



SD&CC



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அரசு அபிவிருத்தி நிருமாணக் கூட்டுத்தாபனம்
“உட்கட்டமைப்பு நிருமாணத்தின் முன்னோடிகள்”

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
“Pioneers in Infrastructure Construction”

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வருடாந்த அறிக்கை
ANNUAL REPORT

2021

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நெடுஞ்சாலைகள் அமைச்சர்
கிராமிய வீதிகள் மற்றும் ஏனைய உட்கட்டமைப்பு வசதிகள் இராஜாங்க அமைச்சர்

Ministry of Highways
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	15-22
• Human Resources Review	23-24
• Audit Committee Report	25-26
• Statement of Director’s Responsibility for Financial Reporting	27
• 10 Years Performance Summary	28
• Auditor General’s Report	29-38
• Statement of Comprehensive Income	39
• Statement of Financial Position	40
• Statement of Changes in Equity	41
• Cash Flow Statement	42
• Accounting Policies	43-54
• Notes to the Accounts	55-73



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

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

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

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

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

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



CORPORATE INFORMATION

Name of the Enterprise	:	State Development & Construction Corporation (SD&CC)
Legal Status of the entity	:	Government Corporation
Act of Incorporation	:	Industrial Corporation Act. No. 49 of 1957
Year of Incorporation	:	1971
Registered Office	:	No.7, Borupana Road, Ratmalana. Tel. 0112 607560
Concrete Yards	:	<ol style="list-style-type: none">i. Ratmalana Concrete Yard, No.7, Borupana Road. Ratmalana Tel. 0112 - 632786ii. Bopitiya Concrete Yard, Pannala Tel. 037-2288415iii. Weragantota Concrete Yard, Mahiyanganaya . Tel. 055-2257101iv. Medawachchiya Concrete Yard , Jaffna Road, Medawachchiya. Tel.No. 025-3899916v. Lunugamwehera Concrete Yard, Lunugamwehera . Tel No. 0473144880vi. Peradeniya Sales Centre Tel. 081-2387056
Auditors	:	Auditor General's Department
Bankers	:	Bank of Ceylon People's Bank Sampath Bank



VISION, MISSION AND OBJECTIVES

VISION

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

MISSION

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

OBJECTIVES

- (1) The investigation, investment, planning, designing, construction operation and management of buildings, civil engineering, other engineering projects or other ventures in Sri Lanka or abroad, owned by any party, either independently or in collaboration with any local or foreign company and the acquisition and holding of shares, in any such companies.
- (2) Execution or supervision of any of the above projects in Sri Lanka or abroad; either independently or in collaboration with any local or foreign firm or company, and the acquisition and holding of shares, in such company.
- (3) Planning, designing and fabrication of mechanical and electrical installations for the purposes referred to in paragraphs (1) and (2).
- (4) Manufacture and sale in Sri Lanka or abroad of concrete, reinforce concrete and pre-stressed concrete product required for engineering undertakings.
- (5) The extraction of construction raw materials and manufacture, sale, import and export of construction materials, machinery and equipment required for engineering projects/ undertakings. .
- (6) Carrying out of research into Construction materials, methods and techniques utilized for the purposes referred to in paragraphs (1) (2) (3) & (4).
- (7) To provide training opportunities to Managerial / Engineering /Technical personnel to enhance knowledge and modern technological and business skills in construction engineering and managerial fields required for the purposes referred to in paragraphs (1) (2) (3) and (4).
- (8) To continue as a strong self financing Govt. Organization.
- (9) To be a viable and profitable entity by maintaining a reasonable profit.
- (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 2021.

Overview of the Macroeconomic Environment

The Sri Lankan economy rebounded in 2021, following the COVID-19 induced contraction in 2020. As per the provisional national accounts estimates of the Department of Census and Statistics (DCS), the Sri Lankan economy recorded a growth of 3.7% in 2021, in real terms, compared to the contraction of 3.6% recorded in the preceding year. All sectors of the economy registered growth during the year (agriculture, forestry and fishing by 2%; industry by 5.3%; & services by 3%).

The overall size of the economy expanded to US dollars 84.5 billion in 2021 from US dollars 81.0 billion in the previous year. Per capita GDP grew to US dollars 3,815 in 2021 from US dollars 3,695 in 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. Most of the construction firms obtain a high percentage of their work through competitive bidding.

In 2021 Sri Lanka construction industry experienced recovery from the COVID-19 pandemic induced fall back compared to year 2020, amid fresh threats from new variants of the pandemic. The recovery could be observed across all major economic activities, propelled by the pent-up demand and the gradual easing of pandemic-related disturbances.

SD & CC Performance

The Corporation recorded a turnover of Rs. 4,215 million during the year 2021 compared to Rs. 1,449 million recorded in the previous year. The increase in turnover was mainly due to carrying out more projects under the “new normal conditions” of Covid 19 pandemic, and also completing projects which were delayed in the previous year due to the pandemic situation. Further, SD&CC managed to record net profit (before tax) of Rs. 43 million, recover from the previous year a net loss (before tax) of Rs. 257 million.

Continues monitoring by the Board of Directors and the Senior Management became fruitful, with the Corporation recording a Rs. 403 million gross profit in financial year 2021, compared to the Rs 111 million gross profit during the year 2020. Gross profit percentage increase from previous year 8% to 10% in year 2021, showing an increase in efficiency in its activities. 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 in turn adversely affects the profitability and the working capital of the Corporation.



Total undertaken projects value during 2021 was Rs.5,892.28 million while the Work in Hand as at 31.12.2021 was Rs.7,442.35 million.

The number of employees as at the end of the year was 629.

Challenges faced by the Corporation

During the year under review all projects were carried out under the “new normal” condition due to the continuation of the Covid 19 pandemic under new variants. Hence, it caused delays in most of the projects in handled during the year. As a result, government organizations like SD&CC face problems in term of heavy competition.

In year 2021, short supply of key raw materials such as cement, steel, sand and fuel, as well as the rapid price increases hindered the work of SD&CC. Increase in raw material prices and delays in shipments coupled with foreign exchange fluctuation has caused increase in project cost, thereby limiting the capacity to perform with the same working capital as done in the previous years.

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.

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, National Water Supply & Drainage Board (NWS&DB), all the Provincial Road Development Authorities, Ceylon Electricity Board (CEB) and the Department of Railways for their trust and confidence kept on SD&CC. We look forward to keeping their trust and reinforcing further their confidence by serving them effectively and efficiently even better in the future.

ENG. D. P.M. CHANDANA
CHAIRMAN



BOARD OF DIRECTORS & SENIOR STAFF MEMBERS

BOARD OF DIRECTORS

1. 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 - Deputy General Manager (Construction)
3. Eng. D.A.P. Damayanthi - Deputy General Manager (PMU)
4. Eng. R.D.S.T. Ranthilaka - Deputy General Manager (DP&P)
5. Ms. Jayani Mayadunne - Deputy General Manager (Finance)
6. Eng. E.D.N. Ranjith - Act. Deputy General Manager (Mechanical)
7. Mrs. C. N. Bogahawatte - LLB - Act. Senior Manager (HR & Admin)
8. Mr. R.A.K. Nishantha - Chief Internal Auditor
9. Mr. Asanka Mohan - Act. Supply Manager
10. Eng. M.A.W.S. Udayarathna - P/D Chief Engineer (Electrical)
11. Eng. U.R. Hemajith - P/D Chief Engineer (Estimate)
12. Mr. A.W.Ashoka Peiris - P/D Chief Security Officer



- 1121 Proposed buildings for Medical Ward and Operation Theatres at Chilaw District General Hospital
- 1161 Bridge across Kirindi Oya at Modarapelessa
- 1163 Bridge across Walawe River between Thaligala and Ridiyagama
- 1171 Bridge across Kirindi Oya between Uduwila & Rubberwatta
- 1172 Bridge across Urubokka Oya at Keselwatta in Katuwana
- 1174 Bridge across Weligaththara in Rambukwewa Division
- 1175 Bridge across Weerawil Ara between Muwanwewa & Weerawil Ara
- 1176 Diyabandiya Bridge between Abhayapura division and Pannegamuwa division
- 1177 Bridge across Walawe River between Badiganthota and Liyangasthota
- 1178 Bridge across Malal Ara in Ranmuduwewa Thanamalwila road
- 1179 Yaya Bridge on Walasmulla Pallekanda Road
- 1180 Bridge on Urubokka Oya in Kumbukmulla Medagoda
- 1181 Bridge joining Thalunna and Andupelena
- 1184 Design & Construction of Tharuna Sewa Bridge across Kirama Ara in Handugala
- 1190 Rectification of Foundation and replacement of bearings at bridge no. 1/1 Hanwella - Pugoda - Wake - Urapola road
- 1205 Sooriyawewa Bridge
- 1206 Walasmulla National School Bridge
- 1207 Pathegama Bridge
- 1238 Katugasthota- Babarelal Bridge
- 1264 Construction of Steel Bridge across Mcculum Canal in SLPA
- 1265 Improvement to Giridara Junction
- 1266 Improvement to Katuwana Road, Rukmalpitiya, Hulankanda, Hegoda Rd.
- 1267 Improvements to Ja-Ela Junction - Peliyadoda/Puttalam Rd
- 1268 Reconstruction of Galle Deniyaya Bridge
- 1269 Reconstruction of Bridge No. 1/3 on Panagoda Henpita Road
- 1271 Rectangular Lining of Kaluganga right bank main canal
- 1272 Bridge No 36/6 across Ma oya in Naula - Elahera Pallegama Road
- 1276 Lunugamwehera Precast Yard
- 1277 Asphalt Plant Bopitiya
- 1278 Reconstruction of Bridge No. 12/1 on Paranthan - Karachchi Mullaithivu Rd.
- 1279 Reconstruction of Bridge No. 4/1 on Horawala-Pelawatta Pitigala Rd.
- 1280 Widening of Bridge No. 5/1 Kollupitiya - Sri Jayawardhanapura Rd.
- 1281 Rehabilitation/ Improvement of Ambalanthota Ridiyagama Rd. (Stage 1)
- 1282 Rehabilitation/ Improvement of Ambalanthota Ridiyagama Rd. (Stage 2)
- 1283 Widening and Improvements to Aluth mawatha
- 1284 Improvements to Wattala- Hekitta Rd.
- 1285 Rehabilitation/ Improvement of Moronthota - Arandara Road
- 1286 Rehabilitation/ Improvement of Embilipitiya - Panamura - Buluthota Rd
- 1287 Rehabilitation/ Improvement of Kandevidhara Junction
- 1288 Rural Roads in Velanai PS - Jaffna District
- 1289 Connecting of New Bridge across Rajagiriya Nawala Canal
- 1290 Reconstruction of Bridge No. 105/2 on Colombo Ratnapura Wellawaya Road
- 1291 Urgent repairs to Canyon Head race Tunnel
- 1294 Construction of Retaining walls on Kandy Jaffna Road
- 1295 Removal of sediments in Tanks in Mahawali B Zone
- 1296 Improvement to Welioya Sampathnuwara Road
- 1298 Repair Work of Sirikurusa Bridge on St. Nicholas Rd, Negambo
- 1299 Construction of Viaduct on VVIP Access Road Defence headquarters complex
- 1300 Rural Roads in A'pura (P22)
- 1301 Rural Roads in A'pura (P23)
- 1317 Rehabilitation/Improvements of Dambulla-Bakamuna-Kalagahahena Road
- 1318 Rehabilitation/Improvements of Dambulla-Bakamuna-Kalagahahena Road
- 1319 Matale Ilukkumbura Laggala Road (P26)
- 1320 Matale Ilukkumbura Laggala Road(P27)
- 1321 Pansilgoda Bridge Project
- 1322 Rambukkana Road Project
- 1327Construction of Bridge Across Heen Ganga on Hunnasgiriya Meemure Road
- 1336 Rural bridges in Matale District (4 Nos)
- 1338 Rural bridges in Nuwaraeliya District (5 Nos)
- 1339 Rural bridges in Ratnapura District (8 Nos)
- 1340 Rural bridges in Kandy District (9 Nos)
- 1341 Rural bridges in Anuradhapura District (8 Nos)
- 1342 Rural bridges in Pollonnaruwa District (4 Nos)
- 1343 Rural bridges in Monaragala District (5 Nos)
- 1344 Rural bridges in Badulla District (6 Nos)
- 1347 Rural bridges in Colombo District (8 Nos)
- 1348 Rural bridges in Gampaha District (13 Nos)
- 1349 Rural bridges in Kaluthara District (8 Nos)
- 1350 Rural bridges in Hambanthota District (8 Nos)
- 1351 Rural bridges in Galle District (6 Nos)
- 1352 Rural bridges in Matara District (6 Nos)
- 1353 Rural bridges in Puttalam District (5 Nos)
- 1354 Rural bridges in Kurunegala District (16 Nos)
- 1355 Rural bridges in Ampara District (5 Nos)
- 1356 Rural bridges in Batticloa District (3 Nos)
- 1357 Rural bridges in Jaffna District (2 Nos)
- 1358 Rural bridges in Mannar District (1 Nos)
- 1359 Rural bridges in Mullathiv District (1 Nos)
- 1360 Rural bridges in Trincomalee District (1 Nos)
- 1361 Rural bridges in Vavunia District (2 Nos)
- 1365 Rural bridges in Kilinochchi District (2 Nos)
- 1366 Embilipitiya Water project
- 1370 UPVC Distribution Mains Horana - Padukka Road
- 1371 Construction of Viaduct No.01 Warakapola by pass road
- 1372 Bridge across Benthara River connecting Ittapana & Horawala Roads
- 1373 Construction of Gabion wall along Mahaweli river, Gatambe
- 1374 Improvements to Tissamahara Water supply scheme (Phase II)
- 1375 - Tank rehabilitation - Anuradhapura District
- 1376 - Tank rehabilitation - Pollonnaruwa District
- 1381 - Madu Ganga Bridge
- 1384 - Kottapitiya Bridge
- 1386 - Steel Bridge No 1 - Hapugoda - Kalawana
- 1387 - Steel Bridge No 2 - Hapugoda - Kalawana
- 1391 - Kethhena Water Project



Nawala Anganpitiya Bridge



Rural Bridges





CORPORATE GOVERNANCE

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

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

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

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

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

**CORPORATE GOVERNANCE PRINCIPLES**

Principles of Corporate Governance	Methodology & Extent of Adherence
Board of Directors	
Composition of the Board	Board comprises of six non-executive directors and Chairman. One non-executive director out of six non-executive directors is appointed by the General Treasury. They encompass a range of multi skills, talents and expertise required to provide prudent and a reasonable guidance with respect to the operations and interest of the Corporation.
Holding of regular Board Meetings	Regular Board Meetings are held monthly, while special Board meetings are convened whenever necessary.
Availability of formal schedule of matters specially reserved for the decision making of the board.	<p><u>Board is responsible for:</u></p> <ul style="list-style-type: none"> • Ensuring satisfactory performance of the Corporation as representatives of the line Ministry and the General Treasury. • <u>Formulation of policies and strategies</u> and monitoring successful implementation thereof • Appointment of the General Manger and key Management staff, approving the Organization structure and planning for succession of Senior Management. • Ensuring the implementation of an effective internal control system. • Ensuring compliance with highest ethical, legal standards. Treasury Circulars, Public administration circulars and direction by the Ministry of Highways State Ministry of Rural Roads and Other Infrastructure. • Approval of annual Bonus and Medical leave which are beyond the authority of General Manager and Chairman. • Deciding of major capital investments in property plants and equipment. • Approval of the annual budget and the Corporate Plan. • Approval of Annual financial statements for publications.



Corporation Secretary to the Board	SD&CC has no Corporation Secretary. The Legal officer acts as the Board Secretary. She ensures that notices of all board meetings with relevant board papers are circulated in advance with the approval of Chairman. She minutes all the proceedings and the board meetings under the supervision of the Chairman who signs the minutes at the subsequent meeting.
Independent Judgment and best practice	Directors are committed to add value and bring independent judgment to bear on the decision making process of SD&CC and to carry out their duties free from any undue influence or control of other parties.
Reasonable time effort for matters of the Board and the Corporation.	The Board of Directors dedicates adequate time to matters of the Board and the Corporation. In addition to attending the regular monthly board meetings as well the audit and management committee meetings, matters are also referred to them by circulation.
Conducting board proceedings in a proper manner.	Chairman conducts board meetings ensuring effective participation of all the Directors, heeding to their concerns and maintaining the balance of power. The board is in full control of the Corporation.
Balance of the board	Majority of the Directors are non 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">• Discharge of statutory / regulatory duties and board responsibilities.• Corporate governance and monitoring of the Management.• Seeking & contributing views & opinions on strategic decision making.



	<ul style="list-style-type: none"> • Continuous progress review meetings by the line ministry. • Undertaking the succession plans to ensure comprehensive staff succession for Engineers and CSS, Accountants and other skilled employees. • Overall view of management of the business by the Board of Directors.
Appraisal of the General Manager and Senior Management	The board sets financial and non – financial goals and objectives for the General Manager and Senior Staff in line with the corporate goals and objectives of the Corporation. The General Manager is entrusted with management of SD&CC’s operations.
	The main corporate goals and objectives stated in the Corporation’s Corporate plan and the budget are incorporated as personal goals of the GM and Senior Management whose performance is assessed by the Chairman and Board of Directors.
Major Transactions	
Disclosure of major transactions and their impact on the consolidated net assets of the Corporation.	Major transactions and their impact on the consolidated net assets of the Corporation are disclosed wherever relevant.
Accountability and Audit	
Financial Reporting	
Disclosure of an assessment of the position and prospects of the Corporation	Corporation exercises management priority to timely submission of quarterly reports to the General Treasury in accordance with a specified format enabling them to make a fair assessment of the Corporations performance. The financial statements are prepared in accordance with Sri Lanka Accounting Standards, which are based on the International Accounting standards. Therefore the Corporation’s financial statements comply with the international accounting standards in all material respects.
Annual Report should contain a declaration by the Chairman.	Report of the Chairman is given on pages 04 & 05 of this Annual Report.
Presenting a statement setting out the responsibilities of the directors for financial statements and a statement by the Auditors about their reporting responsibilities.	The statement of Directors responsibilities for financial reporting is given on page 27 of this Annual Report. Auditors report on the financial statements of the Corporation for the year ended December 31 st 2021 is given on page 29 to 38 of this annual report.
Internal Controls	
Maintaining a fair system of Internal controls covering financial & operational compliance and management to safe guard the Corporation’s assets.	Management has put in place effective internal controls, and compliance systems to ensure that no legal, financial regulations, Ministry & Treasury directions and other regulations are violated.



Direction	<ol style="list-style-type: none">i. Decisions made at the Meeting of the Board of Directors were communicated to the relevant officials for implementation and the outcomes were reported back to the Board of Directors.ii. Senior Staff Meeting with the participation of all the Heads of Divisions & Chief Engineers are held monthly to discuss the operational, financial & personnel matters and matters arising are brought to the notice of Board of Directors.iii. Progress monitoring meetings for Construction Division and the Concrete Yards are held every month with the participation of all the project/ yard managers and the outcome is reported to the Board of Directors.
Audit Committee and Auditors	
Availability of an audit committee comprising of independent non-executive directors and reporting thereon in the Annual Report.	An active audit committee headed by the Director cum Treasury Representative above and represented by two other non executive directors is in place. Representatives from Auditor General's Department & the Ministry participate at these meetings by invitation.
Maintaining appropriate relationships with the external auditors to ensure their objectivity and independence.	SD&CC maintains appropriate relationship with the Auditor General's Department.
Board of Survey	Annual Survey of property, plant & equipment and inventories was conducted as at 31.12.2021.
Corporate Governance Disclosures	
Disclosures of Corporate Governance practices adopted in the Corporation	<p>In order to strengthen the good corporate governance practices, already in place in the Corporation, it identifies the best Industry practices in accordance with the guide line given by the General Treasury for good governance and implements them.</p> <p>It is encouraging to note that the majority of the principles and practices recommended by the General Treasury are already in place in the Corporation. A few of the practices not found to be in place in the Corporation have been identified and corrective actions are being taken. It is also believed that the amendments proposed to the guide lines for good governance will improve the operational structure and the regulatory framework relating to corporate governance of the corporations and statutory boards.</p>



OPERATIONAL AND FINANCIAL REVIEW

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

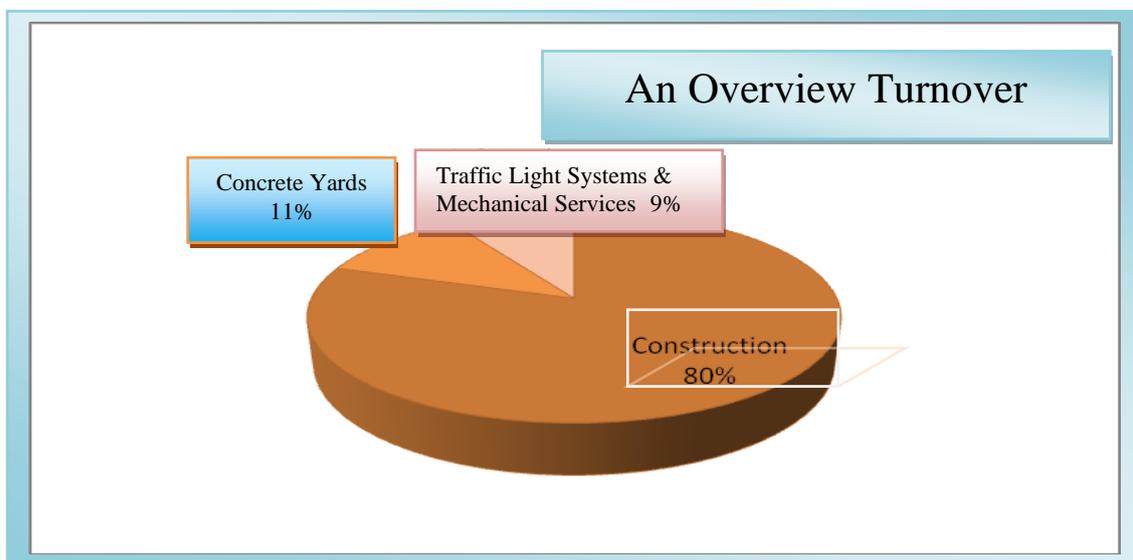
Performance of the Corporation

The Corporation recorded a turnover of Rs.4,215 million during the year 2021 compared to Rs.1,449 million recorded in the previous year. The 191% increase of the turnover is an aggregate of 248% increase in construction, 63% increase in concrete yards & 93% increase in traffic light signal unit & work services. It shows a net profit (before tax) of Rs.43 million for the year 2021 compared to a net loss (before tax) of Rs.257 million during the year 2020.

An Overview of Profit and Gross Profit to Turnover



Sectorial Performance

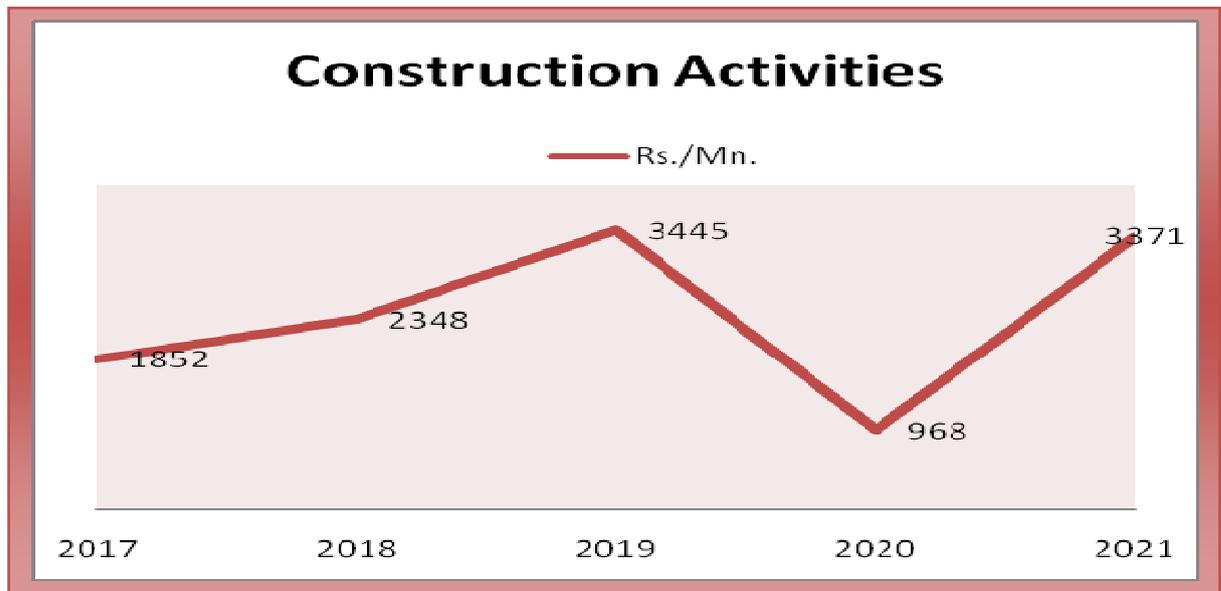




Construction Division

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.

Turnover from Construction Activities



The value of recognized income on construction projects during the year under review has increased from Rs.968 Mn. in 2020 to Rs. 3371Mn. in 2021. Construction Division has made 80% contribution to the total turnover of the Corporation. This division has made a Gross Profit of Rs. 543Mn. during the year under review.

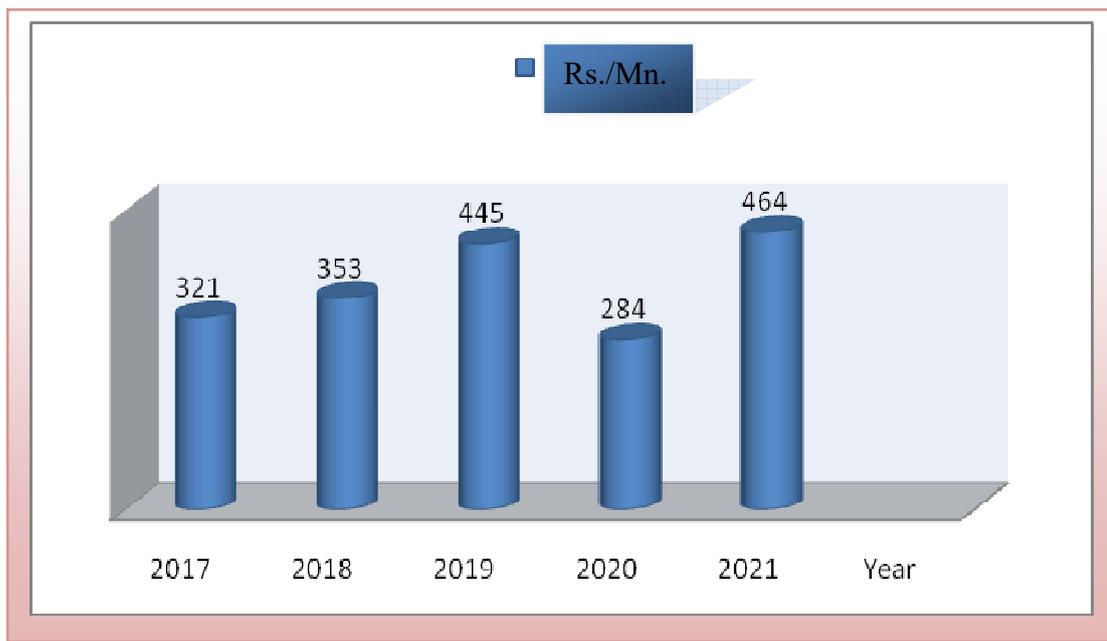
Concrete Yards

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

The Turnover from Concrete Yards was Rs. 464 Mn. during the year under review compared to the previous year turnover of Rs. 284Mn. and contributed to 11% of the total turnover of the Corporation. This division has made a Gross loss of Rs.21Mn.



Turnover from Concrete Yards

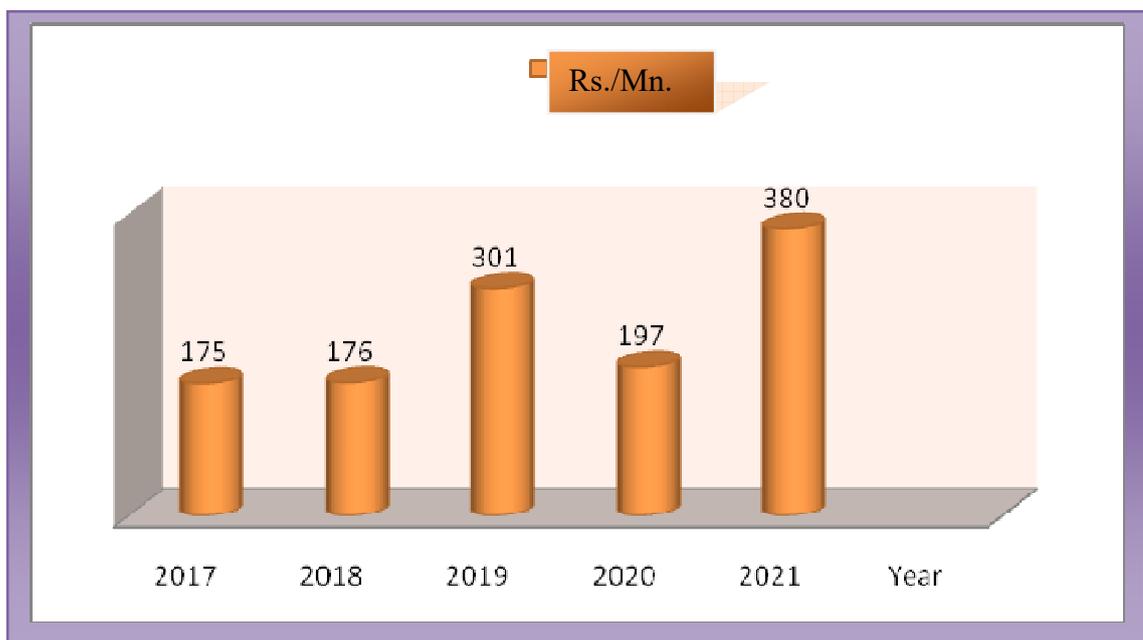


Traffic Light Systems (TLS) & Mechanical Services

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 projects of the Corporation. In addition to that the Traffic Light Systems (TLS) function under the Central Mechanical Division. Traffic Light Systems (TLS) unit was established in 2005 to install and maintain Traffic Light Systems for Road Development Authority.

The turnover from work services & others stood at Rs.380Mn. and compared to the previous year turnover of Rs.196 Mn. The contribution of work services to the turnover of the Corporation in year 2021 is 9%. This unit has made a Gross profit of Rs.70 Mn

Turnover from Traffic Light Systems (TLS) & Mechanical Services





No.	SUMMARY OF THE PROGRESS OF ON GOING PROJECTS AS AT 31 st DECEMBER 2021					
	Project Code	Project	Client	Total Estimated Cost	Progress as at 31 st December 2021	
					Income (Rs. Mn.)	Physical %
HAMBANTHOTA BRIDGES						
1	1161	Bridge across Kirindi Oya at Modarapelessa.	RDA	205.20	136.74	75%
2	1163	Bridge across Walawe river between Thaligala and Ridiyagama.	RDA	235.61	143.85	65%
3	1171	Construction of Bridge across Kirindi oya between Uduwila & Rubberwatta.	RDA	163.69	98.67	90%
4	1172	Construction of Bridge across Urubokka oya at Keselwatta in Katuwana.	RDA	55.49	15.89	40%
5	1177	Construction of Bridge Across Walawe River Between Badiganthota and Liyangastota.	RDA	245.71	60.23	28%
6	1178	Construction of Bridge Across Malal Ara on Ranmuduwewa - Thanamalwila Road	RDA	90.19	22.97	40%
7	1179	Yaya Bridge on Walasmulla Pallekanda Road.	RDA	83.76	20.87	59%
8	1180	Bridge on Urubokka Oya in Kumbukmulla Medagoda.	RDA	93.94	62.01	66%
9	1181	Bridge joining Thalunna and Andupelena.	RDA	93.04	23.19	37%
10	1184	Design & Construction of Tharuna Sewa Bridge across Kirama Ara in Hadugala.	RDA	35.76	24.20	65%
11	1185	Design & Construction of Bridge across Urubokka Oya at Kammale Thotupola.	RDA	43.98	27.84	66%
12	1186	Design & Construction of Bridge across Thundola between Kohomporuwa & Siyambalamuraya.	RDA	39.76	43.64	97%
13	1188	Design & Construction of Bridge across Kirama Oya on Angulmaduwa Aranwela Road.	RDA	97.63	44.49	20%
14	1205	Construction of Bridge across a Canal behind the Sooriyawewa Hospital.	RDA	28.77	17.83	96%
15	1206	Pedestrian Overhead Bridge for Walasmulla National School	RDA	22.03	2.53	15%
OTHER BRIDGES						
1	1190	Rectification of damages of bridge 1/1 Hanwella - Pugoda road	RDA	112.94	15.24	15%
2	1238	Bridge 28/3 Katugasthota - Bambarella road	RDA	60.50	44.68	99%
3	1264	Steel bridge across McCullum in SLPA	CMC	63.96	32.82	46%
4	1268	Reconstruction of bridge no. 62/5 on Galle - Deniyaya - Madampe road	RDA	80.68	29.03	68%
5	1269	Reconstruction of bridge no. 1/3 on Panagoda Henpita road (B354)	RDA	71.13	52.92	85%
6	1278	Reconstruction Of Bridge No.12/1 On Paranthan-Karachchi Mullaitivu Road.	RDA	109.83	30.52	43%



No	Project Code	Project	Client	Total Estimated Cost	Progress as at 31 st December 2021	
					Income (Rs. Mn.)	Physical %
7	1279	Horawala Bridge	RDA	58.14	16.31	52%
8	1280	Bridge 5/1 at Rajagiriya near McDonalds	RDA	93.17	41.25	42%
9	1290	Bridge 105/2 on Colombo Wellawaya Road	RDA	48.47	28.48	98%
10	1299	VVIP access bridge in Defense HQ	RDA	409.66	190.72	70%
11	1321	Pansilgoda Bridge Project	State Ministry of Rural Roads and Other infrastructure	70.34	18.36	40%
12	1327	Construction of Bridge Across Heen Ganga on Hunnasgiriya Meemure Road	-Do-	61.01	-	33%
13	1371	Construction of Viaduct No.01 Warakapola by pass road	RDA	357.87	16.88	22%
14	1372	Bridge across Benthara River connecting Ittapana & Horawala Roads	RDA	484.18	17.33	5%
ROADS						
1	1267	Intersection at Ja-ela - Ekala road, Peliyagoda Puttalam road and Gama Meda road	RDA	79.24	20.87	95%
2	1283	Widening & improvements to Aluth Mawatha upper St. Andrews road to Tobacco company	RDA	159.40	38.43	63%
3	1284	Improvements to Wattala - Hekitta road	RDA	189.94	58.88	71%
4	1288	Improvements to Raods in Velanai PS-jaffna District	RDA	112.83	64.41	79%
5	1294	Construction of retaining walls Kandy/Jaffna Road	RDA	49.55	8.88	29%
6	1296	Welioya Sampath nuwara to Gajabapura Road	RDA	56.00	5.96	21%
100,000 km ROAD PACKAGE						
1	1281	Improvements to Ambalanthota Ridiyagama Stage I	RDA	205.36	136.58	100%
2	1282	Improvements to Ambalanthota Ridiyagama Stage II	RDA	207.06	175.98	99%
3	1285	Improvements to Moronthota - Arandara Road	RDA	167.32	76.27	66%
4	1286	Improvements to Panamura - Buluthota Road	RDA	177.41	83.20	68%
5	1287	Improvements to Kandevihara Junction Stage 1/ Stage 2	RDA	206.87	73.31	61%
6	1300	Thalawewa Junction to Warapothana Road(P-22)	RDA	211.29	37.18	53%
7	1301	Rehabilitation/Improvements to Wilachchiya Raod (P-23)	RDA	180.39	39.54	52%
8	1317	Rehabilitation/Improvements of Dambulla-Bakamuna-Kalagahahena Rd.	RDA	186.62	-	16%
9	1318	Rehabilitation/Improvements of Dambulla-Bakamuna-Kalagahahena Rd.	RDA	178.31	74.54	58%
10	1319	Matale Ilukkumbura Laggala Rd. (P26)	RDA	203.86	-	9%

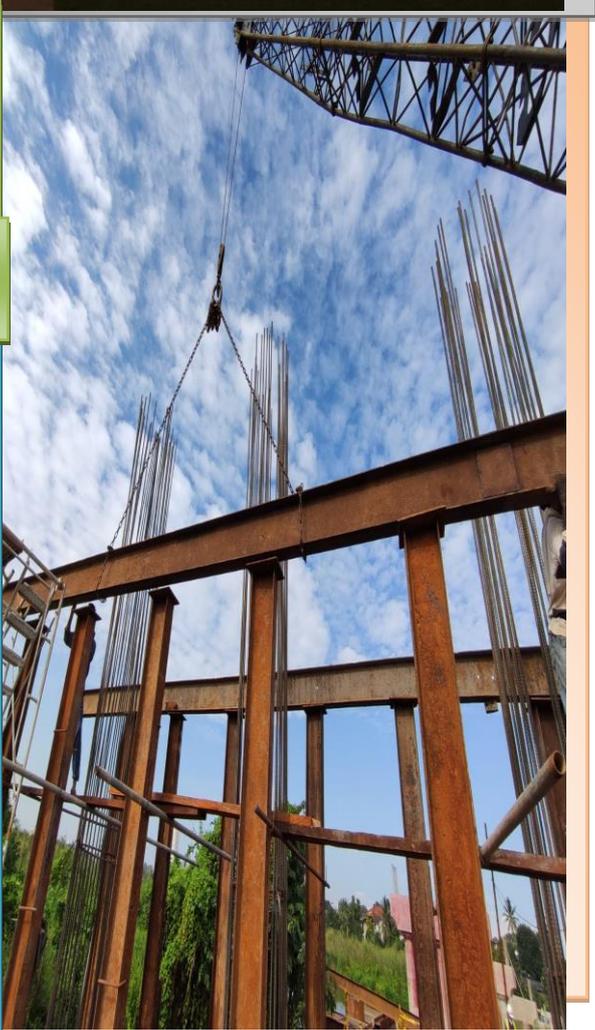
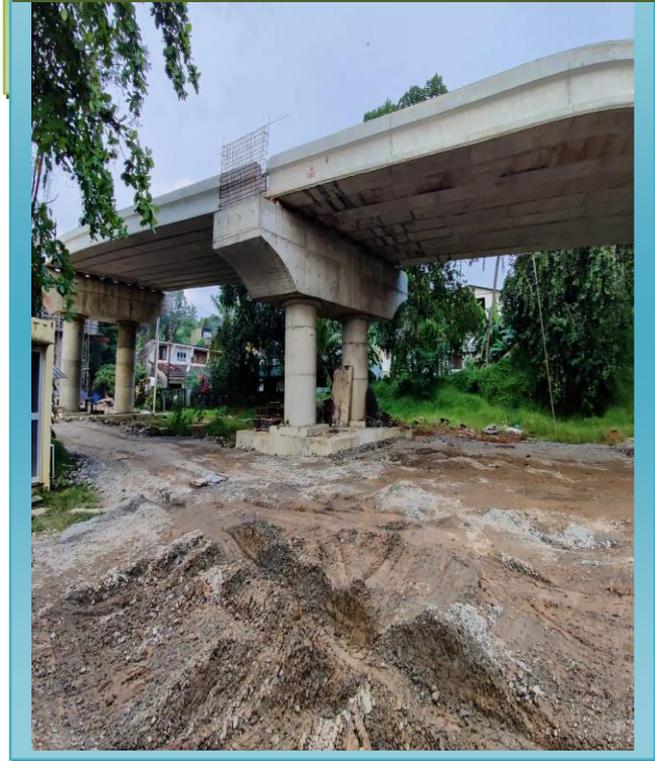
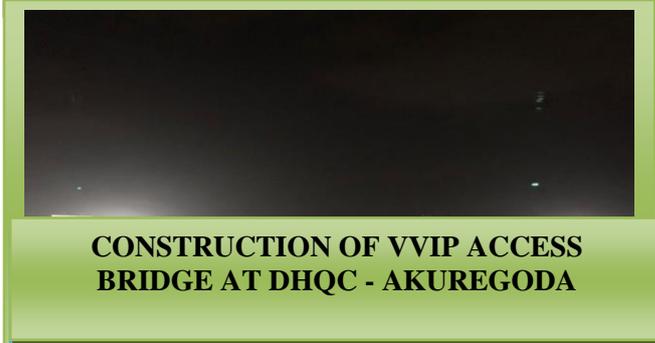


No	Project Code	Project	Client	Total Estimated Cost	Progress as at 31 st December 2021	
					Income (Rs. Mn.)	Physical %
11	1320	Matale Ilukkumbura Laggala Road(P27)	RDA	204.32	-	10%
12	1322	Rambukkana Road Project	RDA	176.22	31.15	51%
BUILDINGS						
1	1121	Proposed buildings for Medical ward & operation theatres at Chilaw district General Hospital	Ministry of Health & Indigenous Medicine	94.56	85.35	89%
2		Sisu Daham Sewana - Stage II	Department of Building	367.77	288.27	80%
3		Sisu Daham Sewana - Stage III	-Do-	264.00	18.61	20%
4	1226	Modification to the Church of Our Lady of Madhu, Shrine in Mannar District	Central Cultural Fund	54.14	14.70	20%
5	1234	'Sri Wimalasiri' Pre-school building at Udayala	Department of Building	3.95	1.60	96%
6	1235	Design & construction of multi purpose building - Pallegunnepana Kandy	-Do-	7.60	2.39	35%
7	1236	Design & construction of extension of existing building at Pathegama, Balapitiya	-Do-	23.73	4.17	35%
8	1243	Rehabilitation of Zion Church in Batticaloa	Central Cultural Fund	55.15	15.88	60%
9	1254	Reconstruction of St. Martin's Seminary in Jaffna	-Do-	12.27	2.41	50%
WATER SUPPLY IRRIGATION AND HRDRO POWER						
1	1167	Godakoggalla Water Supply Scheme - Stage II	National Water Supply & Drainage Board	42.36	28.22	75%
2	1366	Embilipitiya Water project	NWS&DB	105.94	10.20	52%
3	1370	UPVC Distribution Mains Horana - Padukka Road	NWS&DB	20.47	2.10	68%
4	1374	Improvements to Tissamahara Water supply scheme (Phase II)	NWS&DB	143.34	-	5%
MISCELLENEOUS						
1	1373	Construction of Gabion wall along Mahaweli river, Gatambe	Mahaweli Authority of Sri Lanka	213.68	7.60	19%
BRIDGES						
1	1289	Nawala Bridge	RDA	1,698.55	987.14	70%
RURAL BRIDGES						
1	1336	Rural bridges in Kagalle District (8 Nos)	State ministry of rural roads and other infrastructure	86.28	20.45	74%
2	1337	Rural bridges in Matale District (4 Nos)	-Do-	51.62	20.27	41%
3	1338	Rural bridges in Nuwaraeliya District (5Nos.)	-Do-	66.87	8.10	32%
4	1339	Rural bridges in Ratnapura District (8 Nos)	-Do-	109.39	22.13	40%
5	1340	Rural bridges in Kandy District (9 Nos)	-Do-	234.75	12.63	28%
6	1341	Rural bridges in Anuradhapura District (8 Nos)	-Do-	125.45	25.29	50%



No	Project Code	Project	Client	Total Estimated Cost	Progress as at 31 st December 2021	
					Income (Rs. Mn.)	Physical %
7	1342	Rural bridges in Pollonnaruwa District (4 Nos)	State ministry of rural roads and other infrastructure	56.79	29.18	89%
8	1343	Rural bridges in Monaragala District (5 Nos)	-Do-	75.40	29.68	67%
9	1344	Rural bridges in Badulla District (6 Nos)	-Do-	71.50	12.47	64%
10	1347	Rural bridges in Colombo District (8 Nos)	-Do-	93.65	30.96	48%
11	1348	Rural bridges in Gampaha District (13 Nos)	-Do-	158.28	28.37	35%
12	1349	Rural bridges in Kaluthara District (8 Nos)	-Do-	82.15	25.58	48%
13	1350	Rural bridges in Hambanthota District (8 Nos)	-Do-	93.01	36.62	71%
14	1351	Rural bridges in Galle District (6 Nos)	-Do-	116.07	13.43	56%
15	1352	Rural bridges in Matara District (6 Nos)	-Do-	65.89	10.36	39%
16	1353	Rural bridges in Puttalam District (5 Nos)	-Do-	112.55	16.30	39%
17	1354	Rural bridges in Kurunegala District (16 Nos)	-Do-	274.67	29.13	64%
18	1355	Rural bridges in Ampara District (5 Nos)	-Do-	90.59	31.87	74%
19	1356	Rural bridges in Batticaloa District (3 Nos)	-Do-	60.71	15.10	76%
20	1357	Rural bridges in Jaffna District (2 Nos)	-Do-	11.55	4.23	94%
21	1358	Rural bridges in Mannar District (1 Nos)	-Do-	17.56	1.17	23%
22	1359	Rural bridges in Mullathiv District (1 Nos)	-Do-	58.82	2.42	10%
23	1360	Rural bridges in Trincomalee District (1 Nos)	-Do-	14.01	5.25	60%
24	1361	Rural bridges in Vavunia District (2 Nos)	-Do-	33.30	4.84	28%
25	1365	Rural bridges in Kilinochchi District (2 Nos)	-Do-	23.99	0.94	21%
<u>CONSULTANCY</u>						
1		Consultancy	-	-	8.40	-
<u>CONCRETE YARDS</u>						
1	051	Ratmalana	-	-	155.40	-
2	053	Bopitiya	-	-	134.89	-
3	755	Bopitiya Crusher	-	-	39.42	-
4	052	Weragantota	-	-	108.86	-
5	812	Medawachchiya	-	-	74.40	-
6	1276	Lunugamwehera	-	-	52.84	-
7	1277	Asphalt Plants	-	-	4.95	-
<u>MECHANICAL</u>						
1	006	Transport	-	-	55.60	-
2	005	Work Shop	-	-	31.99	-
3	005	Structural Workshop	-	-	12.50	-
4	963	Asphalt fleet	-	-	19.49	-
5	897	Traffic Light signal system (TLS)	-	-	392.42	-

CONSTRUCTION OF BRIDGE AT NAWALA - ANGAMPITIYA



CONSTRUCTION OF VVIP ACCESS BRIDGE AT DHQC - AKUREGODA



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 believes that the real strength of any Organization depends on the capabilities of its Staff, in a rapidly changing business environment. Therefore all efforts were directed to have a well skilled and competent workforce in order to achieve forecasted results.

In the year 2021 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 2021 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 50th 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	2016	2017	2018	2019	2020	2021
Civil Engineers	56	73	73	73	76	109
Mechanical & Electrical Engineers	09	09	08	08	07	09
Senior Managers	03	03	03	03	01	00
Accountants	08	08	08	07	07	07
Other Staff Officers	17	19	18	18	16	21
Construction Superintendents (Civil/ Mechanical / Electrical)	28	28	22	25	24	37
Draftsman / Quantity Surveyor	04	03	03	05	05	05
Security Staff	43	56	52	50	51	46
Clerical & Allied Grades	105	107	105	104	99	95
Supervisory & Other Skill Grades	310	348	337	334	334	300
Total	583	654	629	627	594	629



AUDIT COMMITTEE REPORT

REPORT OF THE AUDIT COMMITTEE – 2021

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 2021, three (03) Audit Committee meetings were held.

Over the year 2021, the Audit Committee.

1. Paid attention for the preparation and presentation of Annual Reports for the years 2016 to 2020.
2. Reviewed the Auditor General's Final report 2019 and made follow up action for rectifying accounting deficiencies and non-compliance of rules mentioned therein.
3. Reviewed the Internal Audit Queries, Internal Audit Investigation Reports covering the nature of the issues, responses by the Departmental Heads and corrective actions that were taken by the Management to overcome the noted deficiencies.
4. 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.
5. Paid attention for the Auditor General's Interim Reports issued in 2019,2020,2021and reviewed follow up actions for rectifying accounting deficiencies and non - compliance of rules mentioned therein.
6. Reviewed and approved the Internal Audit Programme - 2021 and 2022.
7. Paid attention to ensure that all relevant rules and regulations and circulars issued by the government are complied with.
8. Reviewed the follow up actions taken by the respective Manager/Officer on the recommendations of the Committee.



9. Reviewed the financial statements 2020 to ensure compliance with Sri Lanka Accounting Standards (SLFRS/LKAS).
10. Paid attention for the preparation and presentation of Action Plan, Annual Budget, Procurement Plan, Business Plan, Corporate Plan and Implementation & COPE decisions.
11. Considered the strength of Internal Audit Staff and their findings specially belongs to risk areas.
12. Paid attention for the prevailing Cadre issues and reviewed follow up actions for rectifying the same.

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

Audit Committee Members.

- Ms. J.K.N. Samanmalie - Chairman/Board Director/Treasury Representative
- Mr. V.I. Roshan Dayarathna - 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

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 2022, 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	2012 (Rs.)	2013 (Rs.)	2014 (Rs.)	2015 (Rs.)	2016 (Rs.)	2017 (Rs.)	2018 (Rs.)	2019 (Rs.)	2020 (Rs.)	2021 (Rs.)
1.Turnover	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	4,215,539,157
2. Operating Expenses	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	3,812,409,551
3.Gross Profit	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	403,129,606
4.Other Income	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	206,213,755
5.Admin. Expenses	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	176,664,778
6.Other Expenses	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	138,174,528
7.Financial Expenses	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	259,168,706
8. Net Profit before Taxation	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)	43,124,611
9.Total Assets	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	5,472,482,069	5,799,104,956	6,770,160,573
10.Net Assets	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	323,725,737
11.ROCE - %	3.6	5.89	6.85	3.5	6.71	6.43	5.41	-32.69	-3.37	13.66
12.Return on Assets %	1.29	1.99	2.57	1.19	2.53	2.35	2.46	-11.15	-0.99	4.35
13.Gross Profit Ratio - %	3.19	3.54	6.7	9.71	12.70	7.38	6.33	-7.75	7.65	9.56
14.Net Profit Ratio - %	1.86	2.73	3.2	2.0	1.1	0.52	0.64	-16.68	-17.76	1.02
15.Current Ratio - Times	1.20	1.06	1.02	1.04	1.04	1.1	1.4	1.16	1.10	1.22



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

CAE/C/SDCC/01/2021/02

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

12 July 2022

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 2021 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 2021 comprising the statement of financial position as at 31 December 2021 and statement of comprehensive Income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

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 2021, 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 08 – Accounting Policies, Changes in Accounting estimates and errors

The comparative information had not been restated and the relevant disclosures had not been done in respect of the prior year adjustment of Rs.5,785,978 made in the changes in equity statement during the year under review as per the section 45 and section 49 of LKAS 08.

(b) LKAS 16 – Property, Plant and Equipment.

Fully depreciated Computer Accessories and Software, Office Furniture , Machinery and Equipment, Motor Vehicle , and Other Assets costing to Rs.8,521,619 ,Rs.7,355,774 ,Rs.101,121,258 , Rs.194,103,638 , and Rs.65,999,216 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.

(c) SLFRS 10 - Consolidated Financial Statements.

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.

- (d) 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.64,158,596 and Rs.13,654,032 respectively had not been paid or brought to the financial statements for the year 2021.
- (e) Debit balance of Rs.80,335,283 shown as the Salaries and wages control Account under Sundry Debtors had not been settled by the end of year under review.
- (f) The surcharge of Rs.25,871,900 imposed on the contributions payable to the EPF for the year 2020 and 2021, had not been accounted in the financial statement .
- (g) Evidence was not provided regarding capital grant of Rs.53,000,000 received from treasury to verify whether the amount was a Government grant or Loan.
- (h) Since supporting documents were not provided for the following balances, it was unable to ensure the accuracy and validity of such balances.

Item of Account	Value (Rs.)	Evidence not made availabl
(i) Creditors balance	43,829,526	Individual schedule and age analysis
(ii) Letter of credit Margin Account	114,127,998	Detail schedule
(iii) Sub contract advances	15,299,042	Detail schedule
(iv) Due to customer	131,756,060	Detail schedule and Age Analysis

(v)	Trade Creditor – Debit Balances	19,393,442	Detail schedule and Age Analysis
(vi)	Sundry Creditors – Debit Balances	2,620,086	Detail schedule and Age Analysis
(vii)	Sundry Debtors	29,563,152	Detail schedule and Age Analysis
(viii)	Sundry Creditors	278,652,082	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 2021 Annual Report.

The other information comprises the information included in the Corporation's 2021 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 2021 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 misstatements 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 includes specific provisions for following requirement.

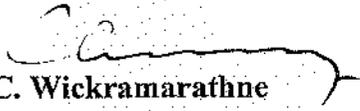
2.1.1 Expect for the effect of the matters described in the Basis for Qualified Opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirements 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 was 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 except for;
- 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.587,623,905 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) The value added tax had not been paid since 2002, totaled of Rs.1,111,086,511.
- (c) Nation Development Tax totaling to Rs.6,342,105 had remained over ten years without been settled as at 31 December 2021.
- (d) The bank loan outstanding balance as at 31 December 2021 was of Rs.1,844 million and interest expense for those loans Rs.200 million. As the loan and borrowing had increased by Rs.415.67 million or 29 per cent as against the preceding year, the financial position will be further weaken in case of the corporation failing to earn sufficient profit through the projects in the future.
- (e) The approved cadre of the Corporation as at 31 December 2021 was 489 while the actual cadre was 634. Accordingly, this shows an excess recruitment of 145 employees to the Corporation to the various positions.
- (f) Two post of senior management in the corporation had remained vacant as at 31 December 2021.
- (g) The approved cadre for civil engineers was 19, however 85 Civil Engineers had been recruited as contract basis.
- (h) The 22 Security Guards had been recruited exceeding the approved cadre.

- (i) Although six bridge construction projects valued at Rs.265.69 million had been expected to complete during the year under review, actual projects progress was below 65 per cent.
- (j) A number of 144 rural bridge construction projects valued at Rs.2184.85 million had been shown without expected physical projects progress and, of them 72 projects valued at Rs.1,108.82 million indicated actual progress below 50 per cent by the end of the year under review.
- (k) Although six road projects valued at to Rs.839.68 million had been expected to be completed during the year 2021, it was observed that these projects had not been completed even as at 31 December 2021.
- (l) Six building construction projects valued at Rs.416.89 million that should have been completed by year 2020, had not been completed up to 31 December 2021, and the physical progress thereof remained less than 60 per cent by 31 December 2021.
- (m) A water supply and irrigation project valued at Rs.42.36 million and scheduled to be completed by 30 April 2020, indicated by physical progress at 75 percent only even by 31 December 2021.
- (n) A total loss of totaling Rs.189,977,006 had been identified from 42 projects as at 31 December 2021.
- (o) It was observed during the physical inspection carried out at the head office in Ratmalana, that there are machinery and equipment valued at Rs.10,392,151 remained idle.


W.P.C. Wickramaratne

Auditor General

STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER
(All Amounts Are In Sri Lanka Rupees)

	Note	2021	2020
Revenue	01	4,215,539,157	1,449,321,086
Cost Of Sales	02	(3,812,409,551)	(1,338,451,467)
Gross Profit / (Loss)		403,129,606	110,869,618
Other Income	03	206,213,755	326,623,242
Profit / (Loss) Before Operating Expenses		609,343,361	437,492,860
Administrative Expenses	04	(176,664,778)	(211,104,565)
Other Expenses	05	(138,174,528)	(280,515,508)
Results From Operating Activities		294,504,054	(54,127,213)
Financial Income	06	7,789,263	6,123,801
Financial Expenses	06	(259,168,706)	(209,417,300)
Profit Before Tax		43,124,611	(257,420,711)
Tax Expenses	07	(16,734,552)	11,735,078
Profit For The Year		26,390,059	(245,685,634)
Other Comprehensive Income			
Defined Benefit Plan Actuarial Gains (Losses)	17.01	8,554,326	(7,218,787)
Tax On Other Comprehensive Income		(1,197,606)	1,010,630
Other Comprehensive Income Net of Tax		7,356,720	(6,208,157)
Total Comprehensive Income		33,746,779	(251,893,791)

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

2021 2020

(All Amounts Are In Sri Lanka Rupees)

Note

ASSETS

Non - Current Assets

Property, Plant & Equipment	08	1,042,535,835	1,074,011,490
Investments In Government Owned Companies	09	-	1,842,148
Deferred Tax Assets	11	95,283,568	143,051,168
Total Non Current Assets		1,137,819,402	1,218,904,806

Current Assets

Inventories	12	447,173,812	289,918,988
Other Investments, Including Derivatives	10	30,000,000	57,925,796
Income Tax Assets	13	55,905,373	70,664,562
Trade & Other Receivables	14	4,824,148,856	3,486,196,995
Cash & Cash Equivalents	15	275,113,128	348,870,921
Total Current Assets		5,632,341,170	4,253,577,263
Total Assets		6,770,160,573	5,472,482,069

EQUITY & LIABILITIES

Capital & Reserves

Capital		16,671,651	16,671,651
Capital Grant		51,140,000	51,140,000
Capital Reserves		6,629,760	6,629,760
Government Grant		269,660,477	295,460,507
Revaluation Reserve		656,256,375	656,256,375
Retained Earnings		(676,632,526)	(716,165,282)
Total Equity		323,725,737	309,993,011

Non - Current Liabilities

Loans & Borrowings	16	1,653,125,484	1,068,338,693
Retirement Benefit Obligation	17	59,408,198	79,332,387
Deferred Tax Liabilities	11	120,316,286	150,151,728
Total Non Current Liabilities		1,832,849,968	1,297,822,809

Current Liabilities

Trade & Other Payables	18	4,297,443,559	3,078,583,873
Loans & Borrowings	16	171,633,802	360,817,026
Bank Overdrafts	19	144,507,507	425,265,350
Total Current Liabilities		4,613,584,868	3,864,666,249
Total Equity & Liabilities		6,770,160,573	5,472,482,069

Deputy General Manager-Finance..... *Jaya Mayhem*
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..... *[Signature]*
25th February 2022

Director..... *[Signature]*
25th February 2022

General Manager..... *[Signature]*
25th February 2022

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 31ST DECEMBER 2021
(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 2020	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
Effect Of Prior Year Transactions						5,785,978	
Balance As At 1st January 2021	16,671,651	51,140,000	6,629,760	656,256,375	295,460,507	(710,379,305)	315,778,988
Profit For The Year	-	-	-	-	-	26,390,059	26,390,059
Amount of Government Grant Recognised as Income During The Year	-	-	-	-	(25,800,030)	-	(25,800,030)
Other Comprehensive Income	-	-	-	-	-	7,356,720	7,356,720
Balance As At 31st December 2021	16,671,651	51,140,000	6,629,760	656,256,375	269,660,477	(676,632,526)	323,725,737

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 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2021	2020
	Note	
Cash Flow From Operating Activities		
Profit / (Loss) Before Tax	43,124,611	(257,420,711)
Adjustments For ;		
Depreciation	101,559,870	98,694,848
Provision For Defined Benefit Plan	11,774,245	10,109,842
(Gain)/Loss On Disposal Of Property, Plant & Equipment	(9,320,036)	-
(Gain)/Loss On Translation Of Foreign Currency Loans	-	(7,477,498)
Impairment Loss On Trade & Other Receivables	121,904,988	277,448,063
Finance Expenses	259,168,706	209,417,300
Deferred Income	(25,800,030)	(79,566,571)
Provision for Slow & Non Moving Stock	352,321	(1,044,622)
Finance Income	(7,789,263)	(6,123,801)
Operating Profit / (Loss) Before Working Capital Changes	494,975,413	244,036,848
(Increase) / Decrease In Inventory	(157,607,146)	(156,425,972)
(Increase) / Decrease In Trade & Other Receivables	(1,110,037,476)	282,477,105
(Increase) / Decrease In Purchases & Sub Contract Advances	(247,725,392)	(88,529,086)
Increase / (Decrease) In Advances & Retention	623,687,884	243,281,095
Increase / (Decrease) In Trade & Other Payables	493,985,039	(367,114,427)
Cash Generated From / (Used In) Operations	97,278,323	157,725,561
Finance Cost Paid	(247,780,947)	(227,225,528)
Gratuity Paid	(23,144,108)	(15,534,521)
Tax Paid	-	(145,200)
Net Cash Flow From / (Used In) Operating Activities	(173,646,733)	(85,179,688)
Cash Flows From / (Used In) Investing Activities		
Acquisition Of Property, Plant & Equipment	(78,124,838)	(20,092,070)
Proceeds From Disposal Of Property, Plant & Equipment	10,567,764	-
Investment in Fixed Deposits	27,925,796	(31,629,613)
Finance Income Received	4,596,929	3,174,034
Net Cash Flow From / (Used In) Investing Activities	(35,034,349)	(48,547,650)
Cash Flows From / (Used In) Financing Activities		
Repayment Of Loans & Borrowings	(452,324,827)	(45,380,618)
Proceeds From Borrowings	868,005,959	176,128,546
Net Cash Flow From / (Used In) Financing Activities	415,681,133	130,747,928
Net Increase / (Decrease) In Cash & Cash Equivalents	207,000,051	(2,979,409)
Cash & Cash Equivalents At The Beginning Of The Year	(76,394,429)	(73,415,020)
Cash & Cash Equivalents At The End Of The Year	130,605,622	(76,394,429)

15

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





1. CORPORATE INFORMATION

1.1 General

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

1.2 Comparative Information

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

1.3 Principal Business Activities

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

1.4 Number of Employees

The number of employees at the end of the year was 634.

1.5 Date of Authorization for Issue

The Financial Statements were authorised for issue by the Board of Directors on 25th February 2022.

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.



2.1.5 Borrowing Costs

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

2.2 Valuation of Assets& Liabilities and Their Bases of Measurement

2.2.1 Property, Plant and Equipment

Cost and Valuation

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

Subsequent Expenditure

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

Revaluation

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



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.

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 pertaining to each financial year is charged to the statement of comprehensive income over the period of lease.

The interest applicable for the year calculated using Internal Rate of Return (IRR) method has been charged to statement of comprehensive income.

(Contd...)





The cost of improvements on leasehold property is capitalized if the criteria are met, disclosed as leasehold improvement under property plant and equipment, and depreciated over the estimated useful lives of the improvements.

b) Operating Leases

Leases where the less or effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases.

Rentals paid under operating leases are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2.2.3 Financial Instruments

1. Financial Assets

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

a) Financial Assets at Fair Value Through Profit or Loss

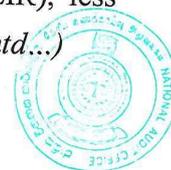
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing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

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

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less

(Contd...)





ACCOUNTING POLICIES (Contd...)

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

(Contd...)





ACCOUNTING POLICIES (Contd...)

asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognised as a separate asset or liability.

Impairment of Financial Assets

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

2. Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

Financial Liabilities at Fair Value through Profit or Loss

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

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

Loans and Borrowings and Other Financial Liabilities

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

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

(Contd...)





Derecognition

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

3. Fair Value of Financial Instruments

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

2.2.4 Impairment of Assets

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

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

2.2.5 Investments

a) Current Investments

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

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





b) Associate Company Investments

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

2.2.6 Inventories

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

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

2.2.7 Cash and Cash Equivalents

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

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

2.2.8 Recognition of Due from Customer and Due to Customer

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

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

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

(Contd...)





ACCOUNTING POLICIES (Contd...)

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

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

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

2.3 Liabilities and Provisions

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

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

2.3.1 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

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

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

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

2.4. Revenue

2.4.1 Revenue Recognition

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

(Contd...)





a) Construction Revenue

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

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

b) Sale of Goods

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

c) Interest

Interest income is recognized on a time apportioned basis.

d) Rental and Other Income

Rental income is recognized on accrual basis.

e) Gains & Losses

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

2.5 Expenditure Recognition

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

(Contd...)





2.6 Comparatives

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

2.7 Events Occurring After the Reporting Date

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

2.8 Segment Information

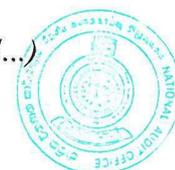
The Corporation identifies its segments based on the criteria, given in the SLFRS 8 and relevant disclosures are made in the financial statement notes. Construction, Concrete Yard and Mechanical & Others are segments identified by the Corporation.

2.9 Government Grant

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

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

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



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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2021	2020
NOTE 01 - REVENUE			
Construction Income		3,371,051,882	968,253,815
External Sales - Concrete Yards		324,379,762	251,656,357
Internal Sales - Concrete Yards		139,653,904	32,779,815
Traffic Light Systems & Work Services		380,453,608	196,631,099
Total		4,215,539,157	1,449,321,086
NOTE 02 - COST OF SALES			
<u>Operating Expenses</u>			
Employee Benefits	04.01	755,840,745	525,992,160
Cement		66,628,006	47,426,936
Sand		30,641,024	22,565,599
Metal		173,083,899	76,415,178
Steel		573,907,397	94,799,237
Timber		13,411,115	6,639,354
Fuel & Lubricants		98,979,607	54,703,915
Explosive & Blasting Materials		1,185,035	717,312
Rady Mix Concrete		192,825,256	31,129,939
Concrete Products		89,528,722	25,629,517
Machinery & Vehicle Spare Parts		27,031,034	15,538,915
Stationery Consumption		3,781,966	1,886,617
Tar Consumption		195,117,596	24,992,698
Electrical Spare Parts Consumption		125,798,866	64,855,356
Pipes & Drainages Items Consumption		4,488,042	10,704,515
Other Stocks		241,382,171	111,943,902
Earth Gravel		41,574,927	3,369,082
Works Services		1,127,157	399,348
Capital Item Expenditure - RDA		5,558,702	17,456,928
Legal Charges		-	67,817
Hire Charges		221,849,811	69,651,061
Transport Charges (Material)		12,716,521	595,655
Transport Charges (Others)		8,409,992	3,786,238
Storage Charges		12,100	3,000
Vehicle Insurance		849,875	13,336
Depreciation On Plant, Machinery & Equipment		83,544,580	83,607,968
Depreciation On Motor Vehicles		1,997,420	2,371,200
Depreciation On Computers, Accessories & Software		1,191,095	750,716
Repairs & Maintenance -Plant, Machinery & Equipment		3,629,241	1,280,805
Repairs & Maintenance - Vehicles (Work Shop)		1,720,190	949,409
Repairs & Maintenance -Plant, Machinery & Equipment (Transport)		7,250	441,686
Repairs & Maintenance -Plant, Machinery & Equipment (Other)		3,526,294	4,114,612



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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2021	2020
		Note
Operating Expenses (Contd...)		
Registration & Licence Fees	1,389,837	2,517,066
Sub Contracts **	691,780,174	(76,407,185)
Liquidation Damages	6,880,135	5,354,356
Assignments	15,318,000	5,266,905
Charges For Bonds	43,904,434	34,031,228
Telephone - Sites	4,732,420	2,125,313
Postage & Telex - Sites	169,279	24,290
Printing & Stationery - Sites	1,729,000	797,210
Travelling - Sites	14,729,296	11,722,427
Entertainment	1,977,647	1,152,059
Stamp Fees - Sites	6,725	68,877
Rent - Sites	32,754,166	26,473,903
Electricity - Sites	9,050,799	3,247,307
Computer	34,150	6,500
Water - Sites	2,325,949	1,837,887
Tender Fees - Sites	583,338	301,404
Security Expenses - Sites	980,046	11,530
Welfare & Recreation - Sites	700,998	124,990
Insurance - Sites	336,021	3,426,841
Insurance All Risk Policy - Sites	19,080,601	4,102,480
Newspapers & Periodicals - Sites	31,640	49,500
Sundry Expenses- Sites	35,896,241	23,126,966
Consultancy & Professional Fees	660,483	84,003
Building Repairs - Sites	80,600	44,519
Service Charges - Sites	4,714,037	945,313
Testing Charges - Sites	14,808,534	7,519,129
Advertisements	303,825	254,540
Repairs & Maintenance - Office Equipment	13,891	172,600
Rates & Taxes	822,936	40,864
Impairment provision for Slow & Non Moving Stock	352,321	(1,044,622)
Personal Accident Insurance	688,347	802,762
Sub Total	3,888,181,505	1,362,980,973
Add - Opening Stock	118,203,000	93,673,494
Less - Closing Stock	(193,974,954)	(118,203,000)
Cost Of Sales	3,812,409,551	1,338,451,467



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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2021	2020
NOTE 03 - OTHER INCOME			
Transport Hire Charges		16,673,092	12,246,115
Metal & Rubble Sale		-	7,644,562
Deferred Income		78,800,030	79,566,571
Consultancy Fee		5,786,821	9,517,384
Sundry Income		60,104,437	10,899,672
Treasury Funds Received For Salaries		-	165,000,000
Insurance Income		21,924,764	328,108
Income On Rent		13,604,550	33,920,350
Miscellaneous		25	22,981
Foreing Exchange Gain\Loss		-	7,477,498
Profit On Disposal Of Property, Plant & Equipment		9,320,036	-
Total		206,213,755	326,623,242
NOTE 04 - ADMINISTRATIVE EXPENSES			
Employee Benefits	04.01	108,858,454	160,808,280
Telephone		2,191,162	1,705,822
Postage & Telex		78,570	269,199
Printing & Stationery		705,246	197,350
Travelling & Subsistence		1,052,418	653,738
Entertainment		714,342	473,024
Advertising		692,863	361,045
Legal Charges		555,750	326,500
Rate & Taxes		3,091,072	1,034,484
Electricity		4,074,886	4,030,576
Computer Expenses		99,925	224,850
Rental - GPS Tracking		199,120	365,670
Rent		257,400	20,300
Depreciation - Land & Buildings		7,351,389	7,018,070
Depreciation - Furniture & Fixture, Office & Welfare		1,902,311	912,846
Depreciation - Computer Accessories & Software		771,706	502,517
Depreciation - Other Assets		4,801,369	3,531,531
Water		1,430,066	1,130,511
Non Refundable Tender Fees		66,000	1,725,617
Service Charges		87,610	39,217
Sundry Expenses		4,394,273	3,988,649
Consultancy & Professional Fees		878,599	89,000
Welfare & Recreation Expenses		14,992	48,000
Repairs & Maintenance - Land & Buildings		790,823	1,494,853
Repairs & Maintenance - Other Assets		627,690	1,069,719
Insurance Contractors All Risk Policy		7,354,112	6,123,663



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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2021	2020
		Note
Administration Expenses (Contd...)		
Newspapers & Periodicals	40,600	42,870
Timber Consumption	39,203	6,017
Fuel Consumption	61,738	172,003
Stationery	3,969,407	3,190,597
Electrical Items Consumption	288,196	87,334
Water Supply Items	72,069	24,002
Other Stocks Consumption	11,156,099	1,030,897
Sub Contract Labour	5,193,969	3,860,230
Repairs - Light Vehicles	16,400	1,730
Registration & Licence Fees	389,664	177,308
Bond Charges - Head Office	653,879	2,643,182
Assignment - Head Office	1,389,310	945,363
Training & Development - Head Office	326,300	698,000
External Hire - Head Office	25,796	80,000
Total	176,664,778	211,104,565



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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2021	2020
NOTE 04 . 01 - EMPLOYEE BENEFIT EXPENSES			
<u>Operating Expenses</u>			
Salaries & Wages -Permanent		224,506,991	216,256,237
Overtimes -Permanent		72,681,630	48,266,217
Employees' Provident Fund - Permanent Staff		22,370,580	21,545,062
Employees' Trust Fund -Permanent Staff		5,592,645	5,386,266
Salaries & Wages -Casual Staff		4,537,163	4,259,819
Overtime -Casual staff		604,767	309,441
Employees' Provident Fund -Casual Staff		315,152	340,536
Employees' Trust Fund -Casual Staff		78,788	85,134
Sub Contract Labour		295,562,571	152,195,433
Salaries Training		960,961	429,174
Workmen Compensation		5,491,719	1,853,447
Encashment Of Leave		1,259,561	1,346,903
Bonus Payment		2,289,500	2,260,082
Incentive Payments		1,135,863	285,233
Professional Subscription		6,292	13,642
Risk Allowances		-	127,627
Salaries - Contract		90,709,485	58,225,556
Overtime - Contract		16,902,440	5,878,020
Employees' Provident Fund - Contract		8,667,710	5,542,664
Employees' Trust Fund - Contract		2,166,927	1,385,666
Sub Total		755,840,745	525,992,160
<u>Administrative Expenses</u>			
Defined Benefit Pension Cost	17..01	11,774,245	10,109,842
Directors Fees		674,000	1,746,000
Chairman's Remuneration		599,700	1,100,000
Salaries & Wages		58,517,934	117,877,183
Overtime		20,542,476	14,141,125
Employees' Provident Fund		12,585,676	11,892,540
Employees' Trust Fund		3,146,419	2,973,135
Professional Subscription		353,503	28,326
Gratuity Surcharges		-	238,817
Death Donation		100,000	-
Bonus Payment		564,500	701,313
Sub Total		108,858,454	160,808,280
Total Employee Benefit Expenses		864,699,199	686,800,440



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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2021	2020
NOTE 05 - OTHER EXPENSES			
Impairment Loss On Trade Receivables		121,904,988	277,448,063
ESC Write off		14,759,188	
Bank Charges		1,510,351	3,067,445
Total		138,174,528	280,515,508
NOTE 06 - FINANCIAL INCOME & FINANCIAL EXPENSES			
<u>Financial Income</u>			
Interest Income On Available-For-Sale Financial Assets		3,137,432	854,873
Interest Income On Held - To - Maturity Investments		4,368,045	4,971,335
Interest Income On Loans & Receivables		283,786	297,593
Total Finance Income Recognized In Profit Or Loss		7,789,263	6,123,801
<u>Financial Expenses</u>			
Interest On Bank Overdrafts		55,804,124	43,646,590
Interest Expense on Financial Liabilities Measured At Amortized Cost		199,532,654	164,565,105
Lease Interest			-
Other Financial Expenses		3,831,929	1,205,604
Total Financial Expenses Recognized In Profit Or Loss		259,168,706	209,417,300
NOTE 07 - TAX EXPENSES			
<u>Current Tax Expense</u>			
Current Tax On Profits For The Year		-	-
Adjustment For Under Provision In Prior Periods		-	-
Total Current Tax		-	-
<u>Deferred Tax Expense</u>			
Change In Recognized Taxable Temporary Differences		16,734,552	(11,735,078)
Change In Recognized Deductible Temporary Differences	11		
Total Tax Expenses On Continuing Operations		16,734,552	(11,735,078)



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

AS AT 31ST DECEMBER 2021

(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 2020		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
Additions		-	4,263,315	10,706,323	12,200,304	18,927,956	5,935,500	25,441,079	77,474,477
Disposals		-	-	(732,901)	(245,655)	(5,960,907)	(534,754)	(3,531,530)	(11,005,746)
Adjustment		-	-	(2,591,225)	647,872	(23,000,941)	13,701,642	(3,494,097)	(14,736,749)
Balance As at 31st December 2021		654,812,513	148,333,793	30,564,332	35,116,654	941,271,201	212,519,198	127,793,051	2,150,410,742

Accumulated Depreciation

Description	Note	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance As at 1st January 2020		-	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
Depreciation charge for the year		-	7,351,389	1,902,311	1,962,801	83,529,580	1,997,420	4,801,369	101,544,871
Disposals		-	-	(511,061)	(199,473)	(5,708,171)	(508,016)	(2,831,297)	(9,758,018)
Adjustment		-	-	(4,952,816)	597,163	(19,233,154)	13,021,533	2,638,420	(7,928,854)
Balance As at 31st December 2021		-	98,028,607	13,108,555	16,817,815	707,332,899	193,259,855	84,462,485	1,113,010,215

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

Balance As at 31st December 2021

654,812,513

50,305,186

17,455,777

18,298,839

233,938,302

19,259,343

43,330,566

1,037,400,526

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS AT 31st DECEMBER 2021
 All amounts are in Sri Lanka Rupees.

NOTE 8.01 - CAPITAL WORKING PROGRESS

Description	CONSTRUCTION OF WELFARE BUILDING AT H/O 001	EXTERNAL WALL PLASTERING 812	PRE CAST ELECTRIC BED 053	EXPLOSIVE STORES 053	SITES TOILETS 53	FENCE POST AROUND NEW YARD 812	CONSTRUCTION OF NEW OFFICE BUILDING 52	SECURITY ROOM CONSTRUCTION 812	PIPE PLANT 2 C/Y 812	BEAM BED CONSTRUCTION 812	CONSTRUCTION OF NEW YARD 812	CONSTRUCTION OF NEW OFFICE BUILDING - C/Y 093	CONSTRUCTION OF STORES MAIN YARD 812	TOILETS CONSTRUCTION ON SECURITY ROOM 51	GRAGARY BUILDING PARTITION 001	MOULD HOUSE 812	NEW OFFICE BUILDING 52	CHAIRMAN TEA ROOM 51	GENERATOR ROOM - 812	OFFICE BUILDING - 1276	BEAM BED - 1276	Total	
Cost																							
Balance As at 1 st January 2021	743,242						727,636	142,566		23,100	6,172	375,474	8,727	27,106	2,830,000	37,830	1,207,286	106,757	64,342	442,347	1,989,339	4,484,946	
Additions	318,585	114,813	25,817	121,032	23,018	7,820		12,192	12,935	(23,100)	(6,172)				(2,830,000)		1,207,286	39,484				4,913,674	
Transfers to Building Maintenance	(1,061,827)	(114,813)	(25,817)															(106,757)	(94,526)			(4,263,312)	
Total	-	-	-	121,032	23,018	7,820	727,636	154,758	12,935	-	-	375,474	8,727	27,106	-	37,830	1,207,286	-	-	442,347	1,989,339	5,135,308	
Accumulated Depreciation																							
Depreciation 1st January 2021	8,846	3,827								770	206				129,708								-
Depreciation charge for the year	(6,249)	(3,827)								(770)	(206)				(129,708)								147,655
Depreciation for transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(147,655)
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance As at 31 st December 2021	-	-	-	121,032	23,018	7,820	727,636	154,758	12,935	-	-	375,474	8,727	27,106	-	37,830	1,207,286	-	-	442,347	1,989,339	5,135,308	

Carrying Amounts	Capital Work in Progress	Land	Buildings	Office Equipment	Computers, Accessories & Software	Plant & Machineries	Motor Vehicles	Other Assets	Total
At 31 st December 2020	4,484,946	654,822,513	53,393,260	6,512,014	8,056,809	302,560,449	14,667,891	29,523,607	1,079,011,489
At 31 st December 2021	5,135,308	654,822,513	50,305,186	17,455,777	16,298,639	233,938,302	19,259,343	43,330,566	1,047,535,834

(Contd..)



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

AS AT 31ST DECEMBER 2021

(All Amounts Are In Sri Lanka Rupees)

1.3. RE-VALUATION OF LANDS AND BUILDINGS

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

1.4. RE-VALUATION OF MOTOR VEHICLE 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. 62,599,331 and as Rs. 868,843,212 respectively as at 31.12.2014.

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

1.5. 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.)
Weragantota	4 Acr & 0.8 perches	-	7,080,000
Peradeniya	2 Hect. & 0.95 perches	2.00	
Peradeniya	12.7 perches	-	13,990,875
Medawachchiya	2 acres	1.00	6,250,000
Polwatta - Ratmalana	116 perches	1.00	29,000,000
Lunugamwehera	2.5 acres	-	-
TOTAL			56,320,875

Peliyagoda land has been taken for Colombo-Katunayake Expressway - "Golden Gate Kalyani" Bridge Peliyagoda.

(Contd...)



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

	Note	2021	2020
NOTE 9 - INVESTMENTS IN GOVERNMENT OWNED COMPANIES			
Devcoshowa (Pvt) Ltd		9,210,740	9,210,740
Sub Total		<u>9,210,740</u>	<u>9,210,740</u>
Provision For Investments		(9,210,740)	(7,368,592)
Total		<u><u>-</u></u>	<u><u>1,842,148</u></u>
NOTE 10 - OTHER INVESTMENTS			
<u>Non - Current Investments</u>			
Total		<u>-</u>	<u>-</u>
<u>Current Investments</u>			
Fixed Deposits		30,000,000	57,925,796
Total		<u>30,000,000</u>	<u>57,925,796</u>
Total Investment		<u><u>30,000,000</u></u>	<u><u>57,925,796</u></u>
NOTE 11 - DEFERRED TAX ASSETS & LIABILITIES			
At The Beginning Of The Year		(7,100,560)	(19,846,268)
Transfer To / (From) Income Statements		(17,932,158)	12,745,708
At The End Of The Year	11.01	<u>(25,032,718)</u>	<u>(7,100,560)</u>
NOTE 11.01 - DEFERRED TAX ASSETS / LIABILITIES			
Deferred Tax Liability			
Capital Allowances For Tax Purpose		120,316,286	150,151,728
Retirement Benefit Obligation		-	-
Total		<u>120,316,286</u>	<u>150,151,728</u>
Deferred Tax Assets			
Capital Allowances For Tax Purpose		95,283,568	143,051,168
Retirement Benefit Obligation		-	-
Total		<u>95,283,568</u>	<u>143,051,168</u>
Net Tax Assets / (Liabilities)		<u><u>(25,032,718)</u></u>	<u><u>(7,100,560)</u></u>



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

(All Amounts Are In Sri Lanka Rupees)

	Note	2021	2020
NOTE 12 - INVENTORIES			
Cement			
Sand		1,718,331	2,704,527
Metal		1,543,515	1,148,166
Steel		16,995,682	6,355,769
Timber		186,285,797	67,492,418
Fuel & Lubricants		2,402,570	2,021,818
Explosive & Blasting Materials		3,190,530	2,405,946
Concrete Items		72,603	128,507
Vehicle Spare Parts		48,243,752	11,505,034
Stationery		16,899,889	15,933,335
Tar		1,853,309	1,662,227
Electrical Goods		3,737,154	992,921
Pipes & Drainage Items		32,280,923	27,327,000
Other Stock Items		3,125,049	3,971,700
Earth Gravel Stock		135,151,594	49,846,299
Fabrication		3,951,273	1,987,555
Finished Goods - Concrete Items		3,800,700	-
Finished Goods - Metal Products		193,825,980	116,950,898
Steel RDA		-	1,103,128
Stock Adjustments		311,296	
		(203,594,343)	(19,348,787)
		451,795,605	294,188,459
Provision for Slow & Non Moving stock		(4,621,793)	(4,269,471)
Total		447,173,812	289,918,988
NOTE 13 - INCOME TAX ASSETS			
Economic Service Charge		-	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	3,121,911
		138,538,712	153,297,900
Provision For Tax		(82,633,339)	(82,633,339)
Total		55,905,373	70,664,562
NOTE 14 - TRADE & OTHER RECEIVABLES			
Trade Debtors	14.01	3,680,179,197	2,741,146,964
Retention	14.02	505,541,544	397,748,368
Sundry Debtors	14.03	123,167,773	63,067,806
Loans & Advances	14.04	4,528,793	10,991,882
Advances On Purchases & Sub Contracts	14.05	482,007,868	249,885,833
Other Advances & Deposits	14.06	28,723,680	23,356,142
Total		4,824,148,856	3,486,196,995
Non Current Trade & Other Receivables			
Current Trade & Other Receivables		4,824,148,856	3,486,196,995
Total		4,824,148,856	3,486,196,995



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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

Note	2021	2020
NOTE 14.01 - TRADE DEBTORS		
Construction Debtors	381,420,314	214,529,655
Concrete Yard Debtors	71,444,046	67,468,620
Traffic Light System Debtors	102,153,306	49,743,001
Asphalt Debtors	1,622,511	1,622,511
Provision for Doubtful Debtors	(108,526,998)	(81,349,154)
Due From Customers	3,478,090,854	2,691,050,717
Provision for Due From Customers	(265,418,279)	(221,181,899)
Trade Creditors - Debit balances	19,393,442	19,263,512
Total	3,680,179,197	2,741,146,964
NOTE 14.02 - RETENTION		
Retention - Construction	614,563,892	466,724,952
Provision for Retention - Construction	(218,192,107)	(203,710,207)
Liquidated Damages Receivables	232,632,756	248,931,634
Provision for Liquidated Damages Receivables	(123,462,996)	(114,198,011)
Total	505,541,544	397,748,368
NOTE 14.03 - SUNDRY DEBTORS		
Security Deposits Of Employees	926,730	920,074
Salaries & Wages Control Account	80,335,283	
Interest Receivable	6,645,370	3,453,036
Rent Receivable	4,095,500	18,161,000
Sundry Debtors	29,995,655	30,103,865
Sundry Creditors - Debit balances	2,620,086	3,591,613
Provision For Sundry Debtors	(1,450,851)	(122,350)
Ready Mixed Debtors (DevcoShowa)	34,802,842	34,802,842
Provision For Ready Mixed Debtors	(34,802,842)	(27,842,273)
Total	123,167,773	63,067,806
NOTE 14.04 - LOANS AND ADVANCES		
Prepaid Cost On Distress Loans	528,340	528,340
Salaries & Wages Advances	-	2,702,718
Festival Advances	616,750	993,287
Travelling Advances	333,735	316,378
Distress Loans	3,432,889	3,622,265
Bicycle Loan	5,000	5,000
Special Advance	330,000	-
House Rent -Dayata Kirula Katupotha	868,000	708,000
Salary Advance - Casual Employees	(1,000)	16,933
Salary Advances - Contract Employees	6,274	2,535,815
Medical Insurance	(580,219)	390,491
Provision For Loans & Advances	(1,010,975)	(827,346)
Total	4,528,793	10,991,882
NOTE 14.05 - ADVANCES ON PURCHASES & SUB CONTRACTS		
Letter Of Credit Margin Account	129,072,060	114,127,998
Purchase Advances - Head Office	12,951,324	2,988,645
Purchase Advances - Sites	303,719,027	90,646,308
Purchase Advances - Construction	7,852,243	7,851,433
Purchase Advances - Concrete Yard	5,535,442	297,075
Sundry Advances	20,207,909	15,792,194
MPCS Polonnaruwa	5,000	5,000
Service Advance	83,306	109,322
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	(34,288,421)	(18,802,120)
Total	482,007,868	249,885,833



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

(All Amounts Are In Sri Lanka Rupees)

Note	2021	2020
NOTE 14.06 - OTHER ADVANCES AND DEPOSITS		
Tender Deposits (Refundable)	260,156	199,875
Other Deposit	1,809,958	1,809,958
Fuel Deposit -Amithirigala 992	2,400,000	2,400,000
Telephone Deposits	8,000	8,000
Electricity Board Deposits	3,103,095	2,318,345
Deposit-Construction Project	240,000	240,000
Water Deposit	790,661	690,661
Deposit - Land - UDA	70,000	-
Fuel Deposit - Weeragantota	90,000	90,000
Fuel Deposit - Head Office - Transport	300,100	300,100
Fuel Deposit - CME	415,000	415,000
Fuel Deposit - Katugastota WP -	4,421	4,421
Fuel Deposit Control A/C	15,511,706	10,276,466
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	655,000
Fuel Deposit - Monaragala	7,726	7,726
MPCS - Moratuwa	250,000	250,000
Fuel Deposit - Ulapane	600,000	600,000
Fuel Deposit - Blumendhal	11,534	11,534
Fuel Deposit - Lunugamwehera Concrete Yard	60,000	-
Fuel Deposit - Muwagama	3,000	3,000
Provision For Other Advances And Deposits	(2,700,721)	(1,757,989)
Total	28,723,680	23,356,142



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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2021	2020
<i>Note 15 Cash At Bank</i>		
Bank Of Ceylon - 80524651 (651)	84,608,156	79,174,937
Bank Of Ceylon - 84446216-(216)	-	587,292
People's Bank - Ratmalana - 080101091101178 (91)	809,328	29,038,156
Bank Of Ceylon - 84446221(221)	788,506	1,341,247
Bank Of Ceylon - 82786331 (331)	3,478,306	155,446
Sampath Bank 001860000985 -(985)	1,392,534	116,778
Bank Of Ceylon - 682972	1,069,907	668,964
Bank Of Ceylon - -9826701	20,563	20,563
Margin Account - Sampath Bank	2,516,759	2,516,759
Bank Of Ceylon Peradeniya - 1274460	38,148	38,148
Bank Of Ceylon - 683202(202)	833,419	22,570,114
People's Bank - Ratmalana - 080100381101178 (38)	2,284,312	32,744,776
People's Bank - Ratmalana -08010047110178(47)	525,785	13,347,646
People's Bank - Ratmalana 0801002911010078(29)	547,756	10,247,916
Bank Of Ceylon - 0080490546 (546)	405,341	-
Bank Transfer HO	86,484,820	21,273,668
Bank Transfer - Site	36,218	36,218
Bank Of Ceylon - 6510876	381,694	14,443,218
Bank Of Ceylon - 86654175-175	12,566,831	101,233,285
Bank Of Ceylon - 71103201	-	47,610
People's Bank - Ratmalana 080101361101178(136)	864,372	579,790
People's Bank - Ratmalana 080101181101178	1,061,961	2,613,346
Pan Asia Bank - 101100630	-	343,888
Bank Of Ceylon -87643673 (673)	3,252,985	-
Bank Of Ceylon -87643690 (690)	1,026,879	-
Bank Of Ceylon -87643690 (685)	19,044,921	-
Sampath Bank - 1860000365	304	-
Sampath Bank - 001860000 349 -(349)	26,848	-
Bank Of Ceylon - 683116 (116)	58,373	-
Bank Of Ceylon -0087159349 (9349)	8,462,143	-
Bank Of Ceylon -0087159466 (9466)	2,204,103	-
Bank Of Ceylon - 87948734	25,250	-
Bank Of Ceylon - 87948785	17,233	-
Bank Of Ceylon - 87948798	25,250	-
Saving Deposits	31,647,400	6,309,061
Sub Total	266,506,406.07	339,448,824
<i>Cash In Hand - Petty Cash</i>		
Rathmalana C\Y - Petty Cash	64,645	114,904
Construction & Head Office	8,407,725	9,171,871
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
Laggala Hospital-Ward Complex	31,250	31,250
University of Peradeniya-CME	157	157
Workshop	52	52
K' galle -980	865	865
Sub Total	8,606,722	9,422,097
Total	275,113,128	348,870,921
Investments With Short Maturity		
Unfavourable Cash & Cash Equivalents	(144,507,507)	(425,265,350)
Total Cash & Cash Equivalents for the purpose of Cash Flow Statement	130,605,622	(76,394,429)



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

AS AT 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2021	2020
NOTE 16 - LOANS & BORROWINGS			
Balance As At The Beginning Of The Year		1,429,155,720	1,298,407,791
Borrowings During The Year		868,005,959	176,128,546
Total		2,297,161,679	1,474,536,337
Repaid During The Year		452,324,827	45,380,618
Net		1,844,836,852	1,429,155,720
Repayable Within One Year		191,711,368	360,817,026
Repayable After One Year		1,653,125,484	1,068,338,693
Total Loans & Borrowings		1,844,836,852	1,429,155,720
NOTE 17 - RETIREMENT BENEFIT OBLIGATIONS			
Balance As At The Beginning Of The Year		79,332,387	79,664,432
Transfer to payable		-	-
Charges To / (Reverse From) Income Statement	17.01	3,219,919	17,328,629
Payment/payables During The Year		(23,144,108)	(17,660,674)
Balance As At End Of The Year		59,408,198	79,332,387
NOTE 17.01 - PROVISION MADE DURING THE YEAR			
Interest Cost		7,990,082	5,667,516
Current Service Costs		3,784,163	4,442,326
Net Actuarial (Gain) / Loss Recognized Immediately		(8,554,326)	7,218,787
Total		3,219,919	17,328,629
NOTE 18 - TRADE & OTHER PAYABLES			
Trade Payables	18.01	867,857,755	648,758,324
Value Added Tax	18.02	1,111,086,511	942,436,927
Sundry Payables	18.03	954,950,597	741,729,408
Employee Benefit Payables	18.04	78,667,409	61,347,465
Refundable Advances & Retentions	18.05	1,283,915,843	660,227,959
Refundable Deposits	18.06	965,445	24,083,789
Total		4,297,443,559	3,078,583,873
Current Trade & Other Payables		4,297,443,559	3,078,583,873
Total		4,297,443,559	3,078,583,873



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

(All Amounts Are In Sri Lanka Rupees)

Note	2021	2020
NOTE 18 . 01 - TRADE PAYABLES		
Trade Creditors	459,689,844	484,454,435
ESC Control AC	14,759,188	14,759,188
ESC Payable	-	-
Nation Building Tax	6,342,105	6,342,105
Payment Received Material - Sites	251,227,891	25,031,766
Unfavourable Debtor Balances	4,082,667	108,911
Dues to Customers	131,756,060	118,061,920
Total	867,857,755	648,758,324
NOTE 18 . 02 - VALUE ADDED TAX		
Value Added Tax Control Account	1,111,086,511	942,436,927
Total	1,111,086,511	942,436,927
NOTE 18. 03 - SUNDRY PAYABLES		
Sundry Creditors	910,173,618	730,276,480
Auditor General	2,825,200	2,825,200
Refundable Deposits	3,089,097	1,201,004
Loan Interest Payable	18,784,936	7,397,177
Loan Capital Areas Payable	20,077,566	-
Sri Lanka Insurance	-	29,367
Refundable Loan	180	180
Total	954,950,597	741,729,408
NOTE 18 . 04 - EMPLOYEE BENEFIT PAYABLES		
Salaries & Wages Payable - Permanent	47,290	2,149,805
Salaries & Wages Control Account	-	14,317,578
Salaries & Wages Payable - Casual	536,636	703,731
Cash Abatements -Control Account	2,488,504	2,247,111
Flood Relief Advance	16,250	16,250
Employees' Provident Fund	60,961,028	36,927,163
Employees' Trust Fund	1,369,915	(353,266)
Salaries & Wages Payable - Contract	12,800,482	3,277,809
Medical Insurance	447,303	449,253
Unpaid Bonus	-	6,000
Unpaid Salaries & Wages	-	1,476,609
Unpaid Salaries & Wages - Advances	-	129,424
Total	78,667,409	61,347,465
NOTE 18 . 05 - REFUNDABLE ADVANCES & RETENTIONS		
Mobilization Advances From Clients	1,221,705,643	597,312,294
Advances Against Orders -Concrete Yards	62,073,310	62,778,775
Advances Against Orders -Asphalt Plant	136,890	136,890
Total	1,283,915,843	660,227,959
NOTE 18 . 06 - REFUNDABLE DEPOSITS		
Security Deposits - Employees	965,445	958,789
Refundable Deposit - Telecom PLC	-	23,125,000
Total	965,445	24,083,789



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

(All Amounts Are In Sri Lanka Rupees)

Note	2021	2020
NOTE 19 - BANK OVERDRAFTS		
Bank Of Ceylon - 82410946	25,122,361	24,647,388
Bank Of Ceylon - 82786425	325,102	3,001,000
Bank Of Ceylon - 75416320	22,352,098	9,280,537
Bank Of Ceylon - 0080490546	-	408,504
Bank Of Ceylon - 683114 (114)	9,932,508	11,026,585
Bank Of Ceylon - 683116 (116)	-	214,000,000
Sampath Bank - 1860000241	62,389,929	128,654,194
Sampath Bank - 1860000365	-	2,070,816
Sampath Bank - 001860000 349 -(349)	-	32,176,326
Pan Asia Bank - 101100630	99,996	-
Bank Of Ceylon -87643682 (682)	13,489,439	-
People's Bank 080101271101178 (1012)	13,500	-
Bank Of Ceylon - 84446216-(216)	10,782,574	-
Total	144,507,507	425,265,350



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

2021

2020

NOTE 20 - RELATED PARTIES

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

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

Related Party Balances In Statement Of Financial Position

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

NOTE 21 - TRANSACTIONS WITH RELATED PARTIES

NOTE 22.01 - TRANSACTIONS WITH PARENT / SUBSIDIARIES/ASSOCIATES

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

NOTE 21.02 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Salaries To Key Management Personnel	1,273,700	2,846,000
Total	1,273,700	2,846,000

NOTE 22 - ASSETS PLEDGED

<u>Nature of Asset</u>	<u>Nature of Liability</u>
Property Indicated In Note. 08	
Land at Gregory's Avenue	Land has been pledged against a loan facility (LKR 186,000,000), a bond & guarantee facility (LKR 200,000,000) and an overdraft facility (LKR 70,000,000) in Sampath Bank.
Land at Rathmalana	Land has been pledged against loan facility (LKR528,416,000) & guarantee facility (LKR 1050,000,000) in Bank of Ceylon.
Land at Peliyagoda	Land has been pledged against loan facilities (LKR 50,826,357.38 & LKR 7,548,655) in Housing Development Finance Corporation (HDFC).

NOTE 23 - PROVISION FOR DEBTORS & OTHER RECEIVABLES

Provision has been made for Note 14.1 trade debtors (except due from customers) & Note 14.2 retention based on the age analysis. Provision has been made for 'Due from customers' over five years' balance of Rs: 221,181,898.95 at a rate of 20% for the current year. Provision of 3% has been made for all other receivables in Note 14.3, 14.4, 14.5, & 14.6.

NOTE 24 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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



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

2021

2020

NOTE 25 - SEGMENT INFORMATION

Segment Income and Expenses	2021		2020		Total	Other	Traffic Light Systems & Work Services	Concrete Yard	Construction	Traffic Light Systems & Work Services	Other	Total
	Construction	Concrete Yard	Traffic Light Systems & Work Services	Other								
Revenue	3,371,051,882	464,033,667	380,453,608		4,215,539,157			968,253,815	196,631,099			1,449,321,086
Cost Of Sales	(2,827,905,884)	(485,042,399)	(310,131,166)	(189,330,101)	(3,812,409,551)			(678,454,132)	(192,934,052)	(123,409,991)		(1,338,451,467)
Gross Profit	543,145,998	(21,008,732)	70,322,442	(189,330,101)	403,129,606			289,799,683	3,697,046	(123,409,991)		110,869,618
Other Income					206,213,755							326,623,242
Administrative Expenses					(176,664,778)							(211,104,565)
Other Expenses					(138,174,528)							(280,515,508)
Financial Income					7,789,263							6,123,801
Financial Expenses					(259,168,706)							(209,417,300)
Profit Before Tax					43,124,611							(257,420,711)

