent                        | 48,266,217         | 66,612,474         |
| Employees' Provident Fund - Permanent Staff | 21,545,062         | 18,371,404         |
| Employees' Trust Fund -Permanent Staff      | 5,386,266          | 4,592,101          |
| Salaries & Wages -Casual Staff              | 4,259,819          | 22,706,924         |
| Overtime -Casual staff                      | 309,441            | 5,206,401          |
| Employees' Provident Fund -Casual Staff     | 340,536            | 1,900,790          |
| Employees' Trust Fund -Casual Staff         | 85,134             | 475,198            |
| Sub Contract Labour                         | 152,195,433        | 306,230,488        |
| Special Allowances                          | 429,174            | 1,209,050          |
| Workmen Compensation                        | 1,853,447          | 44,853             |
| Cashment Of Leave                           | 1,346,903          | 1,538,958          |
| Bonus Payment                               | 2,260,082          | 4,704,986          |
| Incentive Payments                          | 285,233            | 2,209,955          |
| Professional Subscription                   | 13,642             | -                  |
| Risk Allowances                             | 127,627            | 36,475             |
| Salaries - Contract                         | 58,225,556         | 78,261,557         |
| Overtime - Contract                         | 5,878,020          | 30,143,534         |
| Employees' Provident Fund - Contract        | 5,542,664          | 7,164,939          |
| Employees' Trust Fund - Contract            | 1,385,666          | 1,791,235          |
| <b>Sub Total</b>                            | <b>525,992,160</b> | <b>747,251,474</b> |

Administrative Expenses

|                              |       |                    |                    |
|------------------------------|-------|--------------------|--------------------|
| Defined Benefit Pension Cost | 18.01 | 10,109,842         | 14,247,280         |
| Directors Fees               |       | 1,746,000          | 1,441,124          |
| Chairman's Remuneration      |       | 1,100,000          | 966,666            |
| Salaries & Wages             |       | 117,877,183        | 121,683,603        |
| Overtime                     |       | 14,141,125         | 20,822,031         |
| Employees' Provident Fund    |       | 11,892,540         | 11,750,576         |
| Employees' Trust Fund        |       | 2,973,135          | 2,937,644          |
| Professional Subscription    |       | 28,326             | 73,139             |
| Special Allowance            |       | -                  | 17,400             |
| Gratuity Surcharges          |       | 238,817            | -                  |
| Bonus Payment                |       | 701,313            | 2,767,593          |
| <b>Sub Total</b>             |       | <b>160,808,280</b> | <b>176,707,055</b> |

**Total Employee Benefit Expenses**

|                    |                    |
|--------------------|--------------------|
| <b>686,800,440</b> | <b>923,958,529</b> |
|--------------------|--------------------|





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

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note

2020

2019

NOTE 05 - OTHER EXPENSES

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Impairment Loss On Trade Receivables | 277,448,063        | 112,616,769        |
| ESC Written Off Expense              | -                  | 6,101,533          |
| Bank Charges                         | 3,067,445          | 6,290,379          |
| <b>Total</b>                         | <b>280,515,508</b> | <b>125,008,681</b> |

NOTE 06 - FINANCIAL INCOME & FINANCIAL EXPENSES

Financial Income

|                                                          |                  |                  |
|----------------------------------------------------------|------------------|------------------|
| Interest Income On Available-For-Sale Financial Assets   | 854,873          | 864,201          |
| Interest Income On Held - To - Maturity Investments      | 4,971,335        | 5,456,174        |
| Interest Income On Loans & Receivables                   | 297,593          | 327,308          |
| <b>Total Finance Income Recognized In Profit Or Loss</b> | <b>6,123,801</b> | <b>6,647,683</b> |

Financial Expenses

|                                                                      |                    |                    |
|----------------------------------------------------------------------|--------------------|--------------------|
| Interest On Bank Overdrafts                                          | 43,646,590         | 41,250,278         |
| Interest Expense on Financial Liabilities Measured At Amortized Cost | 164,565,105        | 181,254,967        |
| Lease Interest                                                       | -                  | 1,549,613          |
| Other Financial Expenses                                             | 1,205,604          | 276,721            |
| <b>Total Financial Expenses Recognized In Profit Or Loss</b>         | <b>209,417,300</b> | <b>224,331,579</b> |

NOTE 07 - TAX EXPENSES

Current Tax Expense

|                                                 |          |          |
|-------------------------------------------------|----------|----------|
| Current Tax On Profits For The Year             | -        | -        |
| Adjustment For Under Provision In Prior Periods | -        | -        |
| <b>Total Current Tax</b>                        | <b>-</b> | <b>-</b> |

Deferred Tax Expense

|                                                       |                     |                     |
|-------------------------------------------------------|---------------------|---------------------|
| Change In Recognized Taxable Temporary Differences    | (11,735,078)        | (29,061,024)        |
| Change In Recognized Deductible Temporary Differences | -                   | -                   |
| <b>Total Tax Expenses On Continuing Operations</b>    | <b>(11,735,078)</b> | <b>(29,061,024)</b> |

11





**STATE DEVELOPMENT & CONSTRUCTION CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**  
**AS AT 31ST DECEMBER 2020**  
*(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 2019   |      | 654,812,513 | 128,249,980 | 25,691,088       | 18,089,164                        | 950,293,600         | 191,710,349    | 92,829,047   | 2,061,675,741 |
| Additions                        |      | -           | 7,456,705   | 2,088,419        | 2,408,474                         | 2,280,908           | 1,458,000      | 5,116,402    | 20,808,908    |
| Disposals                        |      | -           | -           | (763,480)        | (85,705)                          | (4,063,154)         | (524,051)      | (568,781)    | (6,005,171)   |
| Adjustment                       |      | -           | -           | 14,700           | (162,000)                         | (787,211)           | 772,511        | -            | (162,000)     |
| Balance As at 31st December 2019 |      | 654,812,513 | 135,706,685 | 27,030,727       | 20,249,933                        | 947,724,143         | 193,416,809    | 97,376,668   | 2,076,317,478 |
| Additions                        |      | -           | 8,363,793   | 1,647,674        | 2,264,200                         | 3,580,950           | -              | 6,504,665    | 22,361,282    |
| Disposals                        |      | -           | -           | -                | -                                 | -                   | -              | -            | -             |
| Adjustment                       |      | -           | -           | (5,496,266)      | -                                 | -                   | -              | 5,496,266    | -             |
| Balance As at 31st December 2020 |      | 654,812,513 | 144,070,478 | 23,182,135       | 22,514,133                        | 951,305,093         | 193,416,809    | 109,377,599  | 2,098,678,760 |

**Accumulated Depreciation**

| Description                      | Note | Land | Buildings  | Office Equipment | Computers, Accessories & Software | Plant & Machineries | Motor Vehicles | Other Assets | Total         |
|----------------------------------|------|------|------------|------------------|-----------------------------------|---------------------|----------------|--------------|---------------|
| Balance As at 1st January 2019   |      | -    | 76,879,588 | 20,827,897       | 12,343,088                        | 485,877,512         | 174,058,244    | 68,034,007   | 838,020,336   |
| Depreciation charge for the year |      | -    | 6,779,560  | 819,032          | 1,105,396                         | 83,532,294          | 2,189,050      | 3,712,797    | 98,138,129    |
| Disposals                        |      | -    | -          | (637,880)        | (82,195)                          | (3,639,191)         | (497,847)      | (332,895)    | (5,190,008)   |
| Adjustment                       |      | -    | -          | 13,965           | (159,100)                         | (527,576)           | 763,679        | -            | 90,968        |
| Balance As at 31st December 2019 |      | -    | 83,659,148 | 21,023,014       | 13,207,189                        | 565,243,039         | 176,513,126    | 71,413,909   | 931,059,425   |
| Depreciation charge for the year |      | -    | 7,018,070  | 912,846          | 1,253,233                         | 83,607,967          | 2,371,200      | 3,531,531    | 98,694,847    |
| Disposals                        |      | -    | -          | -                | -                                 | -                   | -              | -            | -             |
| Adjustment                       |      | -    | -          | (5,265,739)      | (3,098)                           | (106,362)           | (135,408)      | 4,908,552    | (602,055)     |
| Balance As at 31st December 2020 |      | -    | 90,677,218 | 16,670,121       | 14,457,324                        | 648,744,644         | 178,748,918    | 79,853,992   | 1,029,152,217 |

|                                  |             |            |           |           |             |            |            |               |
|----------------------------------|-------------|------------|-----------|-----------|-------------|------------|------------|---------------|
| Balance As at 31st December 2019 | 654,812,513 | 52,047,537 | 6,007,713 | 7,042,744 | 382,481,104 | 16,903,683 | 25,962,759 | 1,145,258,053 |
| Balance As at 31st December 2020 | 654,812,513 | 53,393,260 | 6,512,014 | 8,056,809 | 302,560,449 | 14,667,891 | 29,523,607 | 1,069,526,543 |

(Contd...)



NOTE 08.01 - CAPITAL WORKING PROGRESS

| Description                                        | CONSTRUCTIO<br>N OF WELFARE<br>BUILDING AT<br>H/O 001 | GRANTY<br>RUNNER BASE<br>(CY 52) | 25m New<br>Beam Bed<br>(CY 51) | CONSTRUCTIO<br>N OF LAMP<br>POST BED -<br>C/Y 052 | BAR<br>BENDING<br>SHOP - 812 | Upgrade<br>building of<br>construction<br>(HO 001) | PIPE PLANT<br>02 - 812 | WALL<br>PLASTERING -<br>812 | NEW OFFICE<br>BUILDING - C/Y<br>052 | CONSTRUCTION<br>OF ASPHALT<br>PLANT - C/Y 053 | LAMP POST<br>BED C/Y<br>812 | CONSTRUCT<br>ION OF<br>NEW OFFICE<br>BUILDING -<br>C/Y 053 | SECURITY<br>ROOM -<br>812 | GENERATE<br>R ROOM -<br>812 | OFFICE<br>BUILDING -<br>1276 | BEAM BED -<br>1276 | Total            |
|----------------------------------------------------|-------------------------------------------------------|----------------------------------|--------------------------------|---------------------------------------------------|------------------------------|----------------------------------------------------|------------------------|-----------------------------|-------------------------------------|-----------------------------------------------|-----------------------------|------------------------------------------------------------|---------------------------|-----------------------------|------------------------------|--------------------|------------------|
| <b>Cost</b>                                        |                                                       |                                  |                                |                                                   |                              |                                                    |                        |                             |                                     |                                               |                             |                                                            |                           |                             |                              |                    |                  |
| Balance As at 1 <sup>st</sup> January 2020         | 743,242                                               | 2,330,019                        | -                              | 419,412                                           | -                            | 1,764,952                                          | -                      | -                           | -                                   | 1,121,059                                     | -                           | 375,474                                                    | -                         | -                           | -                            | -                  | 6,754,158        |
| Additions                                          | -                                                     | -                                | 1,345,748                      | -                                                 | 94,818                       | 44,465                                             | 307,202                | 74,449                      | 727,636                             | 104,721                                       | 756,949                     | -                                                          | 142,566                   | 64,342                      | 442,347                      | 1,989,339          | 6,094,582        |
| Transfers to Building                              | -                                                     | (2,330,019)                      | (1,345,748)                    | (419,412)                                         | (94,818)                     | (1,809,417)                                        | (307,202)              | (74,449)                    | -                                   | (1,225,780)                                   | (756,949)                   | -                                                          | -                         | -                           | -                            | -                  | (8,363,794)      |
| Transferred to Building Maintenance                | -                                                     | -                                | -                              | -                                                 | -                            | -                                                  | -                      | -                           | -                                   | -                                             | -                           | -                                                          | -                         | -                           | -                            | -                  | -                |
| <b>Total</b>                                       | <b>743,242</b>                                        | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                          | <b>-</b>                     | <b>-</b>                                           | <b>-</b>               | <b>-</b>                    | <b>727,636</b>                      | <b>-</b>                                      | <b>-</b>                    | <b>375,474</b>                                             | <b>142,566</b>            | <b>64,342</b>               | <b>442,347</b>               | <b>1,989,339</b>   | <b>4,484,946</b> |
| <b>Accumulated Depreciation</b>                    |                                                       |                                  |                                |                                                   |                              |                                                    |                        |                             |                                     |                                               |                             |                                                            |                           |                             |                              |                    |                  |
| Depreciation 1 <sup>st</sup> January 2020          | -                                                     | -                                | -                              | -                                                 | -                            | -                                                  | -                      | -                           | -                                   | -                                             | -                           | -                                                          | -                         | -                           | -                            | -                  | -                |
| Depreciation charge for the year                   | -                                                     | 116,501                          | 5,607                          | 20,970                                            | 2,766                        | 45,235                                             | 7,680                  | 931                         | -                                   | 20,430                                        | 12,616                      | -                                                          | -                         | -                           | -                            | -                  | 232,736          |
| Depreciation for Transfers                         | -                                                     | (116,501)                        | (5,607)                        | (20,970)                                          | (2,766)                      | (45,235)                                           | (7,680)                | (931)                       | -                                   | (20,430)                                      | (12,616)                    | -                                                          | -                         | -                           | -                            | -                  | (232,736)        |
| <b>Total</b>                                       | <b>-</b>                                              | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                          | <b>-</b>                     | <b>-</b>                                           | <b>-</b>               | <b>-</b>                    | <b>-</b>                            | <b>-</b>                                      | <b>-</b>                    | <b>-</b>                                                   | <b>-</b>                  | <b>-</b>                    | <b>-</b>                     | <b>-</b>           | <b>-</b>         |
| <b>Balance As at 31<sup>st</sup> December 2020</b> | <b>743,242</b>                                        | <b>-</b>                         | <b>-</b>                       | <b>-</b>                                          | <b>-</b>                     | <b>-</b>                                           | <b>-</b>               | <b>-</b>                    | <b>727,636</b>                      | <b>-</b>                                      | <b>-</b>                    | <b>375,474</b>                                             | <b>142,566</b>            | <b>64,342</b>               | <b>442,347</b>               | <b>1,989,339</b>   | <b>4,484,946</b> |

| Carrying Amounts                  | Capital Work in Progress | Land        | Buildings  | Office Equipment | Computers, Accessories & Software | Plant & Machineries | Motor Vehicles | Other Assets | Total         |
|-----------------------------------|--------------------------|-------------|------------|------------------|-----------------------------------|---------------------|----------------|--------------|---------------|
| At 31 <sup>st</sup> December 2019 | 6,754,158                | 654,812,513 | 52,047,537 | 6,007,713        | 7,042,744                         | 382,481,104         | 16,903,683     | 25,962,759   | 1,152,012,211 |
| At 31 <sup>st</sup> December 2020 | 4,484,946                | 654,812,513 | 53,393,250 | 6,512,014        | 8,056,809                         | 302,560,449         | 14,667,891     | 29,523,607   | 1,074,011,490 |

(Contd.)





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

AS AT 31<sup>ST</sup> DECEMBER 2020

(All Amounts Are In Sri Lanka Rupees)

8.02. RE-VALUATION OF LANDS AND BUILDINGS

The Land and Buildings at No.07, Gregory's Avenue, Colombo 07 were revalued for Rs. 317.54 million and Rs. 37.99 million respectively based on the valuation method of contractor/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.

8.03. RE-VALUATION OF MOTOR VEHICLE

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

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

Economic Development Ministry had granted Motor Vehicles and Plant & Machinery to the Corporation in year 2012.

Value of Motor Vehicles and value of Plant & Machinery had been recorded as Rs. 144,984,500 and as Rs. 1,214,212,100 respectively in year 2012.

Net Book Value of Motor Vehicles and Plant & Machinery stood at Rs. 62,593,331 and as Rs. 868,843,212 respectively as at 31.12.2014.

Values of Motor Vehicles and Plant & Machinery were revalued at Rs. 56,000,000 and Rs. 758,500,000 respectively as at 01.01.2015.

8.05. FIXED ASSETS NOT INCLUDED IN THE ACCOUNTS

The following properties have not been taken into the books of accounts as at 31st December 2020. Since we do not have the ownership of the properties.

| Location             | Land Area              | Buildings | Value (Rs.) |
|----------------------|------------------------|-----------|-------------|
| Peliyagoda           | 12.22 perches          | 3.00      | 7,080,000   |
| Weragantota          | 4 Acr & 0.8 perches    | -         |             |
| Peradeniya           | 2 Hect. & 0.95 perches | 2.00      |             |
| Peradeniya           | 12.7 perches           | -         | 13,990,875  |
| Medawachchiya        | 2 acres                | 1.00      | 6,250,000   |
| Potwatta - Ratmalana | 116 perches            | 1.00      | 29,000,000  |
| Lunugamwehera        | 2.5 acres              | -         | -           |
| TOTAL                |                        |           | 56,320,875  |

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION 82786331  
NOTES TO THE FINANCIAL STATEMENTS (Contd.)  
AS AT 31ST DECEMBER  
(All Amounts Are In Sri Lanka Rupees)

|                                                           | Note  | 2020         | 2019         |
|-----------------------------------------------------------|-------|--------------|--------------|
| <b>NOTE 9 - INVESTMENTS IN GOVERNMENT OWNED COMPANIES</b> |       |              |              |
| Dencoshowa (Pvt) Ltd                                      |       | 9,210,740    | 9,210,740    |
| Sub Total                                                 |       | 9,210,740    | 9,210,740    |
| Provision For Investments                                 |       | (7,368,592)  | (5,526,444)  |
| Total                                                     |       | 1,842,148    | 3,684,296    |
| <b>NOTE 10 - OTHER INVESTMENTS</b>                        |       |              |              |
| <u>Non - Current Investments</u>                          |       |              |              |
| Total                                                     |       | -            | -            |
| <u>Current Investments</u>                                |       |              |              |
| Fixed Deposits                                            |       | 57,925,796   | 26,296,183   |
| Total                                                     |       | 57,925,796   | 26,296,183   |
| Total Investment                                          |       | 57,925,796   | 26,296,183   |
| <b>NOTE 11 - DEFERRED TAX ASSETS &amp; LIABILITIES</b>    |       |              |              |
| At The Beginning Of The Year                              |       | (19,846,268) | 57,474,899   |
| Transfer To / (From) Income Statements                    |       | 12,745,708   | (77,321,167) |
| At The End Of The Year                                    | 11.01 | (7,100,560)  | (19,846,268) |
| <b>NOTE 11.01 - DEFERRED TAX ASSETS / LIABILITIES</b>     |       |              |              |
| <u>Deferred Tax Liability</u>                             |       |              |              |
| Capital Allowances For Tax Purpose                        |       | 150,151,728  | 171,364,610  |
| Retirement Benefit Obligation                             |       | -            | -            |
| Total                                                     |       | 150,151,728  | 171,364,610  |
| <u>Deferred Tax Assets</u>                                |       |              |              |
| Capital Allowances For Tax Purpose                        |       | 143,051,168  | 151,518,342  |
| Retirement Benefit Obligation                             |       | -            | -            |
| Total                                                     |       | 143,051,168  | 151,518,342  |
| Net Tax Assets / (Liabilities)                            |       | (7,100,560)  | (19,846,268) |





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

|                                                |       | 2020                 | 2019                 |
|------------------------------------------------|-------|----------------------|----------------------|
| All Amounts Are In Sri Lanka Rupees)           | Note  |                      |                      |
| <b>NOTE 12 - INVENTORIES</b>                   |       |                      |                      |
| Cement                                         |       | 2,704,527            | 1,469,781            |
| Sand                                           |       | 1,148,166            | 1,366,884            |
| Metal                                          |       | 6,355,769            | 978,744              |
| Steel                                          |       | 67,492,418           | 30,550,185           |
| Timber                                         |       | 2,021,818            | 897,994              |
| Fuel & Lubricants                              |       | 2,405,946            | 2,169,604            |
| Explosive & Blasting Materials                 |       | 128,507              | 331,916              |
| Concrete Items                                 |       | 11,505,034           | 12,311,374           |
| Vehicle Spare Parts                            |       | 15,933,335           | 16,935,587           |
| Stationery                                     |       | 1,662,227            | 1,423,604            |
| Oil                                            |       | 992,921              | 3,000,384            |
| Electrical Goods                               |       | 27,327,000           | 23,588,854           |
| Pipes & Drainage Items                         |       | 3,971,700            | 4,805,701            |
| Other Stock Items                              |       | 49,846,299           | 48,987,754           |
| Earth Gravel Stock                             |       | 1,987,555            | 190,350              |
| Fabrication                                    |       | -                    | 7,432,200            |
| Landslide Project-Item                         |       | -                    | (47,293)             |
| Finished Goods - Concrete Items                |       | 116,950,898          | 92,880,277           |
| Finished Goods - Metal Products                |       | 1,103,128            | 793,217              |
| Stock Adjustments                              |       | (19,348,787)         | (116,808,031)        |
|                                                |       | <u>294,188,459</u>   | <u>133,259,086</u>   |
| Provision for Slow & Non Moving stock          |       | (4,269,471)          | (5,314,093)          |
| <b>Total</b>                                   |       | <b>289,918,988</b>   | <b>127,944,993</b>   |
| <b>NOTE 13 - INCOME TAX ASSETS</b>             |       |                      |                      |
| Economic Service Charge                        |       | 14,759,188           | 14,759,188           |
| With Holding Tax On Projects                   |       | 128,336,127          | 128,336,127          |
| With Holding Tax On Interest                   |       | 7,080,674            | 7,080,674            |
| With Holding Tax On Rent                       |       | 3,121,911            | 2,976,711            |
| Specified Fees - Inland Revenue                |       | -                    | 145,000              |
|                                                |       | <u>153,297,900</u>   | <u>153,297,700</u>   |
| Provision For Tax                              |       | (82,633,339)         | (82,633,339)         |
| <b>Total</b>                                   |       | <b>70,664,562</b>    | <b>70,664,362</b>    |
| <b>NOTE 14 - TRADE &amp; OTHER RECEIVABLES</b> |       |                      |                      |
| Trade Debtors                                  | 14.01 | 2,741,146,964        | 3,042,191,973        |
| Retention                                      | 14.02 | 397,748,368          | 698,726,625          |
| Sundry Debtors                                 | 14.03 | 63,067,806           | 15,607,429           |
| Loans & Advances                               | 14.04 | 10,991,882           | 8,927,670            |
| Advances On Purchases & Sub Contracts          | 14.05 | 249,885,833          | 174,561,888          |
| Other Advances & Deposits                      | 14.06 | 23,356,142           | 18,817,611           |
|                                                |       | <u>3,486,196,995</u> | <u>3,958,833,196</u> |
| <b>Total</b>                                   |       | <b>3,486,196,995</b> | <b>3,958,833,196</b> |
| Non Current Trade & Other Receivables          |       | 3,486,196,995        | 3,958,833,196        |
| Current Trade & Other Receivables              |       | <u>3,486,196,995</u> | <u>3,958,833,196</u> |
| <b>Total</b>                                   |       | <b>3,486,196,995</b> | <b>3,958,833,196</b> |



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

|                                                               | 2020                 | 2019                 |
|---------------------------------------------------------------|----------------------|----------------------|
| <i>All Amounts Are In Sri Lanka Rupees)</i>                   |                      |                      |
| <b>NOTE 14.01 - TRADE DEBTORS</b>                             |                      |                      |
| Construction Debtors                                          | 214,529,655          | 377,317,969          |
| Concrete Yard Debtors                                         | 67,468,620           | 58,303,442           |
| Traffic Light System Debtors                                  | 49,743,001           | 122,255,766          |
| Asphalt Debtors                                               | 1,622,511            | 1,622,511            |
| Provision for Doubtful Debtors                                | (81,349,154)         | (127,115,885)        |
| Due From Customers                                            | 2,691,050,717        | 2,560,220,702        |
| Provision for Due From Customers                              | (221,181,899)        |                      |
| Trade Creditors - Debit balances                              | 19,263,512           | 49,587,468           |
| <b>Total</b>                                                  | <b>2,741,146,964</b> | <b>3,042,191,973</b> |
| <b>NOTE 14.02 - RETENTION</b>                                 |                      |                      |
| Retention - Construction                                      | 466,724,952          | 644,076,244          |
| Provision for Retention - Construction                        | (203,710,207)        | (91,258,711)         |
| Liquidated Damages Receivables                                | 248,931,634          | 285,957,361          |
| Provision for Liquidated Damages Receivables                  | (114,198,011)        | (140,048,269)        |
| <b>Total</b>                                                  | <b>397,748,368</b>   | <b>698,726,625</b>   |
| <b>NOTE 14.03 - SUNDRY DEBTORS</b>                            |                      |                      |
| Security Deposits Of Employees                                | 920,074              | 919,250              |
| Interest Receivable                                           | 3,453,036            | 503,268              |
| Rent Receivable                                               | 18,161,000           | -                    |
| Sundry Debtors                                                | 30,103,865           | 359,583              |
| Sundry Creditors - Debit balances                             | 3,591,613            | -                    |
| Provision For Sundry Debtors                                  | (122,350)            | (95,809)             |
| Ready Mixed Debtors (Devcoshowa)                              | 34,802,842           | 34,802,842           |
| Provision For Ready Mixed Debtors                             | (27,842,273)         | (20,881,705)         |
| <b>Total</b>                                                  | <b>63,067,806</b>    | <b>15,607,429</b>    |
| <b>NOTE 14.04 - LOANS AND ADVANCES</b>                        |                      |                      |
| Unpaid Cost On Distress Loans                                 | 528,340              | 528,340              |
| Salaries & Wages Advances                                     | 2,702,718            | 111,954              |
| Medical Advances                                              | 993,287              | 997,637              |
| Travelling Advances                                           | 316,378              | 293,878              |
| Distress Loans                                                | 3,622,265            | 4,102,129            |
| Bridge Loan                                                   | 5,000                | 5,000                |
| House Rent - Dayata Kirula Katupotha                          | 708,000              | 120,000              |
| Wages Advance - Casual                                        | 16,933               | (1,067)              |
| Contract Employees Salary Advances                            | 2,535,815            | 2,535,815            |
| Medical Insurance                                             | 390,491              | 886,791              |
| Provision For Loans & Advances                                | (827,346)            | (652,807)            |
| <b>Total</b>                                                  | <b>10,991,882</b>    | <b>8,927,670</b>     |
| <b>NOTE 14.05 - ADVANCES ON PURCHASES &amp; SUB CONTRACTS</b> |                      |                      |
| Letter Of Credit Margin Account                               | 114,127,998          | 94,604,465           |
| Purchase Advances - Head Office                               | 2,988,645            | 594,898              |
| Purchase Advances - Sites                                     | 90,646,308           | 26,520,160           |
| Purchase Advances - Construction                              | 7,851,433            | 7,851,433            |
| Purchase Advances - Concrete Yard                             | 297,075              | 183,799              |
| Sundry Advances                                               | 15,792,194           | 20,474,057           |
| WPCS Polonnaruwa                                              | 5,000                | 5,000                |
| Service Advance                                               | 109,322              | 214,535              |
| Purchase Advances - Peliyagoda (CE)                           | 21,484,694           | 21,484,694           |
| Sub Contract Advances                                         | 15,299,042           | 15,299,042           |
| Advances Control Account                                      | 86,244               | 86,244               |
| Provision For Advances on Purchase & Sub Contract             | (18,802,120)         | (12,756,438)         |
| <b>Total</b>                                                  | <b>249,885,833</b>   | <b>174,561,888</b>   |



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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

|                                              | 2020        | 2019        |
|----------------------------------------------|-------------|-------------|
| NOTE 14.06 - OTHER ADVANCES AND DEPOSITS     |             |             |
| Tender Deposits (Refundable)                 | 199,875     | 199,875     |
| Other Deposit                                | 1,809,958   | 1,759,458   |
| Fuel Deposit - Amithirigala 992              | 2,400,000   | 2,400,000   |
| Telephone Deposits                           | 8,000       | 8,000       |
| Electricity Board Deposits                   | 2,318,345   | 2,206,139   |
| Deposit-Construction Project                 | 240,000     | 240,000     |
| Water Deposit                                | 690,661     | 585,661     |
| Fuel Deposit - Weeragantota                  | 90,000      | 90,000      |
| Fuel Deposit - Head Office - Transport       | 300,100     | 300,100     |
| Fuel Deposit - CME                           | 415,000     | 415,000     |
| Fuel Deposit - Katugastota WP -              | 4,421       | 4,421       |
| Fuel Deposit Control A/C                     | 10,276,466  | 5,876,464   |
| Fuel Deposit - Mawanella Aranayake Road      | 400,000     | 400,000     |
| Fuel Deposit - Klegalle - Rambukkana Road    | 300,000     | 300,000     |
| Fuel Deposit - Negombo General Hospital      | 300,000     | 300,000     |
| Fuel Deposit - Sengaloya                     | 300,000     | 300,000     |
| Fuel Deposit - Pannegamuwa Weekly fair       | 50,000      | 50,000      |
| Fuel Deposit - Yatiyantota Deraniyagala Road | 1,300,000   | 1,300,000   |
| Fuel Deposit - Medawachchiya                 | 150,000     | 150,000     |
| Fuel Deposit - Polonnaruwa                   | 1,000,000   | 1,000,000   |
| Fuel Deposit - 980                           | 400,000     | 400,000     |
| Fuel Deposit - Galpottagama & Thanthirimale- | 49,993      | 49,993      |
| Fuel Deposit - Manick Farm -Chettikulam      | 200,000     | 200,000     |
| Other Deposit - Rathkinda                    | 250,000     | 250,000     |
| Fuel Deposit - Road close to Talaimannar     | 134,051     | 134,051     |
| Fuel Deposit - Bopitiya Quarry Crusher -     | 655,000     | 405,000     |
| Fuel Deposit - Monaragala                    | 7,726       | 7,726       |
| MPCS - Moratuwa                              | 250,000     | 250,000     |
| Fuel Deposit - Ulapane                       | 600,000     | 600,000     |
| Fuel Deposit - Blumendhal                    | 11,534      | 11,534      |
| Fuel Deposit - Muwagama                      | 3,000       | -           |
| Provision For Other Advances And Deposits    | (1,757,989) | (1,375,812) |
| Total                                        | 23,356,142  | 18,817,611  |



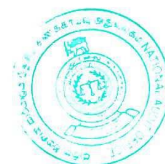


STATE DEVELOPMENT & CONSTRUCTION CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

|                                                                                 | 2020                | 2019                |
|---------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Note 15 Cash At Bank</b>                                                     |                     |                     |
| Bank Of Ceylon - 80524651.                                                      | 79,174,937          | 242,120,316         |
| Bank Of Ceylon - 84446216-(216)                                                 | 587,292             | 94,188              |
| People's Bank - Ratmalana - 080101091101178 (91)                                | 29,038,156          | 1,335,713           |
| Bank Of Ceylon - 84446221(221)                                                  | 1,341,247           | 987,258             |
| Bank Of Ceylon - 82786331                                                       | 155,446             | -                   |
| Bank Of Ceylon - 683114 (114)                                                   | -                   | 8,832               |
| Sampath Bank 001860000985 -(985)                                                | 116,778             | 2,263,838           |
| Bank Of Ceylon - 682972                                                         | 668,964             | 653,379             |
| Bank Of Ceylon - -9826701                                                       | 20,563              | 20,563              |
| Bank Of Ceylon Giriulla - Bopitiya 3441284                                      | -                   | 433,300             |
| Margin Account - Sampath Bank                                                   | 2,516,759           | 2,516,759           |
| Bank Of Ceylon Peradeniya - 1274460                                             | 38,148              | 38,148              |
| Bank Of Ceylon - 683202(202)                                                    | 22,570,114          | 6,370               |
| People's Bank - Ratmalana - 080100381101178 (38)                                | 32,744,776          | 1,854,781           |
| People's Bank - Ratmalana -08010047110178(47)                                   | 13,347,646          | 89,712              |
| People's Bank - Ratmalana 0801002911010078(29)                                  | 10,247,916          | 502,006             |
| Bank Of Ceylon - 0080490546 (546)                                               | -                   | 4,198,972           |
| Bank Transfer HO                                                                | 21,273,668          | 36,224,676          |
| Bank Transfer - Site                                                            | 36,218              | -                   |
| Bank Of Ceylon - 6510876                                                        | 14,443,218          | 9,138               |
| Bank Of Ceylon - 86654175-175                                                   | 101,233,285         | -                   |
| Bank Of Ceylon - 71103201                                                       | 47,610              | -                   |
| People's Bank - Ratmalana 080101361101178(136)                                  | 579,790             | -                   |
| People's Bank - Ratmalana 080101181101178                                       | 2,613,346           | -                   |
| Pan Asia Bank - 101100630                                                       | 343,888             | -                   |
| Saving Deposits                                                                 | 6,309,061           | 5,614,632           |
| <b>Sub Total</b>                                                                | <b>339,448,824</b>  | <b>298,972,582</b>  |
| <b>Cash In Hand - Petty Cash</b>                                                |                     |                     |
| Ratmalana - Petty Cash                                                          | 114,904             | 59,904              |
| Construction                                                                    | 9,171,871           | 8,983,616           |
| Peradeniya Sales Centre                                                         | 3,801               | 3,801               |
| Haputale-1011                                                                   | 50,000              | 50,000              |
| Hildamahahal Housing scheme                                                     | 47,062              | 47,062              |
| Mechanical Division                                                             | 1,165               | 1,165               |
| Peliyagoda -Petty Cash                                                          | 970                 | 970                 |
| Laggala Hospital-Ward Complex                                                   | 31,250              | 31,250              |
| University of Peradeniya-CME                                                    | 157                 | 157                 |
| Workshop                                                                        | 52                  | -                   |
| Kogalle -980                                                                    | 865                 | 865                 |
| <b>Sub Total</b>                                                                | <b>9,422,097</b>    | <b>9,178,790</b>    |
| <b>Total</b>                                                                    | <b>348,870,921</b>  | <b>308,151,373</b>  |
| Investments With Short Maturity                                                 |                     |                     |
| Unfavourable Cash & Cash Equivalents                                            | (425,265,350)       | (381,566,392)       |
| <b>Total Cash &amp; Cash Equivalents for the purpose of Cash Flow Statement</b> | <b>(76,394,429)</b> | <b>(73,415,020)</b> |





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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

|                                                    | Note  | 2020          | 2019          |
|----------------------------------------------------|-------|---------------|---------------|
| <b>NOTE 16 - LEASE CREDITORS</b>                   |       |               |               |
| Balance As At The Beginning Of The Year            |       | -             | 12,033,333    |
| Obtained During The Year                           |       | -             | 12,033,333    |
| Repaid During the Year                             |       |               | (12,033,333)  |
| Interest In Suspense                               |       | -             | -             |
| Net                                                |       | -             | -             |
| Lease Creditors Due Within One Year                |       | -             | -             |
| Lease Creditors Due After One Year                 |       | -             | -             |
| Total Lease Creditors                              |       | -             | -             |
| <b>NOTE 17 - LOANS &amp; BORROWINGS</b>            |       |               |               |
| Balance As At The Beginning Of The Year            |       | 1,298,407,791 | 1,145,600,000 |
| Borrowings During The Year                         |       | 176,128,546   | 246,000,000   |
| Total                                              |       | 1,474,536,337 | 1,391,600,000 |
| Repaid During The Year                             |       | 45,380,618    | 93,192,209    |
| Net                                                |       | 1,429,155,720 | 1,298,407,791 |
| Repayable Within One Year                          |       | 360,817,026   | 247,387,791   |
| Repayable After One Year                           |       | 1,068,338,693 | 1,051,020,000 |
| Total Loans & Borrowings                           |       | 1,429,155,720 | 1,298,407,791 |
| <b>NOTE 18 - RETIREMENT BENEFIT OBLIGATIONS</b>    |       |               |               |
| Balance As At The Beginning Of The Year            |       | 79,664,432    | 67,106,942    |
| Transfer to payable                                |       | -             | (19,872,329)  |
| Charges To / (Reverse From) Income Statement       | 18.01 | 17,328,629    | 17,463,291    |
| Payment/payables During The Year                   |       | (17,660,674)  | (8,292,850)   |
| Balance As At End Of The Year                      |       | 79,332,387    | 56,405,054    |
| <b>NOTE 18.01 - PROVISION MADE DURING THE YEAR</b> |       |               |               |
| Interest Cost                                      |       | 5,667,516     | 10,765,800    |
| Current Service Costs                              |       | 4,442,326     | 3,481,480     |
| Net Actuarial (Gain) / Loss Recognized Immediately |       | 7,218,787     | 3,216,011     |
| Total                                              |       | 17,328,629    | 17,463,291    |
| <b>NOTE 19 - TRADE &amp; OTHER PAYABLES</b>        |       |               |               |
| Trade Payables                                     | 19.01 | 648,758,324   | 1,029,182,454 |
| Value Added Tax                                    | 19.02 | 942,436,927   | 910,143,409   |
| Sundry Payables                                    | 19.03 | 741,729,408   | 853,485,171   |
| Employee Benefit Payables                          | 19.04 | 61,347,465    | 43,532,099    |
| Refundable Advances & Retentions                   | 19.05 | 660,227,959   | 416,946,864   |
| Refundable Deposits                                | 19.06 | 24,083,789    | 953,352       |
| Total                                              |       | 3,078,583,873 | 3,254,243,349 |
| Current Trade & Other Payables                     |       | 3,078,583,873 | 3,254,243,349 |
| Total                                              |       | 3,078,583,873 | 3,254,243,349 |



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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note

2020

2019

NOTE 19.01 - TRADE PAYABLES

|                                   |                    |                      |
|-----------------------------------|--------------------|----------------------|
| Trade Creditors                   | 484,454,435        | 855,044,968          |
| ESC Control AC                    | 14,759,188         | -                    |
| ESC Payable                       | -                  | 14,759,188           |
| Wardon Building Tax               | 6,342,105          | 6,342,105            |
| Payment Received Material - Sites | 25,031,766         | 18,930,184           |
| Unfavourable Debtor Balances      | 108,911            | 34,203,486           |
| Dues to Customers                 | 118,061,920        | 99,902,524           |
| <b>Total</b>                      | <b>648,758,324</b> | <b>1,029,182,454</b> |

NOTE 19.02 - VALUE ADDED TAX

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Value Added Tax Control Account | 942,436,927        | 910,143,409        |
| <b>Total</b>                    | <b>942,436,927</b> | <b>910,143,409</b> |

NOTE 19.03 - SUNDRY PAYABLES

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Sundry Creditors         | 730,276,480        | 824,632,952        |
| Auditor General          | 2,825,200          | 2,825,200          |
| Refundable Deposits      | 1,201,004          | 798,477            |
| Interest On Loan Payable | 7,397,177          | 25,205,405         |
| Sri Lanka Insurance      | 29,367             | 22,955             |
| Refundable Loan          | 180                | 180                |
| <b>Total</b>             | <b>741,729,408</b> | <b>853,485,171</b> |

NOTE 19.04 - EMPLOYEE BENEFIT PAYABLES

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Net Salaries & Wages               | 2,149,805         | 7,840,729         |
| Salaries & Wages Control Account   | 14,317,578        | (8,124,094)       |
| Casual Wages Control Account       | 703,731           | 20,001,205        |
| Cash Abatements -Control Account   | 2,247,111         | 2,450,179         |
| Flood Relief Advance               | 16,250            | -                 |
| Employees' Provident Fund          | 36,927,163        | 7,012,861         |
| Employees' Trust Fund              | (353,266)         | 1,192,998         |
| Contract Employees - Salaries      | 3,277,809         | 11,098,886        |
| Medical Insurance                  | 449,253           | 447,303           |
| Unpaid Bonus                       | 6,000             | 6,000             |
| Unpaid Salaries & Wages            | 1,476,609         | 1,476,609         |
| Unpaid Salaries & Wages - Advances | 129,424           | 129,424           |
| <b>Total</b>                       | <b>61,347,465</b> | <b>43,532,099</b> |

NOTE 19.05 - REFUNDABLE ADVANCES & RETENTIONS

|                                         |                    |                    |
|-----------------------------------------|--------------------|--------------------|
| Mobilization Advances From Clients      | 597,312,294        | 355,308,633        |
| Advances Against Orders -Concrete Yards | 62,778,775         | 61,501,342         |
| Advances Against Orders -Asphalt Plant  | 136,890            | 136,890            |
| <b>Total</b>                            | <b>660,227,959</b> | <b>416,946,864</b> |

NOTE 19.06 - REFUNDABLE DEPOSITS

|                                  |                   |                |
|----------------------------------|-------------------|----------------|
| Security Deposits - Employees    | 958,789           | 953,352        |
| Refundable Deposit - Telecom PLC | 23,125,000        | -              |
| <b>Total</b>                     | <b>24,083,789</b> | <b>953,352</b> |



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

AS AT 31ST DECEMBER

All Amounts Are In Sri Lanka Rupees)

| Note                                 | 2020               | 2019               |
|--------------------------------------|--------------------|--------------------|
| <b>NOTE 20 - BANK OVERDRAFTS</b>     |                    |                    |
| Bank Of Ceylon - 82410946            | 24,647,388         | 75,960             |
| Bank Of Ceylon - 82786425            | 3,001,000          | 2,000              |
| Bank Of Ceylon - 75416320            | 9,280,537          | 3,005,024          |
| Bank Of Ceylon - 82786331            | -                  | 9,257,072          |
| Bank Of Ceylon - 0080490546          | 408,504            | -                  |
| Bank Of Ceylon - 683116 (657)        | -                  | 216,298,524        |
| Bank Of Ceylon - 683114 (114)        | 11,026,585         | -                  |
| Bank Of Ceylon - 683116 (116)        | 214,000,000        | -                  |
| Samapath Bank - 1860000241           | 128,654,194        | 121,440,359        |
| Samapath Bank - 1860000365           | 2,070,816          | 1,604,327          |
| Samapath Bank - 001860000 349 -(349) | 32,176,326         | 29,524,482         |
| Bank Transfer Site                   | -                  | 358,645            |
| <b>Total</b>                         | <b>425,265,350</b> | <b>381,566,392</b> |





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

2020

2019

**NOTE 21 - 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 capital of this Company and Mass Trust Holdings (Pvt) Ltd. 49%. Mr. A.V.P.V. Jayasekara, Chairman of SD&CC as at the reporting date is a Director of Fujima State Corporation (Pvt) Ltd.

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

**Related Party Balances In Statement Of Financial Position**

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

**NOTE 22 - TRANSACTIONS WITH RELATED PARTIES**

**NOTE 22.01 - TRANSACTIONS WITH PARENT / SUBSIDIARIES/ASSOCIATES**

| <u>Company</u>       | <u>Transactions</u> |          |          |
|----------------------|---------------------|----------|----------|
| Devcoshowa (Pvt) Ltd | Cash Receipts       | -        | -        |
|                      | Cash Payments       | -        | -        |
| <b>Total</b>         |                     | <b>-</b> | <b>-</b> |

**NOTE 22.02 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL**

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Salaries To Key Management Personnel | 2,846,000        | 2,407,790        |
| <b>Total</b>                         | <b>2,846,000</b> | <b>2,407,790</b> |

**NOTE 23 - ASSETS PLEDGED**

| <u>Nature of Asset</u>         | <u>Nature of Liability</u>                                                                                                                                                   |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property Indicated In Note. 09 |                                                                                                                                                                              |
| Land at Gregory's Avenue       | Land have been pledged against a bond & guarantee facility ( LKR 500,000,000) and an overdraft facility ( LKR 150,000,000) in Sampath Bank.                                  |
| Land & Buildings at Rathmalana | Land & Buildings have been pledged against loan facility (LKR 380,000,000), overdraft facility (LKR 214,000,000) & guarantee facility ( LKR 1050,000,000) in Bank of Ceylon. |

**NOTE 24 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

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





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

2019

2020

NOTE 26 - SEGMENT INFORMATION

Segment Income and Expenses

|                         | Construction  | Concrete Yard | Other         | Total           | Construction    | Concrete Yard | Other         | Total           |
|-------------------------|---------------|---------------|---------------|-----------------|-----------------|---------------|---------------|-----------------|
| Revenue                 | 968,253,815   | 284,436,172   | 196,631,099   | 1,449,321,086   | 3,445,475,738   | 444,715,528   | 301,643,271   | 4,191,834,537   |
| Cost Of Sales           | (695,150,266) | (325,983,525) | (317,317,677) | (1,338,451,467) | (3,703,748,468) | (468,819,598) | (411,181,144) | (4,583,749,210) |
| Gross Profit            | 273,103,549   | (41,547,353)  | (120,686,578) | 110,869,618     | (258,272,730)   | (24,104,070)  | (109,537,873) | (391,914,674)   |
| Other Income            |               |               |               | 326,623,242     |                 |               |               | 119,464,993     |
| Administrative Expenses |               |               |               | (211,104,565)   |                 |               |               | (228,759,127)   |
| Other Expenses          |               |               |               | (280,515,508)   |                 |               |               | (125,008,681)   |
| Financial Income        |               |               |               | 6,123,801       |                 |               |               | 6,647,683       |
| Financial Expenses      |               |               |               | (209,417,300)   |                 |               |               | (224,331,579)   |
| Profit Before Tax       |               |               |               | (257,420,711)   |                 |               |               | (843,901,384)   |

