



**STATE DEVELOPMENT & CONSTRUCTION
CORPORATION**
“Pioneers in Infrastructure Construction”



ANNUAL REPORT
2012



CONTENTS

	Page No
The Corporation	01
Vision, Mission & Objectives	02
Chairman's Message	03
Board of Directors & Senior Staff Members	06
Locations of Construction Projects, Concrete Yards, General Office and Circuit Bungalows	07
Corporate Governance	09
Operational & Financial Review	15
Human Resources	21
Audit Committee Report	23
Statement of Director's Responsibility for Financial Reporting	25
Corporate Information	26
10 Years Performance Summary	27
Auditor General's Report	28
Statement of Comprehensive Income	38
Statement of Financial Position	39
Statement of Changes in Equity	40
Cash Flow Statement	41
Accounting Policies	42
Notes to the Accounts	5 5
Reconciliation of Financial Position	81
Reconciliation of Comprehensive Income	82



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

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

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

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

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



VISION, MISSION AND OBJECTIVES

VISION

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

MISSION

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

OBJECTIVES

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



CHAIRMAN'S MESSAGE

I am pleased to present the Annual Report of the State Development & Construction Corporation for the financial year ended 31st December 2012.

Situation in the country – Economic Growth

According to the Central Bank Report 2012 of Sri Lanka, the Sri Lankan economy grew by 6.4% in 2012. Ending of war which lasted for about 30 years in the North and East of the country and the favorable macroeconomic conditions emerged in the country helped achieve the above growth. Single digit level inflation rate for three years consecutively along with the said favorable macroeconomic variables helped increase the investor confidence which contributed a lot in achieving the above GDP growth.

Overview of the Industry:

Industry sector grew at 10.3% in 2012 compared to 8.4% in 2011 while the share of industry sector in the total GDP increased to 30.4% in 2011 over the previous year which is an indication that the Sri Lankan economy is characterizing the features that required gaining the status of middle or upper income country.

The construction sector one of the subsectors of the industry sector grew at 21.6% in real terms which is a healthy indication for further growth of all other sectors of the economy. The contribution of the construction sector to the GDP was only 9.3% in the year 2011. The largest share was contributed by the public sector being the single largest investor in infrastructure development characterized such a high growth. Although these developments have affected adversely on the Balance of Payment of the country because the construction subsector growth is highly dependent on the import of raw materials such as iron and cement, it reinforces the base of the economy for further growth momentum.



SD&CC Performance

The Corporation earned a net profit (before tax) of Rs. 65.8 Mn. which was Rs. 42.3 Mn. in the last year. This is an impressive growth of about 64% over the previous year. This is a result of both increased revenue and the improved efficiency in overhead administration though there was an increase in direct operating expenditure due to delay in completing projects. The turnover of the corporation is Rs.3534 Mn. during the year 2012 which was Rs. 2654 Mn. last year. This was an increase of 72.5% over the previous year. One of the major factors contributed to increase the turnover was the awarding of two road projects to asphalt provincial Roads in Kegalle and Polonnaruwa districts by the Ministry of Economic Development.

Challenges faced by the Corporation

Although SD&CC showed an improved financial performance by way of higher net profit margin during the last several years, the availability of liquidity to meet its day to day commitments is a serious issue to be addressed by the Ministry of Finance and Planning along with respective client organizations which are mostly government ministries and departments. Not providing adequate provisions or not getting required approvals for exceeding cost estimates due to variations to the contract by the respective client organization has been the root cause, among others, for this issue.

High turn-over of Engineers and other professionals is also one of the major factors which hinder the growth of the organization. Delay in completion of projects due to not getting cash from client organizations for the work done resulting in repeated stoppage of work. The relatively by unattractive salary package offered to engineers and other professionals compared to the private sector when there is a construction boom in the country are also major factors behind the high turnover of engineers and other professionals in the organization.

Restriction imposed on state construction corporations to bid for projects financed by the Asian Development Bank is also one of the factors which hindered the growth of the corporation. However, despite all these serious challenges, SD&CC continued to strengthen and maintain its position in the industry.

SD&CC is confident that the growth and expansion in the operational position and the strength of our skilled and experienced staff will provide amply capability to meet the challenges in the future.



Conclusion

I take this opportunity to express my deep and sincere gratitude to Hon. Minister of Housing and Samurdhi and Hon. Deputy Minister and Secretary to the Ministry of Housing and Samurdhi and the 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 contributions made and also the General Manager, Deputy General Managers, Senior Staff members, and all other employees at all levels for their commitments and dedication as a team to achieve the goals of the corporation.

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

A handwritten signature in black ink, appearing to read 'Chaminda Ediriwickrama', written over a light blue horizontal line.

Chaminda Ediriwickrama
Chairman.

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

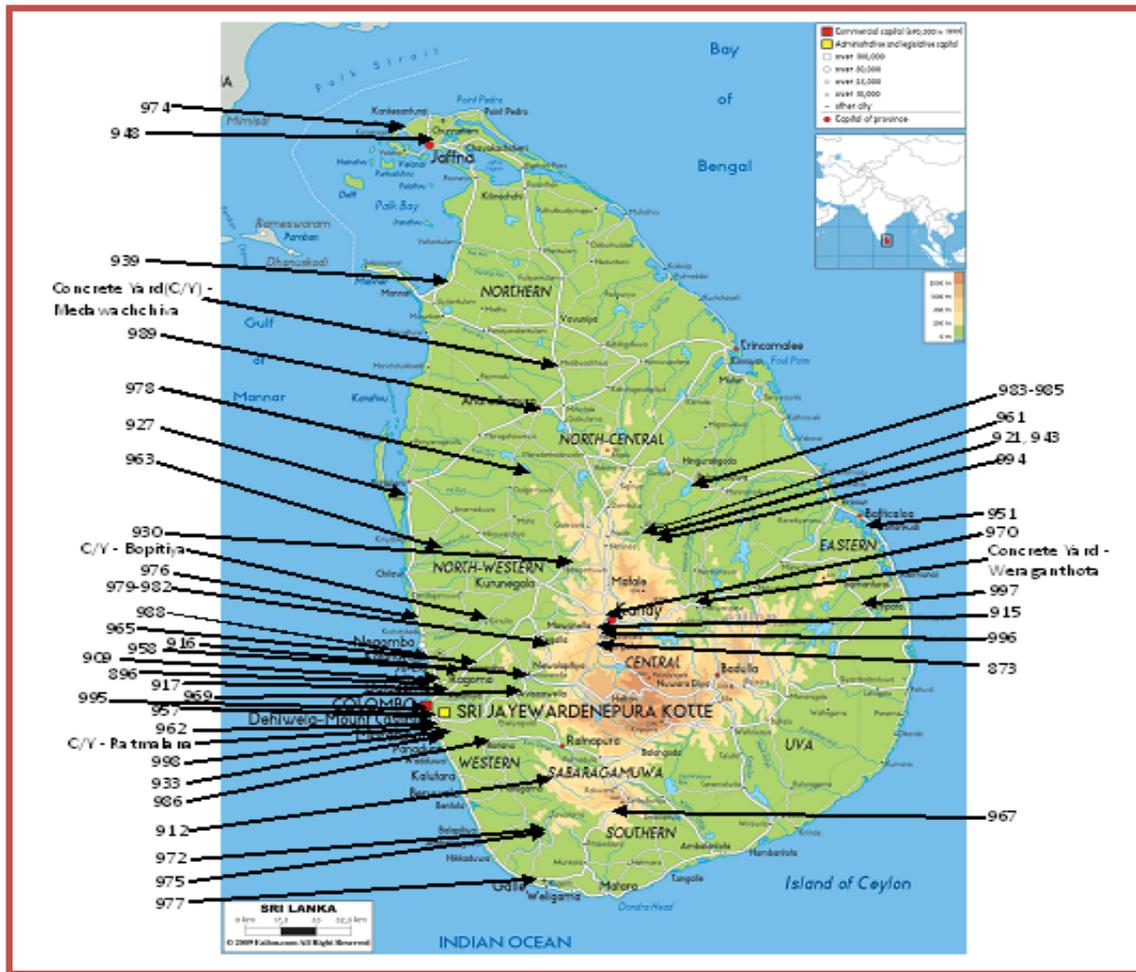
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|---------------------------------------|-------------------------|
| 1. Eng. A.V.P. Vijitha Pandithasekara | CHAIRMAN |
| 2. Mr. Deepal Gunasekera. | WORKING DIRECTOR |
| 3. Eng. S.D.G.R. Sandanayake | DIRECTOR |
| 4. Eng. J.R. Bopitiya | DIRECTOR |
| 5. Mr. Chandana S. Jayakodi | DIRECTOR |
| 6. Mr. Dananjaya Nandasiri | DIRECTOR |
| 7. Mrs. Champa N. Balasuriya | TREASURY REPRESENTATIVE |

SENIOR STAFF MEMBERS

- | | | |
|----------------------------------|---|--|
| 1. Eng. M.D.S. Wijayabandara | - | General Manager |
| 2. Eng. D.S.D.D.C. Rajasinghe | - | Dep. General Manager (Development & Planning) |
| 3. Eng. M.M. Wijeratne | - | Dep. General Manager (Construction) |
| 4. Eng. W.G. Dharmasena | - | Dep. General Manager (Mechanical) |
| 5. Eng. Mrs. H. Damayanthi | - | Dep. General Manager (Performance Monitoring) |
| 6. Mr. H.L.S. Wijesinghe | - | Chief Financial Accountant |
| 7. Mr. K.A.G. Wickramasinghe | - | Senior Manager (Human Resources & Admin.) |
| 8. Mr. R.A.K. Nishantha | - | Chief Internal Auditor |
| 9. Eng. W.A.D.R. Shantha Kumara- | - | Chief Engineer - 1 |
| 10. Eng. K.A.U. Ranjan | - | Chief Engineer – 2 |
| 11. Eng. S.M.S. Shakoor | - | Chief Engineer – 3 |
| 12. Eng. V.L. Weerathunga | - | Chief Engineer (Procurement Division) |
| 13. Eng. P.S.R. Perera | - | Chief Engineer (Electrical) |
| 14. Eng. G. Sirithunga | - | Chief Engineer (Mechanical) |
| 15. Mr. Rex De Silva | - | Revenue Collection Manager |
| 16. Eng. E.K.G. Chandana | - | Works Manager (Concrete Yard) |
| 17. Eng. K.A.N.K. Kulasooriya | - | Division Head (Contract & Management) |



LOCATIONS OF CONSTRUCTION PROJECTS, CONCRETE YARDS. GENERAL OFFICE AND CIRCUIT BUNGALOWS



873	Ulapane Bridge
896	Hekitta MFP Structure
909	Bridge No. 5/1 on Hendala - Uswetakeiyawa Road
912	Kalawana - Deepdeen - Rakwana Road
915	Peradeniya Bridge
916	Ruwanwella Bridge
917	Kadawatha Underpass
927	Palavi Bridge
930	Laboratory Building - Bathalagoda
	Building for Textile Clothing Tech.- University of Moratuwa
933	Moratuwa
939	Mannar Poonarin Road
948	Motor Traffic Building
951	New Kallady Bridge
957	Bridge No. 62 on Colombo - Horana Road
958	Br.No. 5/1 on Mudungoda - Gampaha Road
961	Const. of Br. across Nikawathura Oya
	Const. of four Roads at National Zoological Gardens-Dehiwala
962	Const. of Three Trough structures at Right-Bank - Dehuriya Prj
963	Const. & complet of Existing Sewerage disposal sys.

969	Talduwa Meewitgammana Road. (9+220-13+800 Km)
970	Water Treatment Plant - Katugastota
972	Reconst. of Br.No. 27/4on Hiniduma - Opatha Pitabeddara Raod.
974	Sand sealing on Jaffna - Ponnalai - Point Pedro Road
975	Br. No.26/3 Hiniduma - Opatha Steel Bridge Pitabeddara Road.
976	Const. of Bridge No.3/1 & 3/3 on Wennappuwa - Kirimetiya Rd.
977	Construction of Bridge No.46/1 on Galle-Deniya-Madampe Rd
978	Siyabalangamuwa Dam
986	Const. of Factory Building for Polipto Lanka - Horana BOI Zone.
987	Reconst. of Bridge No.21/3 on Thiruwanaketiya Agalawatta Road
988	Water Supply scheme at Negambo Road Katunayaka.
989	Anuradapura "Deyata Kirula" Project (Paddy store)
994	Constructionbridges on of Moraghakanda-Wellawala road
995	Colombo Municipal Council Road Rehabilitation Prj - Package - III
996	Drawing Office II Stage I - Phase I Faculty of Eng. - Peradeniya
997	New Const. at Hardy Advanced Technological Institute - Ampara
998	Reconstuction of Bridge no. 84 on Kottawa - Thalagala Road
921/943	Br. on Ambanganga Thorapitiya Rd / Ambanganga Thorapitiya Rd
979/982	Kegalle District Asphalt Surfacing of Provincial Road
983/985	Polonnaruwa District Asphalt Surfacing of Provincial Road



Building for Textile Clothing Technology
- University of Moratuwa.

Water Treatment Plant - Katugastota



Bridges on Ambanganga Thorapitiya Road.



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 Construction & Engineering Services and Common Amenities and the General Treasury. Board of Directors are 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 governed and operated in the best interest of the Corporation and its stake holders in full compliance with the regulatory frame work.

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

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

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

**CORPORATE GOVERNANCE PRINCIPLES**

Principles of Corporate Governance	Methodology & Extent of Adherence
Board of Directors	
Composition of the Board	Board comprises of five non-executive directors, an executive director and Chairman. One non-executive director out of five non-executive directors is appointed by the General Treasury. They encompass a range of multi skills talents and expertise required to provide prudent and a reasonable guidance with respect to the operations and interest of the Corporation.
Holding of regular Board Meetings	Regular Board Meetings are held monthly, while special Board meetings reconvened when ever necessary.
Availability of formal schedule of matters specially reserved to the decision making of the board.	<u>Board is responsible for:</u> <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 Construction & Engineering Services.• 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 equipments.• Approval of the annual budget and the Corporate Plan.• Approval of Annual financial statements for publications.



Corporation Secretary to the Board	SD&CC has no Corporation Secretary. The Secretary to the Chairman act 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 of three Chartered Engineers, two businessman, a Bank Manager and a Treasury representative. The board believes that the combined knowledge & experience of the Board matches the strategic demands facing the Corporation.
Availability of adequate and timely management information	An organized management information system is in place. Accurate and relevant information relating to matters referred to the members of the board are made available to them well in advance. Whenever, the board finds that the information made available to them for a decision is insufficient, they call for additional information and the Chairman ensures that all Directors are properly briefed on the matters deliberated on at the meetings.
Presence of a strong and independent non executive element in the board	Majority of the Directors are non executive independent directors.
Appraisal of Board Performance	<p>There is no specific method in operation to assess the performance of the board . Therefore the board has the autonomy to implement a self assessment exercise covering the key functions under the following activities to assess the performance of the board where necessary</p> <ul style="list-style-type: none"> • Discharge of statutory / regulatory duties and board responsibilities. • Corporate governance and monitoring of the Management .

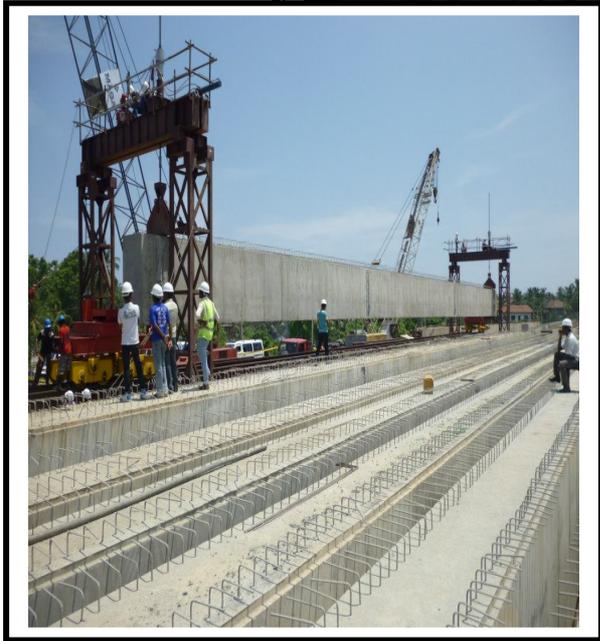


	<ul style="list-style-type: none"> • Seeking & contributing views & opinions on strategic decision making. • Continuous progress review meetings by the line ministry. • Undertaking the succession plans to ensure comprehensive staff succession for engineers and CSS, Accountants and other skilled employees. • Overall view of management of the business by the Board of Directors.
Appraisal of the General Manager and Senior Management	The board sets financial and non – financial goals and objectives for the General Manager and Senior Staff in line with the Corporate goals and objectives of the Corporation. The General Manager is entrusted with management of SD&CC’s operations.
	The main corporate goals and objectives emanating from the Corporation’s Corporate plan and the budget are incorporated as personal goals of the GM and Senior management whose performance is assessed by the Chairman and Board of Directors.
Major Transactions	
Disclosure of major transactions and their impact on the consolidated net assets of the Corporation.	Done where relevant During the year 2012, The Economic Development ministry has been granted 86 machineries worth of Rs. 1,359 Mn.
Accountability and Audit	
Financial Reporting	
Disclosure of an assessment on the position and prospects of the Corporation	Corporation exercises management priority to timely submission of quarterly reports to the 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 03,04 & 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 25 of this Annual Report. Auditors report on the financial statements of the Corporation for the year ended December 31 st 2012 is given on page 28 to 37 of this annual report.



Internal Controls	
Maintaining a fair system of Internal controls covering financial & operational compliance and management to safe guard the Corporation's assets	Management has put in place effective internal controls, and compliance systems to ensure that no legal, Financial regulations, Ministry & Treasury directions and other regulations are violated.
Direction	<ul style="list-style-type: none"> i. Decisions made at the Meeting of the Board of Directors were communicated to the relevant officials for implementation and the outcomes were reported back to the Board of Directors ii. Senior Staff Meeting with the participation of all the Heads of Divisions & Chief Engineers were held fortnightly 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 were held every month with the participation of all the project/yard managers and the outcome was 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 participate at these meetings by invitation.
Maintaining appropriate relationships with the external auditors to ensure their objectivity and independence .	SD&CC maintains appropriate relationships with the external auditors, Auditor General's Department.
Board of Survey	Annual Survey of property, plant & equipment and inventories were conducted as at 31.12.2012
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 implement 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>

New Kallady Bridge





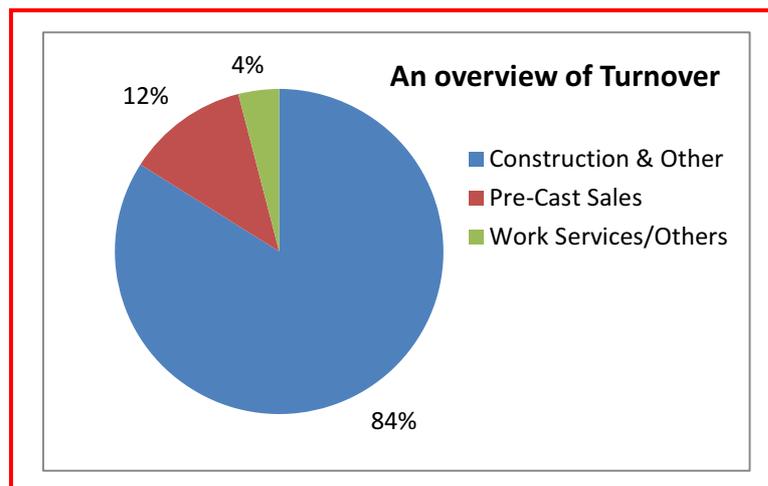
OPERATIONAL AND FINANCIAL REVIEW

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 over view of the SD&CC's operational and financial performance.

Corporation's Results

The value of recognized income on projects during the year under review was Rs. 2,960 Mn. which has been identified as the Turnover from Construction activities during the year under review.

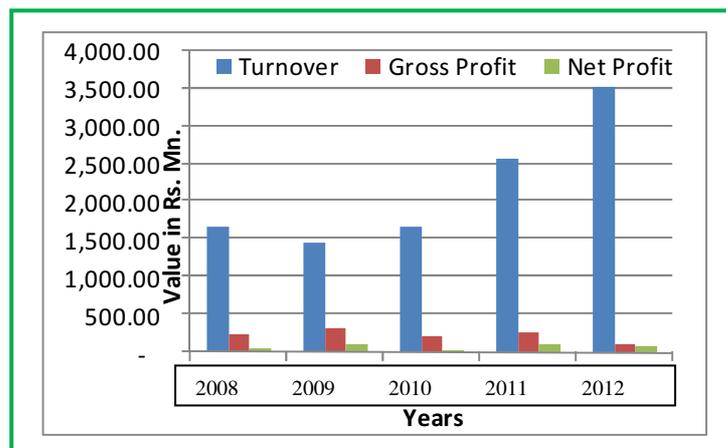
The Turnover from Concrete Yards was Rs. 422 Mn. during the year under review. The turnover from work services/other has made significant contribution by adding Rs.150 Mn to the total turnover.



Operating Profits

The profit before Taxation grew up to 65.87 Mn. Whilst profit growth was mainly driven by Concrete yards products, Road Project of Kegalle and Polonnaruwa, other activities and work services, the higher financial expenses in construction hampered overall growth in net profits.

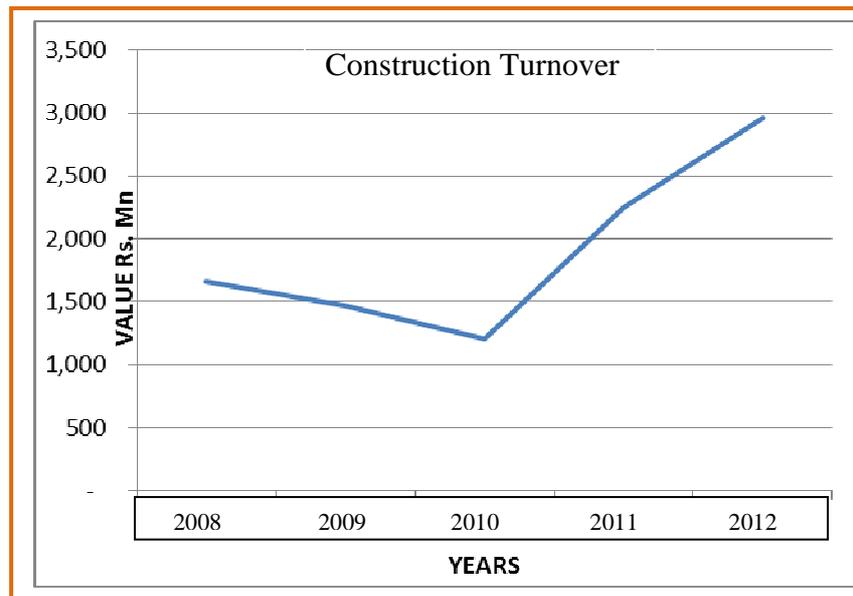
An Overview of Profit and Gross Profit to Turnover



(Note :Net Profit before Comprehensive Income)



Turnover from Construction Activities



The performance of the construction projects closely monitored by the construction division through programs, resources scheduling with strict deadlines for preparation and submission of bills and certification therein. There is a significance increase in turnover with compares to the previous year while there is longer delays in respect of payment for progress bills as experience in the previous years. However, the management of the Corporation will adopt permanent solution to this delays of payment with the assistance of current Board of Members in near future.

Concrete Yard Sales

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

Work Services

The turnover of work services was derive from the services rendered by Central Mechanical Division. The main objective of this division is to provide services to existing project of the Corporation. In addition to that the Traffic Light Signal Unit (TLS) & Two Asphalt Plants Location in Polonnaruwa & Amithirigala also function under the Central Mechanical Division, from that TLS was established in 2005 to install and maintain Traffic Light signal systems for Road Development Authority. The contribution of this work services to the turnover of Corporation is 4%.



**SUMMARY OF THE PROGRESS OF ONGOING PROJECTS
AS AT 31ST DECEMBER 2012.**

Code	Project Name	Original contract value	Month of 31 st December 2012	Progress
			income (Rs. Million)	Phy %
Bridges				
916	Ruwanwella Bridge	74.17	72.41	82%
909	Bridge No. 5/1 on Hendala – Uswetakeiyawa Road	30.42	28.70	100%
917	Kadawatha Underpass	99.59	256.00	100%
927	Palavi Bridge	87.27	83.66	78%
873	Ulapane Bridge	75.00	69.25	71%
951	New Kallady Bridge	1389.50	875.65	66%
915	Renovations to Peradeniya Bridge	Cost+26%	22.27	100%
921	Bridges on Ambanganga Thorapitiya Road	100.45	73.37	100%
967	Bridge No. 53,5 on Deniyaya - Madampe Road	15.61	15.30	100%
957	Bridge No. 6/2 on Colombo - Horana Road (Rattanapitiya).	56.00	16.70	34%
958	Bridge No. 5/1 on Mudungoda - Gampaha Road (Oruthota Bridge)	40.58	34.93	74%
961	Construction of Bridge across Nikawathura Oya on the Right Bank of Kaluganga	42.71	36.50	100%
972	Reconstruction of Bridge No. 27/4on Hiniduma – Opatha Pitabeddara Raod.	20.52	11.04	100%
975	Bridge No.26/3 Hiniduma - Opatha Steel Bridge Pitabeddara Road.	18.35	12.67	100%
976	Construction of Bridge No.3/1 &3/3 on Wennappuwa – Kirimetiyanana Road.	89.01	62.92	56%
977	Construction of Bridge No.46/1 on Galle – Deniyaya – Madampe Road'	35.85	31.69	100%
994	Construction bridges on of Moraghakanda-Wellawala road (Kalu ganga Left Bank Development)	88.84	8.04	8%
998	Reconstuction of Bridge no. 84 on Kottawa - Thalagala Road	44.73	-	-



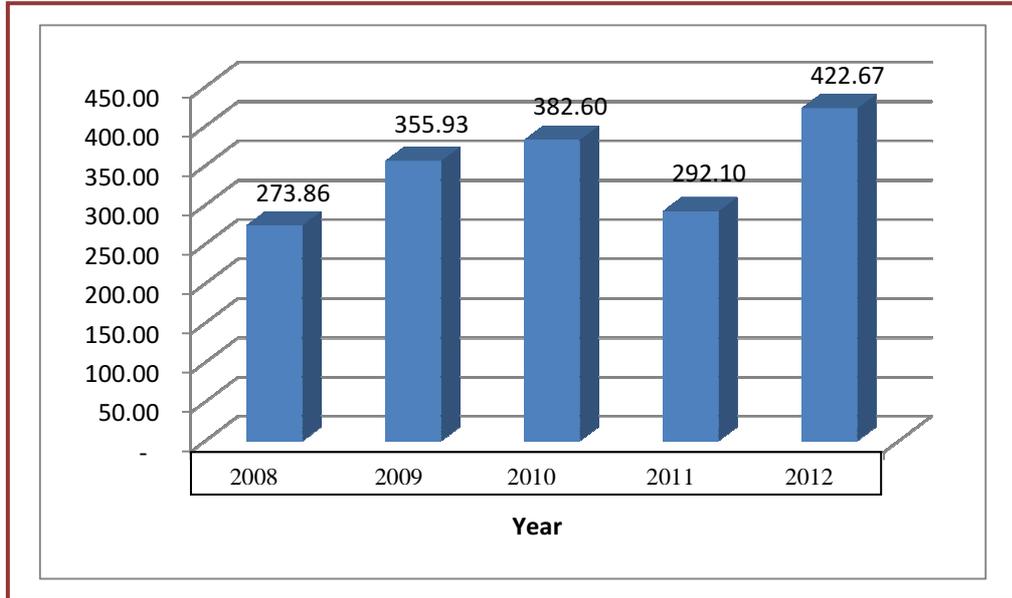
Code	Project Name	Original contract value	Month of 31 st December 2012	Progress
			income (Rs. Million)	Phy %
Roads				
962	Construction of four Roads at National Zoological Gardens-Dehiwala	45.99	24.53	74%
979-982	Kegalle District Asphalt Surfacing of Provincial Road	3,900.00 (Approx.)	2260.00	57%
983-985	Polonnaruwa District Asphalt Surfacing of Provincial Road	2,192.00 (Approx.)	1504.13	75%
912	Kalawana – Deepdeen – Rakwana Road	250.00	258.63	100%
943	Ambanganga Thorapitiya Road	119.64	116.00	100%
939	Mannar Poonarin Road	72.56	31.60	50%
969	Talduwa Meewitigamma Road.(9+220-13+800 Km)	94.94	91.30	100%
974	Sand sealing on Jaffna – Ponnalai – Point Pedro Road 42+600-55+400Km & 28+00 – 42+60Km	38.55	22.76	40%
990	Upgrading of Maguruwela Road	19.01	19.48	100%
995	Colombo Municipal Council Road Rehabilitation Project - Package – III	283.50	17.00	20%
Buildings				
930	Laboratory Building - Bathalagoda	116.18	80.00	84%
933	Building for Textile Clothing Technology - University of Moratuwa	54.75	64.00	100%
948	Motor Traffic Building	24.08	13.50	61%
986	Construction of Factory Building for Polipto Lanka - Horana BOI Zone.	15.38	13.50	50%
996	Drawing Office II (Do II) Stage I - Phase I Faculty of Engineering – Peradeniya.	10.55	2.61	10%



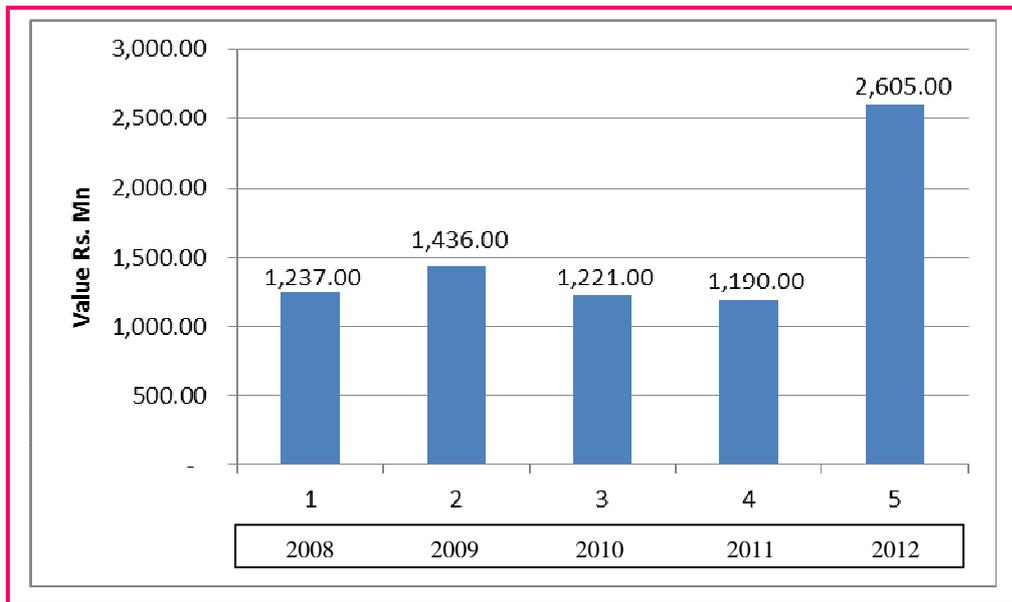
Code	Project Name	Original contract value	Month of 31 st December 2012	Progress
			income (Rs. Million)	Phy %
Water Supply & Irrigation & Hydro power				
963	Construction of Three Trough structures at Right-Bank Main Canal - Deduruoya Project	202.63	147.00	69%
896	Hekitta MFP Structure	38.22	24.40	69%
970	Water Treatment Plant – Katugastota	109.26	76.77	100%
978	Siyabalangamuwa Dam	119.86	82.00	62%
988	Water Supply scheme at Negambo Road Katunayaka.	39.53	18.60	43%
Miscellaneous				
965	Cons.& completion of Existing Sewerage disposal system at Ranpokunagama -Stage I	17.14	8.78	70%
989	Anuradhapura Dayata Kirula Project (Paddy Store)	250.00	240.30	95%
	Ratmalana	-	166.8	-
	Weragantota	-	130.5	-
	Bopitiya	-	95.75	-
	Medawachchiya	-	36.62	-



Pre-cast Sales



Net Assets





HUMAN RESOURCES

The foremost resource that controls all the other resources in the Organization is the human resources. The Prime Strength of our Organization is the Staff who possess wide experience, capabilities, and skill related to our objectives and targets of the Corporation.

The following programs were worked out during the year 2012 in order to develop the knowledge skills, and to maintain standards to keep the Employees satisfied in order to motivate the resources towards the fulfillment of the objectives of the Organization.

1. **Staff Promotions**
All members of the staff who were qualified for promotions in the year 2012 have been promoted.
2. **Staff Welfare**
Renewed the Medical Insurance Scheme and the Workmen Compensation Insurance Scheme for Employees sponsored by the Corporation.
All bonus payments were paid to the staff of the Corporation in April & December 2012.
3. **Salary Increases**
According to the relevant Government instructions 15% salary increase was made to Permanent & Casual Employees.
4. **Rewards to Employees**
All Employees who have completed 25 years of continuous service in the Corporation were felicitated with a gold coin and a memento as a token of appreciation of dedicated service at the 41st Anniversary Celebrations of the Corporation.
5. **Training & Development**
By the end of year 2012 Corporation was able to provide local & foreign training covering a large number of the staff representing the various categories.
6. **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	2007	2008	2009	2010	2011	2012
Civil Engineers	55	59	55	48	59	54
Mechanical & Electrical Engineers	10	09	09	09	12	10
Senior Managers	03	03	03	03	03	03
Accountants	07	08	08	06	08	08
Other Staff Officers	07	08	08	10	16	17
Construction Superintendents (Civil/ Mechanical / Electrical)	23	32	18	20	19	23
Draftsman / Quantity Surveyor	05	05	05	02	03	03
Security Staff	43	38	36	34	29	25
Clerical & Allied Grades	101	98	98	88	95	98
Supervisory & Other Skill Grades	315	279	276	286	294	309
	<hr/>					
Total	569	539	516	506	538	550
	<hr/> <hr/>					



AUDIT COMMITTEE REPORT

REPORT OF THE AUDIT COMMITTEE - 2012

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

The Audit Committee should assist the Board in the task of overseeing to ensure that financial reporting is done in compliance with relevant Sri Lanka Accounting Standards and other applicable legal requirements, to ensure that all relevant rules and regulations and circulars issued by the government are complied with continuously reviewing and monitoring making recommendations to the Board on non-compliance, review the internal/external audit reports, management letters and recommendations of 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 Treasury.

Auditor General's Department representative participated as an observer as per the above Circular.

During the financial year 2012,nine(09) Audit Committee meetings were held.

In the year 2012, the Committee

- Reviewed and recommended the Internal Audit Programme - 2013.
- Paid attention for the issue of Annual Reports for the years 2007,2008 and 2009.
- Reviewed the Internal Audit 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.
- Reviewed & made suitable recommendations about several internal control systems such as interdepartmental transactions in order to ensure the smooth operations of the Corporation.
- Reviewed the follow up actions taken by the respective Manager /Officer on the recommendations of the Committee.
- Reviewed the Auditor General's Management Report and Final Report and made follow up actions for rectifying accounting deficiencies and non - compliance of rules mentioned therein.
- Reviewed the financial statements ensure to compliance with Sri Lanka Accounting Standards.



- Considered the comments presented by the Management of the Corporation on the matters raised by the Auditor General.
- Considered the comments made by COPE and recommendations thereon.

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

Audit Committee Members.

- Mrs. C.N Balasooriya - Chairperson/Board Director/Treasury Representative.
- Eng. J.R Bopitiya. - Member/Board Director.
- Eng.S.D.G.R Sandanayake - Member/Board Director.



.....
C.N Balasooriya.
Chairperson - 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 2011, including cash flows, projects in hand and borrowing facilities, consider that S&CC has adequate resources to continue in operations.

For and on behalf of the Board of ,

STATE DEVELOPMENT & CONSTRUCTION CORPORATION .

H P Cashian Herath
Actg. Chairman.



CORPORATE INFORMATION

Name of the Enterprise	:	State Development & Construction Corporation (SD&CC)
Legal Status of the entity	:	Government Corporation
Act of Incorporation	:	Industrial Corporation Act. No. 49 of 1957
Year of Incorporation	:	1971
Registered Office	:	No.7, Borupana Road, Ratmalana. Tele. 0112 607560
Internal Audit Division	:	No. 07, Gregory's Avenue, Colombo -07. Tele. 0112 – 672196
Concrete Yards	:	<ol style="list-style-type: none">i. Ratmalana Concrete Yard, No.7, Borupana Road, Ratmalana. Tele. 0112 – 632786ii. Bopitiya Concrete Yard, Pannala Tele. 037-2288415iii. Weragantota Concrete Yard, Mahiyanganaya. Tele. 055–2257101iv. Medawachchiya Concrete Yard , Jaffna Road, Medawachchiya. Tele.No. 025-3899916v. Peradeniya Sales Centre Tele. 081-2387056
Auditors	:	Auditor General's Department
Bankers	:	Sampath Bank People's Bank Bank of Ceylon.

**10 YEARS PERFORMANCE SUMMARY.**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
1.Turnover	543,762,140	631,145,047	895,278,476	866,706,964	801,530,218	1,661,599,002	1,466,146,925	1,671,679,005	2,564,139,185	3,534,179,480
2. Operating Expenses	487,789,878	564,031,517	821,159,594	778,395,748	640,686,287	1,433,374,873	1,135,532,405	1,448,476,239	2,288,062,266	3,421,538,609
3.Gross Profit	55,972,262	67,113,530	74,118,881	88,311,216	160,843,931	228,224,129	330,614,520	223,202,767	276,076,919	112,640,871
4.Other Income	23,456,575	22,163,709	27,272,416	34,860,613	29,943,947	38,134,293	27,981,723	26,062,984	21,360,868	172,380,088
5.Admin. Expenses	56,539,164	65,918,806	71,237,696	81,774,444	123,463,375	125,068,134	122,178,408	142,633,691	140,229,914	133,379,468
6.Selling & Dis. Expenditure	746,579	826,516	1,129,298	3,910,389	7,102,694	10,274,230	16,418,049	3,637,713	11,846,472	22,896,549
7.Financial Expenditure	3,159,633	3,183,644	8,542,246	15,324,228	17,985,859	78,542,597	118,657,428	80,620,389	67,919,020	62,872,698
8. NP before Taxation	19,211,632	19,348,273	20,482,058	22,162,767	42,235,949	52,473,459	101,342,358	22,373,957	88,750,466	65,872,244
9.Total Assets	777,886,860	1,211,903,454	1,603,788,374	1,819,160,861	2,114,755,333	2,449,643,021	2,626,565,287	2,443,174,386	3,586,215,815	5,115,747,833
10.Net Assets	453,034,484	778,437,230	1,062,453,537	1,085,496,088	1,125,392,894	1,237,651,848	1,436,344,722	1,221,274,834	1,190,669,891	2,605,051,471
11.ROCE - %	25.81	25.99	27.51	29.77	57	70	136	30	119	5
12.Return on Assets - Times	2.47	1.6	1.28	1.22	2.00	2.14	3.86	0.92	2.47	1.29
13.Gross Profit Ratio - %	10.29	10.63	8.28	10.19	20	14	23	13	10.77	3.19
14.Net Profit Ratio - %	3.53	3.07	2.28	2.56	5	3	7	1.34	3.46	1.86
15.Current Ratio - Times	1.38	1.32	1.28	1:20	1:22	1:28	1:47	1.30	1.12	1.20



විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

EH/F/SDCC/FA/12

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

27 December 2014

The Chairman,
State Development and Construction Corporation

Report of the Auditor General on the Financial Statements of the State Development and Construction Corporation for the year ended 31 December 2012 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The audit of financial statements of the State Development and Construction Corporation (SD&CC) for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 29 (2) of the State Industrial Corporation Act, No. 49 of 1957. My comments and observations which I consider should be published with the annual report of the Corporation in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act, was issued to the Chairman of the Corporation on 05 December 2013.

1:2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.





An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 **Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. **Financial Statements**

2.1 **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the State Development and Construction Corporation as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 **Comments on Financial Statements**

2.2.1 **Accounting Policies**

The following observations are made.

- a) **SLFRS 01- First Time Adoption of Sri Lanka accounting Standard**, The value of the Property, Plant and Equipment (PPE) were not stated at any comparable situation to the fair value due to the Corporation had disclosed in their accounting policy statement No 2.2.1 that they have used the carrying amount that have been reported under the previous General Accepted Accounting Principles (GAAP) as deemed cost for the items of PPE. According to the Paragraph 30 of the Standard, a first time adoption may elect



to use a previous GAAP revaluation of an item of PPE at or before the date of the revaluation broadly comparable to the fair value or cost or depreciated cost. However, last revaluation of the above assets had been done in 2005 and no fair valuation had been done at the transition date of 31 December 2012.

- b) **LKAS 11-Construction Contract** - According to the Paragraph 11 of the Standard, the amount of contract expenditure should be increased if any penalties arise from the delays caused by the contractor. The client had been imposed the delay charges amounting to Rs.64,787,412 to the Corporation (Contractor) in time to time. However, these delay charges had been taken as receivables instead being treated as expenditure without having substantial evidence for recovery. Out of the above mentioned amount, the delay charges amounting to Rs.32,631,357 was related to the projects that were not in operation and completed and handed over long before at the end of the year 2012. So that, it is not fair at all to show such amount as receivable. As a results, the current assets and profit shown in the financial statements as at 31 December 2012 had been overstated by Rs.64,787,412. Further, the clients had claimed the liquidated damages of Rs.73,510,382 in respect of 20 Projects which delayed due to faults of the Corporation.
- c) **LKAS 16 – Property, Plant and Equipment (PPE)**-Even though according to the Standard the PPE should be taken into accounts if the future economic benefits are embodied therein, the land and buildings disclosed under Note 9.1.5 to the financial statements valued at Rs.75,870,875 had been utilized by the Corporation since 2005 had not been taken into accounts due to non-availability of the ownership contrary to the provision in the Standard.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Expenditure such as repairing cost of plant and machinery, finance cost etc. aggregating Rs.35 million relating to the Segment of Construction Division had erroneously been classified under the category of other Segments. Therefore, the Segmental information had not been accurately disclosed in the financial statements. Further, the accuracy of the apportioned method used for appropriate the finance cost and related cost of PPE between the two Segments could not be ensured in audit.
- (b) Uncertified bills valued at Rs.32 million in relation to the Project bearing Nos. 943 which were completed in 2012 had also been taken into account in ascertaining the income of the year under review and as a result, the revenue shown in the income statement had been overstated by similar amount.



- (c) Provision had not been made in the financial statements for a sum of Rs.27,417,928 due from a Joint Venture Company which is not in operation at present.
- (d) Amount payable to the Corporation by the Fujima State Corporation (Pvt) Ltd, a Joint Venture Company as per their financial statements for the year ended 31 March 2010 was Rs.41,899,490 and no transactions had been taken place thereafter. However, no such balance was appeared in the financial statements of the Corporation and as a result, the other receivables shown in the financial statements of the Corporation as at 31 December 2012 had been understated by that amount.

The Chairman of the Corporation states in this regards as follows.

Though there is a payable balance in the books of accounts of the Fujima State Corporation (Pvt) Ltd to the SD&CC, no such due balance is in our records.

- (e) The differences of Rs.1,219,549 and Rs.3,310,363 relating to the cost of PPE and accumulated depreciation respectively had been identified between the amount shown in the general ledger and the corresponding balances shown in the fixed assets register and subsequently those differences had been adjusted in the general ledger accounts without being investigated. As a result, the accounting treatment made for the net difference of Rs.2,090,813 by crediting to the income for the year under review and debiting to the PPE was not accurate.
- (f) According to the information furnished to audit, the default Bank Guarantees valued at Rs.48,488,000 relating to a Joint Venture of the Corporation had been paid to the Bank by the General Treasury on behalf of the Corporation and it had been erroneously classified as a liability and included in the financial statements.
- (g) A sum of Rs.15 million payable to the Ministry of Economic Development in respect of granting the plant and machinery to the Corporation had not been brought to the accounts.
- (h) The Pay As You Earn (PAYE) Tax amounting to Rs.6,957,317 paid by the Corporation on behalf of its employees for the period 2009 – 2012 had been treated as an expenditure of the Cooperation without being deducted from the salaries of the of the respective employees. Further, the provision for the penalties on the delayed payment of PAYE tax amounting to Rs.515,438 had not been made in the financial statements.



2.2.3 Unexplained Differences

According to the information made available value of Bitumen collected by the Corporation was Rs.47 million. However, the Goods Received Notes had been issued for Rs.51 million. The reason for the difference was not explained to audit.

2.2.4 Accounts Receivables and Payables

The following observations are made.

- (a) Debtor balances of the Construction and Concrete Yard Divisions of the Corporation amounting to Rs.43,317,948 and Rs.30,613,460 respectively had remained outstanding for more than three years as at 31 December 2012. Of them Rs.24,171,000 and Rs.18,061,042 respectively were remained outstanding for a period of more than 05 years without being taken any recovery action. Further, age analysis for sundry debtor balances of Rs.34,594,399 outstanding as at 31 December 2012 was not furnished to audit.
- (b) Retention money receivable amounting to Rs.42,552,323 shown under receivable in the financial statements was remained outstanding for a period of more than five years as at 31 December 2012. Further, some of the Projects which the retention money receivable had been completed and handed over to the clients several years ago and certain other Projects had been terminated due to various reasons. Hence, it was observed that those balances had been carried forward in the financial statements year by year without any substantial evidence for recovery.
- (c) Abnormal mobilization advance balances of Rs.15,211,080 was observed relating to seven Projects which was fully completed Projects as at 31 December 2012.
- (d) Purchase advances for construction contract amounting to Rs.11,364,505, Rs.5,935,128 and Rs.21,394,225 had been remained outstanding for a period of more than 10 years, 5 to 10 years and 2 to 5 years respectively without taking any action. In addition, the age analysis for purchase advance of Rs.23,428,134 relating to the Peliyagoda office of the Corporation was not made available for audit.



2.2.5 Lack of Evidence for Audit

The following observations are made.

- (a) A detail schedule for the National Security Levy payable amounting to Rs.885,971 as at 31 December 2012 was not made available for audit.
- (b) A cash cheque for Rs.500,000 had been issued to an officer of a Joint Venture Company of the Corporation. This practice may lead to misuse the public fund. In the meantime, the details of the expenditure incurred from this money paid were not made available for audit.

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

The following instances of non-compliance were observed in audit.

Reference to Laws, Rules, etc.	Non-compliance
-----	-----
(a) Section 14(1) of the Finance Act, No. 38 of 1971	The Draft Annual Report for the year under review which should be submitted to the Auditor General together with the draft financial statements was not submitted.
(b) Section 8.8 of the Public Enterprises Department Circular No PED/12 of 02 June 2003	Approval of the Board should be obtained for the delegation of financial authority, indicating limits of expenditure and no expenditure should be authorized, incurred or paid outside the limits of such delegated authority. Further, such delegation of authority should be updated and approved by the Board at the beginning of each year. However, the Corporation had not complied with those requirements.

3. Financial Review

3.1 Financial Results

According to the financial statements presented for audit, the operations of the Corporation for the year under review had resulted a pre-tax net profit of Rs.65,872,244 as compared with the corresponding pre-tax net profit of Rs.42,316,969 for the preceding year, thus indicating an improvement of Rs.23,555,275 in the financial results of the year under review. The increase of income of the Concrete Yards by Rs.422,666,999 was the main reason for this improvement.



3:2 Analytical Financial Review

The following observations are made.

- (a) The gross profit margin of the year under review was 3 per cent, as compared with that of 11 per cent in the previous year which shows 3 per cent decrease. Actual gross profit margin of the year 2012 was far behind as compared with the target of 10 – 15 per cent.
- (b) Interest cover ratio was around 2 times in both 2011 and 2012 which indicated the Corporation has managed their interest cost efficiently and effectively.
- (c) Trade and other receivables of the year under review represented 43 per cent of the total assets and the ratio between the current assets and current liabilities of the year under review was 1:0.94. Hence, it was revealed that the Corporation had functioned with a poor working capital management in 2012.

4. Operating Review

4.1 Performance

The Corporation had handled 54 construction contracts to the value of Rs.12,459 million in 2012. Most of the projects had delayed in the range of 6 to 82 months due to various reasons such as liquidity problems of the Corporation, non-receipt of the payments from clients in time, bad weather condition, design changed by the clients and management inefficiency and a total loss of Rs.23,842,299 had occurred from the delayed Projects in 2012.

4.2 Management Inefficiencies

The Bitumen had been purchased on credit basis from the Ceylon Petroleum Corporation and the Ministry of Economic Development had settled the bills on behalf of the Corporation. The Corporation had confirmed that the Ministry was issued Good Received Notes (GRN) for Rs.537,810,476 of Bitumen in 2012. However, it was revealed that Bitumen had not been received by any sites of the Corporation, but directly handed over to the suppliers and sub-contractors of the Corporation, without being recorded in the stock ledgers maintained at sites. Further, those GRNs had been issued by a clerk in the Head Office on behalf of the store keepers attached to the respective sites and approved by the Deputy General Manager (Construction). Accordingly, the management had failed to introduce a proper system and control to minimize the irregularities which had occurred from the existing system.



4.3 Transactions of Contentious Nature

The following observations are made.

- (a) The Corporation had incurred an expenditure of Rs.1,394,247 relating to the Fujima State Corporation (Pvt) Ltd, one of the Joint Venture Company out of its own funds in 2012. The following observations are made in this regard.
 - (i) The Project Manager at Bopitiya site had been granted a sum of Rs.400,000 for fuel expenses to start the operation of Kotedeniyawa site. However, evidence to ensure the commencement of the operation of the site and incurring the money for the intended purposes were not made available for audit.
 - (ii) Sub-contract labourers had been paid a sum of Rs.953,022 even though any operation had not been commenced in Kotedeniyawa site.
- (c) The Corporation had outsourced its labour requirements from Manpower Companies since 2010. However, the Corporation had not obtained confirmation from the Employees Provident Fund (EPF) and Employees Trust Fund (ETF) whether the money collected by this companies from the Corporation as EPF and ETF contributions on behalf of these employees were actually being sent to those funds regularly.
- (d) A generator of the Corporation valued at Rs.4,000,000 had been repaired externally despite the fact that the Corporation had a workshop having well experienced mechanics and technicians. It was further observed that a period of 21 months had been taken for the repair during which the Corporation had to hire two generators by incurring an additional cost of Rs.2,125,500 as rental.
- (e) A sum of Rs.13,668,395 of incentive had been paid to selected personnel of the Construction Division of the Corporation in 2012 without having any approved incentive scheme.

4.4 Assets Management

Even though the Corporation had owned two asphalt plants located at Amithirigala and Polonnaruwa having a production capacity of 200,000 metric tons and the total production of the operational period of the year 2012 was only 14,210 metric tons which represented 7 per cent of the production capacity of that period. Without using the available capacity, the Corporation had purchased Rs.313,381,458 worth of asphalt from outside nine suppliers and the cost difference observed between the in-house production and purchases was Rs.79,517,458.



4.5 Identified Losses

The following observations are made.

- (a) Penalty imposed due to non-remittance of the EPF and ETF on due dates for the period from February to December 2012 was Rs.18,291,274.
- (b) Interest paid for the non- payment of the employees gratuity on due dates in 2012 was Rs.381,155.
- (c) Concrete products had not been supplied on time and therefore, delay chargers of Rs.6,003,112 had to be paid by the Corporation.

4.6 Resources Given to Other Institutions

Four employees had been released to the line Ministry without the approval of the Cabinet of Ministers as specified in the Public Enterprises Department Circular No. PED/12 of 2 June 2003 and the cost incurred by the Corporation for those employees in 2012 was Rs.1,449,297.

5. Accountability and Good Governance

5.1 Corporate Plan

The following observations are made with regard to the Corporate Plan for the period 2012 – 2014.

- a) Specific objectives and strategies for the individual seven Sub-divisions operating under the Corporation had not been identified. Hence, achieving of the entire objectives specified in the Corporate Plan is questionable.
- b) According to the following information, the targets set out in the Corporate Plan were either unrealistic or not taking proper follow-up actions to achieve them.

Item	Target as per Corporate Plan	Actual
	Rs. million	Rs. million
Turnover growth	Not mentioned	
Pre-cast concrete products	650	423
Consultancy fee	30	2.7
Overseas construction	50	-
Profit before tax	241	66
Net profit margin (%)	6	2



- (c) The Action Plan and the Budget for the year under review had not been in line with the Corporate Plan.
- (d) The following strategies highlighted in the Corporate Plan had not been implemented even in the year under review.
 - Implementing of cost control and accounting system to set out competitive prices for concrete products
 - Disposal of non-moving concrete items
 - Carrying out sales promotion and advertising programmes for concrete products
 - Implement a proper cash disbursement system for internal sales in order to minimize the delay in supplying external orders due to cash flow problem.

5.2 Budgetary Control

Significant variances were observed between the budgeted and the actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Corporation by my detailed report issued in terms of Section 13(7)(a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Trade and Other Receivables
- (c) Trade and Other Payables
- (d) Performance Review
- (e) Human Resource Management
- (f) Statutory Payments
- (g) Assets Management
- (h) Project Administration and Sub-contracting
- (i) Utilization of Resources
- (j) Financial Management

W.P.C. Wickramaratne
Acting Auditor General



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2012
(All Amounts Are In Sri Lanka Rupees)

	Note	2012	2011 (Restated)
Revenue	01	3,534,179,480	2,564,139,185
Cost Of Sales	02	(3,421,538,609)	(2,288,062,267)
Gross Profit / (Loss)		112,640,871	276,076,919
Other Income	03	165,476,136	28,000,638
Profit / (Loss) Before Operating Expenses		278,117,007	304,077,557
Administrative Expenses	04	(133,379,468)	(143,558,270)
Distribution Costs	05	-	(244,981)
Other Expenses	06	(22,896,549)	(57,231,832)
Results From Operating Activities		121,840,990	103,042,474
Financial Income	07	6,903,952	4,856,627
Financial Expenses	07	(62,872,698)	(65,582,132)
Profit Before Tax		65,872,244	42,316,969
Tax Expenses	08	(2,939,719)	(11,988,874)
Profit From Continuing Operations		62,932,525	30,328,095
Profit/(Loss) From Discontinued Operation Net Of Tax		-	-
Profit For The Year		62,932,525	30,328,095
Other Comprehensive Income			
Defined Benefit Plan Actuarial Gains (Losses)	19.01	6,538,606	(5,109,768)
Tax On Other Comprehensive Income		-	-
Other Comprehensive Income Net of Tax		6,538,606	(5,109,768)
Total Comprehensive Income		69,471,131	25,218,328

The Significant Accounting Policies and Notes on pages 42 to 80 form an integral part of these Financial Statements.



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
ASSETS				
Non - Current Assets				
Property, Plant & Equipment	09	2,052,226,096	834,068,417	802,751,006
Investments In Government Owned Companies	10	9,210,740	9,210,740	11,710,740
Other Investments, Including Derivatives	11	46,031,076	42,880,747	41,117,286
Deferred Tax Assets	12	6,850,855	7,495,769	7,969,655
Total Non Current Assets		2,114,318,767	893,655,673	863,548,686
Current Assets				
Inventories	13	311,392,455	210,257,575	193,684,766
Other Investments, Including Derivatives	10	35,186,721	33,458,833	31,555,255
Income Tax Assets	14	99,732,958	100,301,924	99,596,785
Trade & Other Receivables	15	2,202,188,632	2,258,156,922	1,281,012,425
Cash & Cash Equivalents	16	352,928,300	62,422,930	16,686,644
Total Current Assets		3,001,429,066	2,664,598,185	1,622,535,875
Total Assets		5,115,747,833	3,558,253,858	2,486,084,561
EQUITY & LIABILITIES				
Capital & Reserves				
Capital		67,811,651	67,811,651	67,811,651
Capital Reserves		6,629,760	6,629,760	6,629,760
Capital Grant		1,217,230,952	-	-
Revaluation Reserve		763,088,808	763,088,808	763,088,808
Retained Earnings		(183,294,451)	(17,928,698)	76,111,040
Total Equity		1,871,466,720	819,601,521	913,641,259
Non - Current Liabilities				
Lease Creditors	17	14,122,931	19,236,947	1,004,089
Loans & Borrowings	18	154,396,551	242,476,829	281,143,500
Retirement Benefit Obligation	19	47,984,168	56,995,829	61,947,199
Deferred Tax Liabilities	12	16,641,429	14,346,624	11,858,048
Trade & Other Payables	20	500,439,673	-	-
Total Non Current Liabilities		733,584,752	333,056,229	355,952,836
Current Liabilities				
Trade & Other Payables	20	2,251,501,329	2,133,160,894	953,652,461
Loans & Borrowings	18	59,877,204	47,000,004	45,000,000
Lease Creditors	17	6,852,095	8,806,860	1,352,786
Bank Overdrafts	21	192,465,734	216,628,349	216,485,219
Total Current Liabilities		2,510,696,362	2,405,596,107	1,216,490,466
Total Equity & Liabilities		5,115,747,833	3,558,253,858	2,486,084,562

Chief Financial Officer.....

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

Chairman.....

Director.....

General Manager.....

The Significant Accounting Policies and Notes on pages 42 to 80 form an integral part of these Financial Statements.



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2012*(All Amounts Are In Sri Lanka Rupees)*

	Capital	Revaluation Reserve	Capital Reserve	Government Grant	Retained Profit / (Loss)	Total Equity
Balance As At 1st January 2011, As Previously Reported	67,811,651	763,088,808	6,629,760	-	16,748,063	854,278,282
Adjustments	-	-	-	-	59,362,978	59,362,978
Restated Balance As At 1st January 2011	67,811,651	763,088,808	6,629,760	-	76,111,040	913,641,259
Adjustments	-	-	-	-	(119,258,066)	(119,258,066)
Profit For The Year, As Restated	-	-	-	-	30,328,095	30,328,095
Total Other Comprehensive Income	-	-	-	-	(5,109,768)	(5,109,768)
Restated Balance As At 31st December 2011	67,811,651	763,088,808	6,629,760	-	(17,928,698)	819,601,521
Adjustments	-	-	-	-	(234,836,884)	(234,836,884)
Profit For The Year	-	-	-	-	62,932,525	62,932,525
Government Grant	-	-	-	1,217,230,952	-	1,217,230,952
Total Other Comprehensive Income	-	-	-	-	6,538,606	6,538,606
Balance As At 31st December 2012	67,811,651	763,088,808	6,629,760	1,217,230,952	(183,294,451)	1,871,466,720

The Significant Accounting Policies and Notes on pages 42 to 80 form an integral part of these Financial Statements.



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	Note	2012	2011 (Restated)
Cash Flow From Operating Activities			
Profit / (Loss) Before Tax		65,872,244	42,316,969
Adjustments For ;			
Depreciation		167,770,350	23,529,635
Staff Pre Paid Cost		216,423	168,806
Provision For Defined Benefit Plan		8,142,994	7,071,154
(Gain)/Loss On Disposal Of Property, Plant & Equipment		-	(11,308,087)
(Gain)/Loss On Translation Of Foreign Currency Loans		(4,671,336)	(162,986)
Impairment Loss On Trade & Other Receivables		22,053,047	54,912,682
Interest In Suspense		2,390,724	1,318,675
Finance Expenses		60,521,153	61,036,542
Deferred Income		(141,965,648)	
Provision for Slow & Non Moving Stock		4,266,552	
Finance Income		(6,903,952)	(4,794,407)
Operating Profit / (Loss) Before Working Capital Changes		177,692,550	174,088,984
(Increase) / Decrease In Inventory		(105,401,432)	(16,572,809)
(Increase) / Decrease In Trade & Other Receivables		(80,194,232)	(959,430,405)
(Increase) / Decrease In Purchases & Sub Contract Advances		42,194,816	(82,483,232)
Increase / (Decrease) In Loans & Advances		289,169,975	861,606,407
Increase / (Decrease) In Trade & Other Payables		169,787,353	271,993,403
Cash Generated From / (Used In) Operations		493,249,029	249,202,349
Finance Cost Paid		(48,748,529)	(39,124,313)
Gratuity Paid		(10,208,634)	(12,618,099)
Tax Paid		(41,218,276)	(97,630,271)
Net Cash Flow From / (Used In) Operating Activities		393,073,590	99,829,666
Cash Flows From / (Used In) Investing Activities			
Acquisition Of Property, Plant & Equipment		(24,640,616)	(30,292,482)
Proceeds From Disposal Of Property, Plant & Equipment		-	12,014,891
Finance Income Received		5,462,487	4,055,238
Net Cash Flow From / (Used In) Investing Activities		(19,178,129)	(14,222,353)
Cash Flows From / (Used In) Financing Activities			
Repayment Of Loans & Borrowings		(92,047,578)	(46,666,667)
Proceeds From Borrowings		40,000,000	10,000,000
Repayment Of Finance Leases		(10,114,808)	(3,272,491)
Net Cash Flow From / (Used In) Financing Activities		(62,162,386)	(39,939,158)
Net Increase / (Decrease) In Cash & Cash Equivalents		311,733,076	45,668,156
Cash & Cash Equivalents At The Beginning Of The Year		(154,380,419)	(200,048,574)
Effect Of Exchange Rate Changes On Cash & Cash Equivalents		-	-
Cash & Cash Equivalents At The End Of The Year	16	157,352,657	(154,380,419)

The Significant Accounting Policies and Notes on pages 42 to 80 form an integral part of these Financial Statements.



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
FINANCIAL YEAR ENDED 31 ST DECEMBER 2012
ACCOUNTING POLICIES

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 Ramalana, 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 **381**.

1.5 Date of Authorisation for Issue

The Financial Statements were authorised for issue by the Board of Directors on 30th July 2014.

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.

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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 entered into a joint venture agreement with Mast Trust Holdings (Pvt.) Ltd, and created subsidiary relationship with Fujima State Corporation (Pvt.) Ltd, in past. Consolidated accounts are not prepared and investment in the subsidiary company is recorded at cost due to practical difficulties in preparing consolidated accounts.

2.1.4 Taxation

(a) Current Tax

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

(b) Deferred Tax

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

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

(Contd...)



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.

(Cond...)



Revaluation

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

Impairment

The carrying value of property, plant & equipment are reviewed for impairment annually or when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indications exist & 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 of Period
Buildings	Over 20 Years
Office Equipment	Over 10 Years
Plant & Machinery	Over 10 Years
Motor Vehicles	Over 05 Years
Other Assets	Over 10 Years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Derecognition

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

(Contd...)



2.2.2 Leases

a) Finance Leases

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

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

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

b) Operating Leases

Leases where the lesser 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.

(Contd...)



Subsequent Measurement

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

a) Financial Assets at Fair Value Through Profit or Loss

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

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

b) Loans and Receivables

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

Staff Loans

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

Trade Receivables

Trade receivables of the corporation includes construction debtors, retentions, liquidated damage receivables and concrete yard debtors which fall under the category of 'Loans and Receivables' under LKAS 39 are recorded at the transaction price, which is the amount of consideration given or received. Impairment provision on debtors is calculated at end 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 .

(Contd...)



c) 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.

d) Available-For-Sale Financial Investments

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

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

Derecognition

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

Impairment of Financial Assets

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

(Contd...)



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.

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.

(Contd...)



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 amounts 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.

(Contd...)



2.2.6 Inventories

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

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

2.2.7 Cash and Cash Equivalents

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

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

2.2.8 Recognition of Due From Customer and Due To Customer

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

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

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

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

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

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

(Contd...)



2.3 Liabilities and Provisions

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

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

2.3.1 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

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

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

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations.

2.4. Revenue

2.4.1 Revenue Recognition

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

a) Construction Revenue

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

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

(Contd...)



b) Sale of Goods

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

c) Interest

Interest income is recognized on a time apportioned basis.

d) Rental and Other Income

Rental income is recognized on accrual basis.

e) Gains & Losses

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

2.5 Expenditure Recognition

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

2.6 Comparatives

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

2.7 Events Occurring After the Reporting Date

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

(Contd...)



2.8 Segment Information

The Corporation identifies its segments base on the criteria, given in the SLFRS 8 and relevant disclosures are made in the financial statement notes. Construction and Concrete Yard 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 attaching to them &
- b) The grants will be received

The Corporation has received a Government Grant from the Ministry of Economic Development during the year under review.

We have recognised the Grant as Deferred Income that 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 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	2012	2011 (Restated)
NOTE 01 - REVENUE			
Construction Income		2,960,545,710	2,256,780,520
External Sales - Concrete Products		403,712,186	256,488,259
Internal Sales - Concrete Products		18,954,813	35,652,081
Anniversary Income		540,500	70,000
Work Services		15,165,986	12,192,778
Asphalt External Sales		22,021,192	-
Asphalt Internal Sales		112,684,969	-
Metal Products		554,125	2,955,548
Total		3,534,179,480	2,564,139,185
NOTE 02 - COST OF SALES			
<u>Operating Expenses</u>			
Employee Benefits	04.01	449,044,711	400,364,385
Cement		89,045,008	62,228,046
Sand		26,220,748	23,077,177
Metal		207,561,452	144,153,073
Steel		154,824,901	128,715,582
Timber		9,002,699	9,678,063
Fuel & Lubricants		145,653,000	94,559,614
Explosive & Blasting Materials		1,915,993	1,507,996
Ready Mixed Concrete		31,708,383	45,089,203
Concrete Products		21,255,838	34,411,021
Machinery & Vehicle Spare Parts		21,690,844	24,098,884
Stationery Consumption		1,634,238	1,510,805
Tar Consumption		573,039,679	330,543,253
Electrical Spare Parts Consumption		9,254,221	17,284,082
Pipes & Drainages Items Consumption		4,128,604	2,124,925
Other Stocks		100,328,724	83,659,467
Earth Gravel		35,087,240	42,261,846
RDA - Steel		17,975	26,690
Hire Charges (Internal)		79,875	159,862
Hire Charges (External)		166,306,646	205,115,526
Transport Charges (Material)		44,178,355	54,175,481
Transport Charges (Others)		14,098,627	13,594,699
Storage Charges		2,100	-
Vehicle Insurance		1,675,896	1,017,905
Stores Insurance		7,030	426,857
Depreciation On Plant, Machinery & Equipment		123,110,552	7,025,897
Depreciation On Motor Vehicles		30,738,768	3,065,604
Repairs & Maintenance -Plant, Machinery & Equipment		1,458,745	882,504
Repairs & Maintenance - Vehicles (Work Shop)		1,547,788	1,015,440
Repairs & Maintenance -Plant, Machinery & Equipment (Transport)		34,845	33,390
Repairs & Maintenance -Plant, Machinery & Equipment (Other)		1,554,040	1,276,196

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	2012	2011 (Restated)
Operating Expenses (Contd...)		
Registration & License Fees	421,617	2,805,917
Sub Contracts	1,092,826,241	470,563,006
Discounts	273,717	-
Liquidation Damages	6,003,112	1,930,780
Turnover Tax Deducted From Sub Contract	-	54,780
Assignments	5,446,314	4,453,749
Charges For Bonds	30,398,683	6,056,058
Telephone - Sites	2,945,739	2,966,962
Postage & Telex - Sites	295,269	70,259
Printing & Stationery - Sites	1,086,822	1,144,633
Travelling - Sites	5,293,277	5,923,962
Entertainment	3,110,135	2,671,942
Stamp Fees - Sites	3,086	6,830
Rent - Sites	12,438,000	9,308,753
Electricity - Sites	7,134,170	6,531,502
Computer	43,935	92,871
Water - Sites	1,726,318	1,316,950
Tender Fees -Sites	27,682	56,439
Security Expenses	54,280	3,000
Welfare & Recreation - Sites	16,441	3,368
Insurance - Sites	680	-
Insurance All Risk Policy - Sites	5,876,726	4,810,717
Newspapers & Periodicals - Sites	201,035	237,637
Sundry - Sites	4,639,921	3,688,208
Consultancy & Professional Fees	-	-
CIGFL	7,317,625	4,486,059
Building Repairs -Sites	69,145	78,004
Service Charges - Sites	3,901,276	2,814,391
Testing Charges -Sites	6,380,952	1,712,646
Advertisements	255,416	3,460,183
Repairs & Maintenance - Office Equipment	38,194	26,728
Rates & Taxes	3,000	10,112
Ground Rent	-	5,000
Royalty Payment Agreement	64,978	126,454
Impairment provision for Slow & Non Moving Stock	4,266,552	
Stock adjustment 2012	9,866,497	
Personal Accident Insurance	730,488	1,708,904
Stock Loses	-	9,776
Sub Total	3,479,364,849	2,272,220,049
Add - Opening Stock	84,684,600	106,518,689
Less - Closing Stock	(142,510,840)	(84,684,600)
Less - Fabrication Closing Stock	-	(5,991,872)
Cost Of Sales	3,421,538,609	2,288,062,267

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	2012	2011 (Restated)
NOTE 03 - OTHER INCOME			
Machinery Hire Charges (CME)		-	125,000
Transport Hire Charges (CY)		1,964,051	3,562,822
Youth Center CB Monaragala		-	312,283
Metal & Rubble Sale		5,400	1,572,920
Deferred Income		141,965,648	
Foreign Exchange Gain		4,671,336	162,986
Fines		710	-
Consultancy Fee		2,729,819	-
Sundry Income		13,070,236	2,761,682
Surcharges		10,400	4,300
Insurance Receivable		571,568	41,368
Income On House Rent (Head Office)		57,570	8,144,850
Hiring Income (Head Office Vehicle)		146,400	-
Miscellaneous		282,998	4,340
Profit On Disposal Of Property, Plant & Equipment		-	11,308,087
Total		165,476,136	28,000,638
NOTE 04 - ADMINISTRATIVE EXPENSES			
Employee Benefits	04.01	84,393,232	85,030,544
Telephone		1,406,927	1,802,005
Postage & Telex		120,784	104,020
Printing & Stationery		60,069	266,323
Travelling & Subsistence		1,247,236	957,741
Entertainment		506,893	475,454
Advertising		1,623,127	776,141
Legal Charges		18,600	277,100
Audit Fees		200,000	200,000
Stamp Fees		27,750	3,250
Rate & Taxes		1,737,107	657,220
Electricity		3,734,755	3,393,780
Computer Expenses		333,093	135,854
Depreciation - Land & Buildings		5,214,770	5,198,438
Depreciation - Furniture & Fixture, Office & Welfare		2,020,075	2,110,555
Depreciation - Other Costs		6,686,185	6,129,141
Water		482,600	606,660
Non Refundable Tender Fees		212,178	377,568
Establishment		3,270	26,640
Security Expenses		282,691	860,992
Service Charges		58,478	-
Sundry Expenses		2,760,347	1,068,577
Consultancy & Professional Fees		889,500	933,028
Welfare & Recreation Expenses		74,920	154,712
Repairs & Maintenance - Land & Buildings		24,156	574,554
Repairs & Maintenance - Furniture & Fixtures		62,381	7,030
Repairs & Maintenance - Other Assets		372,779	524,676
Insurance Contractors All Risk Policy		292,876	398,214
Adjustment 2012		(2,162,731)	
Other Insurance		-	48,740



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	2012	2011 (Restated)
Administration Expenses (Contd...)			
Accident		-	117,818
Employees' Trust Fund Surcharges		-	742,614
Newspapers & Periodicals		50,709	55,904
Fixed Revaluation Charges		65,000	-
Testing & Laboratory Charges		293,622	-
Repairs & Maintenance - Internal Vehicles		-	7,485
Employees' Provident Fund - Surcharge		-	3,857,157
Death Donation On Duty		15,000	333,250
Gratuity Surcharges		381,155	187,552
Donations		125,000	-
Cement Consumption - Sites		10,485	-
Sand		5,250	-
Metal		1,620	-
Steel Consumption		-	1,050
Fuel Consumption		5,265,916	4,413,584
Concrete Products Consumption		-	-
Spare Parts		58,100	6,750
Stationery		1,390,968	1,541,605
Electrical Items Consumption		60,484	62,410
Water Supply Items		13,753	2,699
Other Stocks Consumption		226,599	465,034
Sub Contracts		7,303,905	5,013,168
Risk Allowance		-	-
Repairs - Light Vehicles		462,765	173,008
Repairs - Plant & Machinery		1,500	150
Registration & License Fees		133,008	197,532
Bond Charges - Head Office		2,960,221	5,936,927
Internet & E-Mail - Head Office		-	40,000
Assignment - Head Office		792,600	1,169,905
Management Development - Head Office		86,605	106,741
External Hire - Head Office		765,556	103,456
Insurance Vehicles - Head Office		-	559,639
Insurance - Building		-	76,681
Youth Center CB Monaragala		-	247,419
Value Added Tax Surcharges		-	4,654,643
Anniversary Expenses		225,600	290,700
Fines		-	94,433
Total		133,379,468	143,558,270

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	2012	2011 (Restated)
NOTE 04 . 01 - EMPLOYEE BENEFIT EXPENSES		
<u>Operating Expenses</u>		
Work Services	1,006,388	5,690,697
Salaries & Wages -Permanent	79,007,329	81,611,505
Overtimes -Permanent	21,866,141	22,187,885
Employees' Provident Fund - Permanent Staff	9,028,554	9,338,128
Employees' Trust Fund -Permanent Staff	2,257,139	2,334,532
Salaries & Wages -Casual Staff	3,485,260	3,316,560
Overtime -Casual staff	537,275	774,490
Employees' Provident Fund -Casual Staff	221,904	244,781
Employees' Trust Fund -Casual Staff	54,883	61,195
Sub Contract Labour	232,959,383	204,213,969
Shift Allowance	-	40,907
Special Allowances	1,142,230	1,888,079
Encashment Of Leave	2,633,084	1,798,283
Incentive Payments	8,513,932	2,304,474
Risk Allowances	343,700	165,693
Salaries - Contract	57,640,233	42,241,148
Overtime - Contract	18,770,629	15,416,451
Employees' Provident Fund - Contract	6,470,346	4,745,428
Employees' Trust Fund - Contract	1,617,587	1,186,358
Workers Compensation - Site	703,262	50,000
Workmen Compensation - Sites	403,496	32,375
Insurance Workmen Compensation - Sites	381,957	721,446
Sub Total	449,044,711	400,364,385
<u>Administrative Expenses</u>		
Defined Benefit Pension Cost	19.01	8,142,994
Distress Loans Cost		7,071,154
Directors Fees		216,423
Chairman's Remuneration		1,446,900
Workmen Compensation - Head Office		1,292,000
Salaries & Wages		840,000
Overtime		32,963
Employees' Provident Fund		241,650
Employees' Trust Fund		52,067,861
Professional Subscription		6,918,593
Special Allowance		7,163,850
Shift Allowance - Head Office		5,978,515
Encashment Of Leave - Head Office		6,051,872
Incentive Payments		1,492,258
Gratuity		1,512,968
Insurance Workmen Compensation		415,452
Pay As You Earn (PAYE) Tax		615,753
Training & Development - Head Office		3,600
		4,950
		18,320
		-
		29,900
		5,154,463
		6,869,412
		-
		-
		1,050,772
		-
		522,597
		1,284,310
		91,523
		133,338
Sub Total	84,393,232	85,030,544
Total Employee Benefit Expenses	533,437,942	485,394,928

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	2012	2011 (Restated)
NOTE 05 - DISTRIBUTION EXPENSES		
Business Promotion	-	244,981
Total	-	244,981
NOTE 06 - OTHER EXPENSES		
Impairment Loss On Trade Receivables	22,053,047	49,107,935
Bank Debits Tax	-	206,576
Bank Charges	843,502	2,112,575
Total	22,896,549	51,427,085
NOTE 07 - FINANCIAL INCOME & FINANCIAL EXPENSES		
<u>Financial Income</u>		
Interest Income On Available-For-Sale Financial Assets	1,431,900	1,077,711
Interest Income On Held - To - Maturity Investments	4,992,754	3,499,894
Interest Income On Loans & Receivables	479,298	279,022
Net Foreign Exchange Gain	-	-
Total Finance Income Recognized In Profit Or Loss	6,903,952	4,856,627
<u>Financial Expenses</u>		
Interest On Bank Overdrafts	30,106,773	20,114,417
Interest Expense on Financial Liabilities Measured At Amortized Cost	28,915,578	41,770,651
Lease Interest	3,046,024	1,300,937
Other Financial Expenses	804,323	2,396,128
Total Financial Expenses Recognized In Profit Or Loss	62,872,698	65,582,132
NOTE 08 - TAX EXPENSES		
<u>Current Tax Expense</u>		
Current Tax On Profits For The Year	-	9,026,412
Adjustment For Under Provision In Prior Periods	-	-
Total Current Tax	-	9,026,412
<u>Deferred Tax Expense</u>		
Change In Recognized Taxable Temporary Differences	1,675,928	2,488,575
Change In Recognized Deductible Temporary Differences	12 1,263,791	473,887
Total Tax Expenses On Continuing Operations	2,939,719	11,988,874

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

NOTE 09 - PROPERTY, PLANT & EQUIPMENT

Cost or Valuation

	Note	Land	Buildings	Office Equipment	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance at 1 st January 2011		635,312,513	103,968,767	27,677,225	175,915,918	93,129,883	63,493,632	1,099,497,937
Additions		-	-	3,861,530	17,110,363	30,257,464	4,063,124	55,292,482
Disposals		-	-	-	(7,712,393)	(2,442,525)	-	(10,154,918)
Balance at 31st December 2011		635,312,513	103,968,767	31,538,754	185,313,888	120,944,822	67,556,756	1,144,635,501
Additions			1,428,274	2,749,371	1,224,555,550	144,984,500	5,530,367	1,379,248,061
Disposals								-
Adjustment				(110,175)	(371,705)	(1,792)	(735,875)	(1,219,547)
Balance at 31st December 2012		635,312,513	105,397,041	34,177,950	1,409,497,733	265,927,531	72,351,248	2,522,664,016

Accumulated Depreciation

	Note	Land	Buildings	Office Equipment	Plant & Machineries	Motor Vehicles	Other Assets	Total
Balance at 1 st January 2011			29,493,960	19,172,772	142,698,411	81,372,473	24,009,316	296,746,932
Depreciation Charge for The Year		-	5,198,438	2,110,555	7,025,897	3,065,604	6,129,141	23,529,635
Disposals		-	-	-	(7,389,084)	(2,320,398)	-	(9,709,483)
Balance at 31st December 2011		-	34,692,398	21,283,327	142,335,224	82,117,679	30,138,456	310,567,084
Depreciation Charge for The Year			5,214,770	2,020,075	123,110,552	30,738,768	6,686,185	167,770,350
Disposals								-
Adjustment				(6,988)	(2,960,815)	1	(342,557)	(3,310,360)
Balance at 31st December 2012		-	39,907,168	23,296,414	262,484,960	112,856,447	36,482,084	475,027,073

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

NOTE 09.01 - CAPITAL WORKING PROGRESS

DESCRIPTION	Carpenter Work Shop (CY 51)	New Beam Bed (CY 52 & 53)	Curing Bath and Guard Room (CY 812)	Stores (CY 53 & 812)	Decanting Plant (CY 53)	Construction of Gate & Wall (CY 53)	Total
Cost							
Balance at 1 st December 2012	-	-	-	-	-	-	-
Additions	364,614	3,592,996	149,165	923,864	947,310	39,478	6,017,428
Transfers To Building			(149,165)	(331,799)	(947,310)		(1,428,274)
Total	364,614	3,592,996	-	592,065	-	39,478	4,589,154
Accumulated Depreciation							
Depreciation 1 st December 2012	-	-	-	-	-	-	-
Depreciation Charge for The Year			3,108	1,382	11,841		16,331
Depreciation For Transfers			(3,108)	(1,382)	(11,841)		(16,331)
Total	-	-	-	-	-	-	-
Balance at 31st December 2012	364,614	3,592,996	-	592,065	-	39,478	4,589,154

Carrying Amounts	Capital Work In Progress	Land	Buildings	Office Equipment	Plant & Machineries	Motor Vehicles	Other Assets	Total
At 1 st January 2011	-	635,312,513	74,474,808	8,504,452	33,217,507	11,757,410	39,484,316	802,751,006
At 31 st December 2011	-	635,312,513	69,276,369	10,255,427	42,978,664	38,827,144	37,418,300	834,068,417
At 31 st December 2012	4,589,154	635,312,513	65,489,873	10,881,536	1,147,012,772	153,071,084	35,869,163	2,052,226,096

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

1.3. RE-VALUATION OF LANDS AND BUILDINGS

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

1.4. RE-VALUATION OF MOTOR VEHICLE

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

1.5. FIXED ASSETS NOT INCLUDED IN THE ACCOUNTS

The following properties have not been taken into the books of accounts as at 31st December 2012. Since we do not have the ownership of the properties.

Location		Land Area	Buildings	Value (Rs.)
Peliyagoda	Block 01	16.45 perches	1.00	} 19,500,000
Peliyagoda	Block 02	12.22 perches	3.00	
Veragantota		4 Acr & 0.8 perches	-	
Peradeniya	Block 01	2 Hect. & 0.95 perches	2.00	} 13,990,875
Peradeniya	Block 02	12.7 perches	-	
Medawachchiya		2 Acres	1.00	} 6,250,000
Polwatta - Ratmalana		116 perches	1.00	
TOTAL				75,820,875

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)
 AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 10 - INVESTMENTS IN GOVERNMENT OWNED COMPANIES				
Devcoshowa (Pvt) Ltd		9,210,740	9,210,740	9,210,740
Lanka Machine Leasers (Pvt) Ltd		-	-	2,500,000
Sub Total		9,210,740	9,210,740	11,710,740
Provision For Investments		-	-	-
Total		9,210,740	9,210,740	11,710,740
NOTE 11 - OTHER INVESTMENTS				
<u>Non - Current Investments</u>				
Fixed Deposits - Held To Maturity		46,031,076	42,880,747	41,117,286
Total		46,031,076	42,880,747	41,117,286
<u>Current Investments</u>				
Savings Deposits		35,186,721	33,458,833	31,555,255
Total		35,186,721	33,458,833	31,555,255
Total Investment		81,217,797	76,339,580	72,672,540
NOTE 12 - DEFERRED TAX ASSETS & LIABILITIES				
At The Beginning Of The Year		6,850,855	3,888,393	-
Transfer To / (From) Income Statements		2,939,719	2,962,462	3,888,393
At The End Of The Year	12.01	9,790,574	6,850,855	3,888,393
NOTE 12.01 - DEFERRED TAX ASSETS / LIABILITIES				
Deferred Tax Liability				
Capital Allowances For Tax Purpose		16,641,429	14,346,624	11,858,048
Retirement Benefit Obligation		-	-	-
Total		16,641,429	14,346,624	11,858,048
Deferred Tax Assets				
Capital Allowances For Tax Purpose		-	-	-
Retirement Benefit Obligation		6,231,977	7,495,769	7,969,655
Total		6,231,977	7,495,769	7,969,655
Net Tax Assets / (Liabilities)		(10,409,452)	(6,850,855)	(3,888,393)

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)
 AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 13 - INVENTORIES				
Cement		2,963,377	2,282,355	3,146,479
Sand		3,843,007	3,239,891	1,082,765
Metal		7,307,441	7,213,634	1,629,154
Steel		40,996,809	20,099,345	29,445,536
Timber		956,679	464,437	427,086
Fuel & Lubricants		2,504,813	2,330,705	1,693,171
Explosive & Blasting Materials		437,969	218,761	616,305
Concrete Items		6,264,268	8,515,094	5,014,777
Vehicle Spare Parts		13,371,463	12,027,355	13,337,393
Stationery		580,138	608,642	618,588
Tar		36,929,629	5,619,597	1,203,374
Electrical Goods		7,461,757	5,065,191	3,690,282
Pipes & Drainage Items		3,862,260	2,273,075	1,843,775
Other Stock Items		40,723,125	46,732,969	14,078,278
Earth Gravel Stock		83,825	183,800	1,540,400
Steel - RDA		167,357	185,328	200,250
Fabrication		4,694,250	4,492,238	7,888
Finished Goods - Concrete Items		141,727,082	84,418,689	106,518,689
Finished Goods - Metal Products		783,757	265,910	-
Stock Adjustments		-	4,020,559	7,590,578
Total		311,392,455	210,257,575	193,684,766
NOTE 14 - INCOME TAX ASSETS				
Economic Service Charge		25,684,943	25,684,943	20,093,816
With Holding Tax On Projects		127,987,299	129,074,050	125,013,518
With Holding Tax On Interest		5,976,483	5,458,698	5,202,507
Specified Fees - Inland Revenue		-	-	176,300
		159,648,725	160,217,691	150,486,140
Provision For The Year		(59,915,767)	(59,915,767)	(50,889,355)
Total		99,732,958	100,301,924	99,596,785
NOTE 15 - TRADE & OTHER RECEIVABLES				
Trade Debtors	15.01	1,584,362,167	1,699,611,787	828,124,403
Retention	15.02	420,033,273	308,201,139	288,342,407
Sundry Debtors	15.03	30,294,132	41,648,396	45,193,388
Loans & Advances	15.04	8,392,843	6,843,905	4,689,865
Advances On Purchases & Sub Contracts	15.05	144,199,925	186,394,741	103,911,509
Other Advances & Deposits	15.06	14,906,292	15,456,954	10,750,853
Total		2,202,188,632	2,258,156,922	1,281,012,425
Non Current Trade & Other Receivables		-	-	-
Current Trade & Other Receivables		2,202,188,632	2,258,156,922	1,281,012,425
Total		2,202,188,632	2,258,156,922	1,281,012,425

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)
 AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 15.01 - TRADE DEBTORS			
Construction Debtors	133,426,397	273,027,046	164,300,333
Concrete Yard Debtors	102,094,751	67,084,994	106,015,971
Dues From Customers	1,348,841,018	1,359,499,747	557,808,098
Total	1,584,362,167	1,699,611,787	828,124,403
NOTE 15.02 - RETENTION			
Retention - Construction	358,693,272	249,338,136	191,444,200
Liquidated Damages Receivables	61,340,001	58,863,003	96,898,207
Total	420,033,273	308,201,139	288,342,407
NOTE 15.03 - SUNDRY DEBTORS			
Miscellaneous Debtors	-	(651,512)	-
Debit Balance Of Accrued Expenses	-	(118,624)	428,458
Customs Duty Receivable	-	36	36
National Apprenticeship Board	-	55,719	55,719
Security Deposits Of Employees	798,905	759,500	120,548
Other Debtors - Employees	-	9,307	9,307
Interest Receivable	82,040	90,983	72,317
DH Improvements Of Angulana	-	418,268	418,268
Cement Corporation	-	595,985	595,985
State Engineering Corporation	-	307,519	204,827
Sundry Debtors Material	-	1,723,308	1,723,308
Devcoshowa (Pvt) Ltd	-	974,856	974,856
S.K. Engineering (Pvt) Ltd	-	10,105	10,105
Internal Hire Charges Receivable	-	123,907	123,907
Rent Receivable	-	525,402	(31,520)
Prepayments	696,416	8,796,309	8,754,415
Nation Building Tax Suspense Account	168,500	83,041	5,292
Construction Guaranteed Fund Levy	-	-	5,211,425
Nation Building Tax Receivables	1,130,343	1,325,503	(230,304)
Ready Mixed Debtors (Devcoshowa)	27,417,928	26,618,784	26,746,439
Total	30,294,132	41,648,396	45,193,388

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)
 AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 15.04 - LOANS AND ADVANCES			
Prepaid Cost On Distress Loans	423,712	396,879	200,100
Salaries & Wages Advances	2,090,018	1,145,002	1,680,102
Festival Advances	803,887	678,531	678,531
Flood Advance	-	-	-
Travelling Advances	110,519	95,919	(51,881)
Distress Loans	2,965,166	2,874,258	1,756,693
Bicycle Loans	-	17,050	17,050
COL Disturbances Advances	-	4,650	4,650
COL Disturbances Advances (3 Years)	-	2,715	2,715
Special Advances	-	530,265	159,065
Vehicle Loans	-	11,349	11,349
Medical Insurance	(1,123)	(1,123)	(258)
COL Disturbances Advances- Arrears	-	10,555	10,555
Wages Advance - Casual	70,933	27,933	21,433
Contract Employees Salary Advances	1,648,637	1,008,655	332,755
Special Loan	-	16,000	16,000
Medical Insurance	281,096	25,268	(148,993)
Total	8,392,843	6,843,905	4,689,865
NOTE 15.05 - ADVANCES ON PURCHASES & SUB CONTRACTS			
Letter Of Credit Margin Account	18,515,552	1,485,761	2,852,062
Purchase Advances - Head Office	668,494	889,345	1,362,194
Purchase Advances - Sites	23,277,727	48,328,287	45,675,128
Purchase Advances - Construction	27,293,931	48,199,093	39,546,134
Purchase Advances - Rathmalana Concrete Yard	7,539,475	10,076,867	7,870,595
Purchase Advances - Bopitiya Concrete Yard	-	468,000	468,000
Sundry Advances	947,587	626,435	499,462
Import Advances	-	2,262,262	2,262,262
Principal Collector Of Customs	-	20,000	20,000
Port Cargo Corporation	-	41,458	41,458
MPCS Polonnaruwa	5,000	5,000	8,391
MPCS - Ratmalana	-	70,000	70,000
Anuradapura (GA) Works Advances	-	25,000	25,000
Ceylon Oxygen Ltd	-	110,820	110,820
Fuel Advances	413,537	2,450	2,450
Service Advances	(11,900)	269,743	172,700
Purchase Advances - Peliyagoda (CE)	21,633,899	73,514,218	938,585
Sub Contract Advances	43,864,313	-	-
Purchase Advances - Awissawella (CE)	52,311	-	-
Provision For Mobilization Advances	-	-	1,986,268
Total	144,199,925	186,394,741	103,911,509

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

NOTE 15.06 - OTHER ADVANCES AND DEPOSITS

Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
Tender Deposits (Refundable)	124,875	124,875	124,875
Fuel Deposits (Baddegama)	-	50,000	50,000
Telephone Deposits	-	17,275	37,175
Fuel Deposit -Amithirigala 992	1,500,000	-	-
Electricity Board Deposits	1,336,141	1,490,746	1,397,746
Other Deposits	-	1,678,876	2,253,876
Deposit For Construction Project	-	30,910	30,910
Uda Land Deposit	-	150,000	150,000
Fuel Deposits - Mannar	-	200,000	200,000
Fuel Deposit - German Technical	-	100,000	100,000
Fuel Deposit - Jaffna Lagoon	-	100,000	100,000
Fuel Deposit - Construction	-	50,000	50,000
Water Deposit	297,536	283,236	280,736
Fuel Deposit - Weeragantota	20,000	20,000	20,000
Fuel Deposit - Rattanapitiya	100,000	100,000	100,000
Fuel Deposit - Head Office - Transport	300,100	200,100	200,100
Fuel Deposit - CME	415,000	515,000	250,000
Cement Deposit - Weeragantota	-	50,000	50,000
Fuel Deposit - Katugastota WP -	4,421	200,000	-
Fuel Deposit - Thalduwa-Meevthigammana -	3	100,000	-
Fuel Deposit - Jaffna Point Pedro	-	100,000	-
Fuel Deposit - Werugalaru	-	100,000	100,000
Fuel Deposit - Mawanella Aranayake Road	600,000	600,000	-
Fuel Deposit - Kegalle -Rambukkana Road	300,000	300,000	-
Fuel Deposit - Colombo Municipal Council	400,000	-	-
Fuel Deposit - Kegalle Polonnaruwa	100,000	50,000	-
Fuel Deposit - Palaviya	250,000	250,000	250,000
Fuel Deposit - Kallady	600,000	200,000	200,000
Fuel Deposit - Rantambe	150,000	150,000	150,000
Fuel Deposit - Deduruoya	300,000	300,000	-
Fuel Deposit - Kaluganga - Nikawathura	200,000	200,000	200,000
Fuel Deposit - Moragahakanda - Kalau	-	200,000	200,000
Fuel Deposit - Moragahakanda - Amban	700,000	700,000	700,000
Fuel Deposit - Thalduwa Meevitigammana	-	200,000	-
Fuel Deposit - Yatiyantota Deraniyagala Road	1,800,000	1,800,000	-
Fuel Deposit - Medawachchiya	75,000	-	-
Fuel Deposit - Gatambe	-	30,000	30,000
Fuel Deposit - Usgala -Siyabalangamuwa	500,000	500,000	-
Fuel Deposit - Polonnaruwa	1,000,000	600,000	-
Fuel Deposit - Katugampola	-	25,000	25,000
Fuel Deposit - Medirigiriya	150,000	150,000	-
Fuel Deposit - Minneriya Road	500,000	500,000	-
Fuel Deposit - Horana-BOI - Fuel Deposit	150,000	-	-
Fuel Deposit - Thiruwanaketiya 987	100,000	-	-
Fuel Deposit - Avittawa	-	-	50,000
Fuel Deposit - Galpottagama & Thanthirimale-	149,993	149,993	249,993
Fuel Deposit - Manick Farm -Chettikulam	200,000	200,000	200,000
Fuel Deposit - Pack 06	400,000	400,000	-
Fuel Deposit - Deduruoya	100,000	100,000	100,000
Fuel Deposit - Ruwanwella	-	75,000	75,000
Other Deposit - Embilipitiya Water Tank	-	18,505	18,505

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)
 AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
Other Advance & Deposits (Contd...)				
Fuel Deposit - Kalawana		-	400,000	400,000
Fuel Deposit - Deduruoya		200,000	200,000	-
Fuel Deposit- Madampe Deniyaya		-	-	-
Fuel Deposit - Pugoda		-	-	80,000
Fuel Deposit - Bopitiya Quarry Crusher -		405,000	30,000	30,000
Fuel Deposit - Bakamuna		-	-	200,000
Fuel Deposit - Katunayake		-	-	50,000
Fuel Deposit - Badulla		-	-	50,000
Fuel Deposit - Kegalle WSS		300,000	-	60,000
Fuel Deposit - Anuradapura -R/Mix		-	-	(50,000)
Fuel Deposit - Monaragala		7,726	7,726	(42,274)
Fuel Deposit - Maradamunai		-	-	50,000
Fuel Deposit - Kiralagolla		-	683	683
MPCS - Moratuwa		250,000	250,000	250,000
Fuel Deposit - Ratnapura		-	-	50,000
Fuel Deposit - Gatambe		90,496	90,496	650,000
Fuel Deposit - Ulapane		650,000	800,000	200,000
Fuel Deposit - Naula - Elehera		-	-	75,000
Fuel Deposit - Nawagamuwa		-	-	25,000
Fuel Deposit - Argambe-Potuwil		-	-	(5)
Fuel Deposit - Sengaloya		50,000	50,000	50,000
Fuel Deposit - Hekitta		30,000	30,000	30,000
Fuel Deposit - Peliyagoda		-	-	10,000
Fuel Deposit - Mahawa		-	-	500,000
Construction Guaranteed Fund		-	138,532	138,532
Fuel Deposit - Kirimetiyana		100,000	100,000	-
Total		14,906,292	15,456,954	10,750,853

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)
 AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 16 - CASH & CASH EQUIVALENTS			
<u>Cash At Bank</u>			
Bank Of Ceylon -71102809	856	87,926	-
Sampath Bank 001860000985 -(985)	242,409		-
Bank Of Ceylon -71103201	32,108	841,205	-
Bank Of Ceylon - Idamamoratuwa-682972	-	1,180,740	743,009
Bank Of Ceylon C/Y 229786-134	21,382	-	1,105,235
Bank Of Ceylon Aluthgama 6600 101 328	-	207,731	207,731
Bank Of Ceylon Margin Account 25/4/88	-	250,000	250,000
Bank Of Ceylon Weragantota 3535848	-	3,606,417	476,695
Bank Of Ceylon - 683112 (479)	-	1,064,962	169,846
Bank Transfer Head Office	101,857	11,396,821	230,933
Bank Of Ceylon Giriulla - Bopitiya 3441284	2,558,533	1,921,864	132,059
Bank Of Ceylon Ratnapura - Bank Transfer	-	50	50
Sampath Bank - 001860000365 (365)	1,755,665		-
Sampath Bank - 001860000 349	-	894,194	1,505,870
Sampath Bank - 001860000 241	-	990,209	-
Sampath Bank - 16	-	7,319	-
Margin Account - Sampath Bank	1,370,896	1,370,896	1,370,896
Bank Of Ceylon Peradeniya - 0001274730	38,148	38,148	38,148
People's Bank- 001860000 1620 -(1620)	1,035,475	-	-
Bank Of Ceylon Ratmalana - 0004146443	3,144	98,837	98,837
Bank Of Ceylon Ratmalana - 0038856597	710	2,830,863	-
Bank Of Ceylon Idama - 006358457	-	13,146,829	-
Bank Of Ceylon Peradeniya - 1274460	25,848	25,848	25,848
Bank Transfers (Sites)	1,637,155	4,503,754	1,104,524
Bank Of Ceylon - Medawachhiciya	1,091,495	1,809,605	113,932
People's Bank - Ratmalana - 080100921101178	-	8,655	-
Sampath Bank - 1860000195 (195)	2,026,563	-	-
People's Bank - Ratmalana 080100921101178 (92)	8,722	-	-
People's Bank - Ratmalana 14	18,099,035	40,256	40,547
People's Bank - Ratmalana 83	-	4,575	-
Bank Of Ceylon Idama - 0610213103	322,750,079	12,038,010	7,965,124
Bank Of Ceylon Idama - 6510876	-	3,558,417	857,960
Sub Total	352,800,082	61,924,131	16,437,244

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
<u>Cash In Hand - Petty Cash</u>		-	
Rathmalana - Petty Cash	50,343	62,004	10,043
Storm Water Site - Negombo	-	-	(1)
Kegalle - Petty Cash	-	96,960	96,960
Bingiriya - Bowatta Concrete Yard	-	9,970	9,970
Unawatuna - Precast - Petty Cash	-	23,442	14,301
Weragantota - Petty Cash	-	23,068	23,068
Pallekele - Petty Cash	-	40,000	40,000
Construction Majuwawa - Petty Cash	-	-	60
Ruwanwella - Petty Cash	-	30,000	30,000
Balance Work Kelenisiri - Petty Cash	25,000	25,000	25,000
Beatification - Petty Cash	22,783	75,000	-
Transport - Petty Cash	-	10,000	-
Bopitiya - Petty Cash	-	10,000	-
Kegalle Rambukkana - Petty Cash	866	50,000	-
Light Vehicles Transport - Petty Cash	-	2,825	-
Ulapone - Petty Cash	-	3	-
Unawatuna Precast - Petty Cash	-	14,301	-
Siriwardhana (WS) - Petty Cash	25,000	25,000	-
Ampara Housing Scheme Petty Cash 1227	1,227	1,227	-
General Manager Office - Petty Cash	3,000	-	-
Sub Total	128,218	498,799	249,400
Total	352,928,300	62,422,930	16,686,644
Investments With Short Maturity	35,186,721	33,458,833	31,555,255
Unfavorable Cash & Cash Equivalents	(192,465,734)	(216,628,349)	(216,485,219)
Total Cash & Cash Equivalents for the purpose of Cash Flow Statement	195,649,288	(120,746,585)	(168,243,320)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)
 AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 17 - LEASE CREDITORS			
Balance As At The Beginning Of The Year	34,846,514	4,172,678	11,167,729
Obtained During The Year	-	33,683,968	-
	34,846,514	37,856,646	11,167,729
Repaid During the Year	(10,114,808)	(3,010,132)	(6,995,052)
	24,731,706	34,846,514	4,172,677
Interest In Suspense	(3,756,681)	(6,802,706)	(1,815,802)
Net	20,975,025	28,043,808	2,356,875
Lease Creditors Due Within One Year	6,852,095	8,806,860	1,352,786
Lease Creditors Due After One Year	14,122,931	19,236,947	1,004,089
Total Lease Creditors	20,975,025	28,043,808	2,356,875
NOTE 18 - LOANS & BORROWINGS			
Balance As At The Beginning Of The Year	289,476,833	326,143,500	297,263,768
Borrowings During The Year	40,000,000	10,000,000	180,000,000
Total	329,476,833	336,143,500	477,263,768
Repaid During The Year	(92,047,578)	(46,666,667)	(151,120,268)
Write back Loan balance	(23,155,500)		
Net	214,273,755	289,476,833	326,143,500
Repayable Within One Year	59,877,204	47,000,004	45,000,000
Repayable After One Year	154,396,551	242,476,829	281,143,500
Total Loans & Borrowings	214,273,755	289,476,833	326,143,500

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 19 - RETIREMENT BENEFIT OBLIGATIONS				
Balance As At The Beginning Of The Year		56,995,829	61,947,199	89,028,069
Charges To / (Reverse From) Income Statement	19.01	1,604,388	12,180,922	(15,313,923)
Payments Made During The Year		(10,616,050)	(17,132,291)	(11,766,947)
Balance As At End Of The Year		47,984,168	56,995,829	61,947,199
NOTE 19.01 - PROVISION MADE DURING THE YEAR				
Interest Cost		6,008,622	4,444,628	2,743,690
Current Service Costs		2,134,372	2,626,526	7,293,744
Net Actuarial (Gain) / Loss Recognized Immediately		(6,538,606)	5,109,768	(25,351,357)
Gratuity		-	-	-
Total		1,604,388	12,180,922	(15,313,923)
NOTE 20 - TRADE & OTHER PAYABLES				
Trade Payables	20.01	819,194,668	318,364,672	227,849,807
Value Added Tax	20.02	211,242,261	136,259,668	50,310,443
Sundry Payables	20.03	191,626,089	454,847,437	283,671,947
Employee Benefit Payables	20.04	49,238,635	31,955,004	68,575,333
Refundable Advances & Retentions	20.05	979,367,179	1,190,636,877	322,786,809
Refundable Deposits	20.06	832,497	1,097,237	458,122
Total		2,251,501,329	2,133,160,895	953,652,461
Non Current Trade & Other Payables		500,439,673	-	-
Current Trade & Other Payables		2,251,501,329	2,133,160,895	953,652,461
Total		2,751,941,002	2,133,160,895	953,652,461
NOTE 20 . 01 - TRADE PAYABLES				
Creditors - Head Office		23,405,536	30,188,349	13,197,712
Creditors - Sites		760,786,214	264,472,038	173,712,385
Creditors Head Office - Petty Cash		-	200	200
National Security Levy		-	885,971	885,971
Nation Building Tax		8,849,941	7,082,014	5,514,160
Nation Building Tax		140,856	107,404	-
Payment Received Material - Sites		25,858,221	14,915,850	33,857,432
Advances Control Account		153,900	314,025	160,125
RDA Credit Steel		-	398,822	521,822
Total		819,194,668	318,364,672	227,849,807

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 20 . 02 - VALUE ADDED TAX				
With Holding Tax On Value Added Tax		(46,326)	5,969,955	-
Value Added Tax Receivable		(556,853)	(24,677)	-
Suspense Value Added Tax		10,618,572	9,210,609	-
Value Added Tax Payable		11,362,032	28,526,316	-
Value Added Tax Control Account		189,864,835	92,577,465	50,310,443
Total		211,242,261	136,259,668	50,310,443
NOTE 20 . 03 - SUNDRY PAYABLES				
Accrued Expenses		101,514,840	369,526,830	214,503,121
Sundry Deposits		-	8,750	8,750
Auditor General		2,775,200	2,575,200	2,375,200
Flood Relief Advances		92,894	92,894	-
Liquidator - RVDB Weragantota		-	2,856,252	2,856,252
Liquidator - RVDB Haragama		-	2,425,859	2,425,859
Refundable Deposits		3,661,000	3,821,300	5,309,516
Economic Ministry		-	161,503	-
EPF & ETF Surcharges		19,881,507	19,906,343	25,891,393
Samurdhi Authority		-	1,696,199	1,696,199
Interest On Cgf 100Mn Loan Payable		63,679,804	51,758,158	28,605,658
Janashakthi Insurance		19,276	18,150	-
Refundable Loan		1,568	-	-
Total		191,626,089	454,847,437	283,671,947

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Contd.)
AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 20 . 04 - EMPLOYEE BENEFIT PAYABLES			
Net Salaries & Wages	2,543,811	3,186,378	1,643,936
Casual Wages Control Account	432,172	540,906	18,386
Cash Abatements -Control Account	565,777	548,755	2,379,575
Cash Abatements - Casual	-	(169)	(169)
PSPF	-	35,202	35,202
Employees' Provident Fund	32,873,657	13,719,256	55,038,612
Employees' Trust Fund	(322,606)	(756,831)	1,856,317
Employees' Provident Fund -Casual	-	(8,820)	(8,820)
Contract Employees - Salaries	1,827,456	4,145,743	2,682,201
Gratuity Payables	9,333,994	8,967,407	4,518,147
Medical Insurance	482,541	485,541	44,987
Unpaid Salaries & Wages	1,372,411	962,213	261,315
Unpaid Salaries & Wages - Advances	129,424	129,424	105,644
Total	49,238,635	31,955,004	68,575,333
NOTE 20 . 05 - REFUNDABLE ADVANCES & RETENTIONS			
Mobilization Advances From Clients	919,309,568	1,152,319,776	285,295,656
Advances Against Orders -Concrete Yards	59,739,726	37,905,694	37,079,747
Sub Contracts - Retention	-	407,179	407,179
Retention - ER	-	5,172	5,172
Treasury Advance For Compensation	-	(945)	(945)
Advances Against Orders -Asphalt Plant	317,885	-	-
Special Advances	500,439,673	-	-
Total	1,479,806,852	1,190,636,877	322,786,809
NOTE 20 . 06 - REFUNDABLE DEPOSITS			
Security Deposits - Employees	832,497	793,092	153,977
Tender Deposits	-	304,145	304,145
Total	832,497	1,097,237	458,122

(Contd...)



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS (Contd.)
 AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

Note	31st December 2012	31st December 2011 (Restated)	01st January 2011 (Restated)
NOTE 21 - BANK OVERDRAFTS			
Bank Of Ceylon - 683115 (649)	792,358	1,824,934	6,057,139
Bank Of Ceylon - 682972 -(972)	757,766	-	-
Bank Of Ceylon - 683116 (657)	99,988,244	133,619,969	103,830,656
Bank Of Ceylon - 6183114 (622)	171,389	279,848	4,153,959
Bank Of Ceylon -Concrete Yard 229786 (134)	-	436,862	-
Bank Transfer Head Office	-	-	-
Sampath Bank - 195	19,408,881	19,987,440	20,730,278
Sampath Bank - 241	-	-	1,560,521
Sampath Bank - 001860000 357	-	35,658	439,778
Sampath Bank - 001860000 365	-	15,358,337	15,247,408
People's Bank Ratmalna -801620112601	19,627,813	16,200,533	15,728,567
Sampath Bank 001860000985	-	15,257,306	15,365,895
People's Bank Ratmalana 08010092110178	-	648,824	-
Sampath Bank - 001860000 349 -(349)	28,999,574	-	-
Bank Of Ceylon Weragantota- 3535848 (848)	593	-	-
People's Bank Ratmalana 08010038110178	1,212,600	-	1,995
People's Bank- .080100471101178	4,567,281	661,577	23,903,179
Sampath Bank - 001860000 1620	-	-	217,889
People's Bank Ratmalana - 08010056110178	5,429,508	5,402,279	5,430,915
Bank Of Ceylon - Ratmalana 8856 597	-	-	433,861
People's Bank - Ratmalana 91101178-29	4,379,282	6,727,871	175,467
Cash In Transit	186,911	186,911	186,911
Bank Of Ceylon -71102809	-	-	950
Bank Of Ceylon -71103201	-	-	950
Bank Of Ceylon - Idama 0006358457	682,474	-	1,996,944
People's Bank Ratmalana - 83-080100831101	5,392,137	-	1,021,958
Bank Of Ceylon - Idama 6510876 (876)	868,924	-	-
Total	192,465,734	216,628,349	216,485,219

(Contd...)



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

FOR THE YEAR ENDED 31ST DECEMBER

(All Amounts Are In Sri Lanka Rupees)

	2012	2011	2010
		Restated	Restated
NOTE 22 - RELATED PARTIES			
Corporation has entered into a Joint Venture agreement with Mass Trust Holdings (Pvt) Ltd. to form a Company, Fujima State Corporation (Pvt) Ltd. SD&CC owns 51% of the authorized share capital of this Company and Mass Trust Holdings (Pvt) Ltd. 49% . Mr. A.V.P.V. Pandithasekara, Chairman of SD&CC as at the reporting date is a Director of Fujima Sate Corporation (Pvt) Ltd.			
Devcoshowa (Pvt) Ltd. is a fully owned subsidiary of the Sate Development and Construction Corporation. However, Board of Directors independent from SD&CC had being managing the company's affairs since the year 1997. Currently, the entire operation of the Company has been closed down. As such the Ministry of Agriculture, Irrigation and Mahaweli Development has appointed a Board of Directors to liquidate the Company. This Board of Directors has paid compensation to all employees of this Company.			
Related Party Balances In Statement Of Financial Position			
Investment In Devcoshowa (Pvt) Ltd	9,210,740	9,210,740	9,210,740
Ready Mixed Debtors (Devcoshowa)	27,417,928	26,618,784	26,746,439
NOTE 23 - TRANSACTIONS WITH RELATED PARTIES			
NOTE 23.01 - TRANSACTIONS WITH PARENT / SUBSIDIARIES/ASSOCIATES			
<u>Company</u>	<u>Transactions</u>		
Devcoshowa (Pvt) Ltd	Cash Receipts	1,503,000	7,139,825
	Cash Payments	1,702,144	6,373,151
Total		3,205,144	13,512,975
NOTE 23.02 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL			
	Salaries To Key Management Personnel	2,286,900	2,132,000
Total		2,286,900	2,132,000
NOTE 24 - ASSETS PLEDGED			
<u>Nature of Asset</u>	<u>Nature of Liability</u>		
Property Indicated In Note. 09			
Land & Buildings at Gregory's Avenue	Land & Buildings have been pledged against a bond & guarantee facility (LKR 380,000,000) and an overdraft facility (LKR 50,000,000) in Sampath Bank.	355,000,000	355,000,000
Land & Buildings at Rathmalana	Land & Buildings have been pledged against a bank facility (LKR 700,000,000) in Bank of Ceylon.	800,000,000	800,000,000

NOTE 25 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

2012

2011

2010

NOTE 26 - SEGMENT INFORMATION

Segment Income and Expenses

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Revenue	422,666,998	2,960,545,710	150,966,771	3,534,179,480	292,140,340	2,256,780,520	15,218,325	2,564,139,185
Cost Of Sales	(293,169,729)	(2,776,154,183)	(352,214,698)	(3,421,538,609)	(223,372,933)	(2,021,994,110)	(42,695,224)	(2,288,062,267)
Other Income	1,964,051.00	149,366,803.55	14,145,281.70	165,476,136	5,260,742	162,986	22,576,910	28,000,638
Administrative Expenses	(11,428,432)	(108,220,895)	(13,730,141)	(133,379,468)	(14,014,930)	(126,864,544)	(2,678,796)	(143,558,270)
Distribution Costs	-	-	-	-	-	(244,981)	-	(244,981)
Other Expenses	(1,961,858.59)	(18,577,709.08)	(2,356,980.83)	(22,896,549)	(5,587,279)	(50,576,608)	(1,067,946)	(57,231,832)
Financial Income	-	-	6,903,952	6,903,952	-	-	4,856,627	4,856,627
Financial Expenses	(5,387,158.78)	(51,013,395.70)	(6,472,143.32)	(62,872,698)	(6,402,480)	(57,955,890)	(1,223,762)	(65,582,132)
Profit Before Tax	112,683,871	155,946,332	(202,757,958)	65,872,244	48,023,461	(692,627)	(5,013,865)	42,316,969

Segment Assets

Non - Current Assets

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Property, Plant & Equipment	39,107,438	1,990,132,937	22,985,722	2,052,226,096	31,472,814	802,595,604	-	834,068,417
Investments In Government Owned Companies	-	-	9,210,740	9,210,740	-	-	9,210,740	9,210,740
Other Investments, Including Derivatives	-	-	46,031,076	46,031,076	-	-	42,880,747	42,880,747
Deferred Tax Assets	829,285	5,402,692	-	6,850,855	1,148,471	6,347,298	-	7,495,769
Trade & Other Receivables	-	-	-	-	-	210,467,560	-	-

Current Assets

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Inventories	193,324,251	69,380,302	48,687,902	311,392,455	120,135,013	79,334,718	10,787,844	210,257,575
Other Investments, Including Derivatives	-	35,186,721	-	35,186,721	-	33,458,833	-	33,458,833
Income Tax Assets	28,166,800	109,014,763	(36,987,354)	99,732,958	28,152,040	109,626,063	(37,476,179)	100,301,924
Trade & Other Receivables	118,243,704	2,016,899,210	67,045,718	2,202,188,632	67,084,994	1,940,727,932	250,343,996	2,258,156,922
Cash & Cash Equivalents	4,685,502	344,412,550	3,830,248	352,928,300	8,265,148	(13,394,952)	67,552,734	62,422,930
Total	384,356,981	4,570,429,175	160,804,051	5,115,747,833	256,258,479	3,169,163,057	343,299,882	3,558,253,858

Segment Liabilities

Non - Current Liabilities

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Loans & Borrowings	-	83,538,000	94,014,051	154,396,551	-	132,738,000	109,738,829	242,476,829
Retirement Benefit Obligation	2,961,732	22,382,435	22,640,001	47,984,168	4,101,681	27,062,279	25,831,869	56,995,829
Lease Creditors	-	-	14,122,931	14,122,931	-	19,236,947	-	19,236,947
Deferred Tax Liabilities	4,667,485	11,355,066	-	16,641,429	3,232,102	11,114,522	-	14,346,624
Trade & Other Payables	-	500,439,673	-	500,439,673	-	-	-	-

Current Liabilities

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Trade & Other Payables	190,156,091	2,630,804,038	(569,458,800)	2,251,501,329	147,334,202	953,127,897	1,032,698,796	2,133,160,895
Loans & Borrowings	-	-	59,877,204	59,877,204	-	-	47,000,004	47,000,004
Lease Creditors	-	-	6,852,095	6,852,095	-	8,806,860	-	8,806,860
Bank Overdrafts	29,000,167	36,661,410	126,804,157	192,465,734	-	51,107,388	165,520,961	216,628,349
Total	242,569,387	1,242,140,161	1,858,393,376	3,244,281,114	152,821,070	1,218,013,257	1,380,790,458	2,738,652,337

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Property, Plant & Equipment	24,939,524	777,811,482	-	802,751,006	24,939,524	777,811,482	-	802,751,006
Investments In Government Owned Companies	-	-	11,710,740	11,710,740	-	-	11,710,740	11,710,740
Other Investments, Including Derivatives	-	-	41,117,286	41,117,286	-	-	41,117,286	41,117,286
Deferred Tax Assets	937,985	7,031,670	-	7,969,655	937,985	7,031,670	-	7,969,655
Trade & Other Receivables	-	169,085,130	-	-	-	169,085,130	-	-

	Concrete Yard	Construction	Other	Total	Concrete Yard	Construction	Other	Total
Loans & Borrowings	-	134,238,000	146,905,500	281,143,500	-	134,238,000	146,905,500	281,143,500
Retirement Benefit Obligation	3,349,946	28,560,476	30,036,777	61,947,199	3,349,946	28,560,476	30,036,777	61,947,199
Lease Creditors	-	1,004,089	-	1,004,089	-	1,004,089	-	1,004,089
Deferred Tax Liabilities	2,593,456	9,264,593	-	11,858,048	2,593,456	9,264,593	-	11,858,048
Trade & Other Payables	-	-	-	-	-	-	-	-

Other Segment - Head office, Mechanical Section (CMC) & Other Parts Of The Corporation
Cost Allocation - Based on the operating cost incurred by each segment



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

NOTE 27 - FIRST TIME ADOPTION OF SLFRS

These financial statements, for the year ended 31st December 2012, are the first financial statements that the Corporation has prepared in accordance with SLFRS/LKAS. For periods up to and including the year ended 31st December 2011, the Corporation prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Corporation has prepared financial statements which comply with SLFRS/LKAS applicable for periods ending on or after 31st December 2012, together with the comparative period data as at and for the year ended 31st December 2011, as described in the accounting policies. In preparing these financial statements, the Corporation's opening statement of financial position was prepared as at 1st January 2011, the Corporation's date of transition to SLFRS/LKAS. This note explains the principal adjustments made by the Corporation in restating its SLAS statement of financial position as at 1st January 2011 and its previously published SLAS financial statements as at and for the year ended 31st December 2011.

Exemptions in first-time Adoption

Set out below are the applicable exemptions under SLFRS 1 applicable in preparing the first financial statements for the period ended 31st December 2012.

Mandatory Exceptions

Significant accounting judgments, estimates and assumptions at 31st December 2011 are consistent with those made for the same dates in accordance with SLAS effective up to 31st December 2012 (after adjustments to reflect any differences in accounting policies). The estimates used by the Corporation to present these amounts in accordance with SLFRS/LKAS effective from 1st January 2012 reflect conditions at 1st January 2011, the date of transition to SLFRS/LKAS and as of 31st December 2011.

Use Of Carrying Value As Deemed Cost

When adopting the SLFRS 1 the institute use carrying amount reporting under the previous GAAP as deemed cost for the item property, plant & equipment.

Optional Exemptions - SLFRS 3 - "Business Combinations "

SLFRS provides the option to apply SLFRS 3 - "Business combinations", prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Corporation elected to apply SLFRS 3 prospectively to business combinations occurring after its transition date. Accordingly, business combinations occurring prior to the transition date have not been restated.



NOTE 28 -COMPARATIVE INFORMATION

Comparative information in the financial statements has been restated as follows ;

	Assets	Liabilities	Equity
As Per Last Year Financial Statements	3,586,215,816	2,743,857,646	842,358,170
As Per Last Year Restated Financial Statements	3,558,253,858	2,738,652,337	819,601,521
Difference	(27,961,958)	5,205,309	(22,756,649)

The comparative figures in the Statement of Financial position have been restated to give effect to all the relevant

Assets

Other Investments, Including Derivatives	522,095
Deferred Tax Assets	7,495,769
Income Tax Assets	62,220
Trade & Other Receivables	(36,042,042)

Liabilities

Retirement Benefit Obligation	(28,763,960)
Lease Creditors	244,621
Deferred Tax Liabilities	14,346,624
Trade & Other Payables	8,967,407



STATE DEVELOPMENT & CONSTRUCTION CORPORATION

RECONCILIATION OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	2011			2010		
		SLFRS	ADJUSTMENT	SLAS	SLFRS	ADJUSTMENT	SLAS
ASSETS							
Non - Current Assets							
Property, Plant & Equipment		834,068,417	-	834,068,417	802,751,006	-	802,751,006
Investments In Government Owned Companies		9,210,740	-	9,210,740	11,710,740	2,500,000	9,210,740
Other Investments, Including Derivatives	28	42,880,747	522,095	42,358,652	41,117,286	365,839	40,751,446
Deferred Tax Assets	28	7,495,769	7,495,769	-	7,969,655	7,969,655	-
Trade & Other Receivables		210,467,560	-	210,467,560	169,085,130	-	169,085,130
Total Non Current Assets		1,104,123,233	8,017,864	1,096,105,369	1,032,633,816	10,835,494	1,021,798,322
Current Assets							
Inventories		210,257,575	-	210,257,575	193,684,766	-	193,684,766
Other Investments, Including Derivatives		33,458,833	-	33,458,833	31,555,255	-	31,555,255
Income Tax Assets	28	100,301,924	62,220	100,239,704	99,596,785	39,218	99,557,567
Trade & Other Receivables	28	2,047,689,362	(36,042,042)	2,083,731,404	1,111,927,295	32,035,463	1,079,891,831
Cash & Cash Equivalents		62,422,930	-	62,422,930	16,686,644	-	16,686,644
Total Current Assets		2,454,130,626	(35,979,821)	2,490,110,447	1,453,450,745	32,074,681	1,421,376,064
Total Assets		3,558,253,858	(27,961,958)	3,586,215,816	2,486,084,562	42,910,176	2,443,174,386
EQUITY & LIABILITIES							
Capital & Reserves							
Capital		67,811,651	-	67,811,651	67,811,651	-	67,811,651
Capital Reserves		6,629,760	-	6,629,760	6,629,760	-	6,629,760
Revaluation Reserve		763,088,808	-	763,088,808	763,088,808	-	763,088,808
Retained Earnings		(17,928,698)	(22,756,649)	4,827,951	76,111,040	59,362,978	16,748,063
Total Equity		819,601,521	(22,756,649)	842,358,170	913,641,259	59,362,978	854,278,282
Non - Current Liabilities							
Loans And Borrowings		242,476,829	-	242,476,829	281,143,500	-	281,143,500
Retirement Benefit Obligation	28	56,995,829	(28,763,960)	85,759,790	61,947,199	(22,901,764)	84,848,963
Lease Creditors	28	19,236,947	(838,155)	20,075,103	1,004,089	-	1,004,089
Deferred Tax Liabilities	28	14,346,624	14,346,624	-	11,858,048	11,858,048	-
Total Non Current Liabilities		333,056,229	(15,255,492)	348,311,721	355,952,836	(11,043,716)	366,996,552
Current Liabilities							
Trade & Other Payables	28	2,133,160,895	8,967,407	2,124,193,488	953,652,461	(5,409,086)	959,061,547
Loans And Borrowings		47,000,004	-	47,000,004	45,000,000	-	45,000,000
Lease Creditors	28	8,806,860	1,082,777	7,724,084	1,352,786	-	1,352,786
Bank Overdrafts		216,628,349	-	216,628,349	216,485,219	-	216,485,219
Total Current Liabilities		2,405,596,108	10,050,183	2,395,545,925	1,216,490,466	(5,409,086)	1,221,899,552
Total Equity & Liabilities		3,558,253,858	(27,961,958)	3,586,215,816	2,486,084,562	42,910,176	2,443,174,386



STATE DEVELOPMENT & CONSTRUCTION CORPORATION
 RECONCILIATION OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31ST DECEMBER 2012

(All Amounts Are In Sri Lanka Rupees)

	Note	SLFRS	2011 ADJUSTMENT	SLAS
Revenue		2,564,139,185	-	2,564,139,185
Cost Of Sales		(2,288,062,267)	-	(2,288,062,267)
Gross Profit / (Loss)		276,076,919	-	276,076,919
Other Income	28	28,000,638	-	28,000,638
Profit / (Loss) Before Operating Expenses		304,077,557	-	304,077,557
Administrative Expenses	28	(143,558,270)	(3,573,335)	(139,984,934)
Distribution Costs	28	(244,981)	11,846,472	(12,091,453)
Other Expenses	28	(57,231,832)	(54,912,682)	(2,319,151)
Results From Operating Activities		103,042,474	(46,639,545)	149,682,019
Financial Income	28	4,856,627	188,310	4,668,317
Financial Expenses	28	(65,582,132)	17,738	(65,599,870)
Profit Before Tax		42,316,969	(46,433,497)	88,750,466
Tax Expenses	28	(11,988,874)	(2,962,462)	(9,026,412)
Profit From Continuing Operations		30,328,095	(49,395,959)	79,724,054
Profit/(Loss) From Discontinued Operation Net of Tax		-	-	-
Profit For The Year		30,328,095	(49,395,959)	79,724,054
Other Comprehensive Income				
Defined Benefit Plan Actuarial Gains (Losses)	28	(5,109,768)	(5,109,768)	-
Tax On Other Comprehensive Income			-	-
Other Comprehensive Income Net of Tax		(5,109,768)	(5,109,768)	-
Total Comprehensive Income		25,218,328	(54,505,726)	79,724,054