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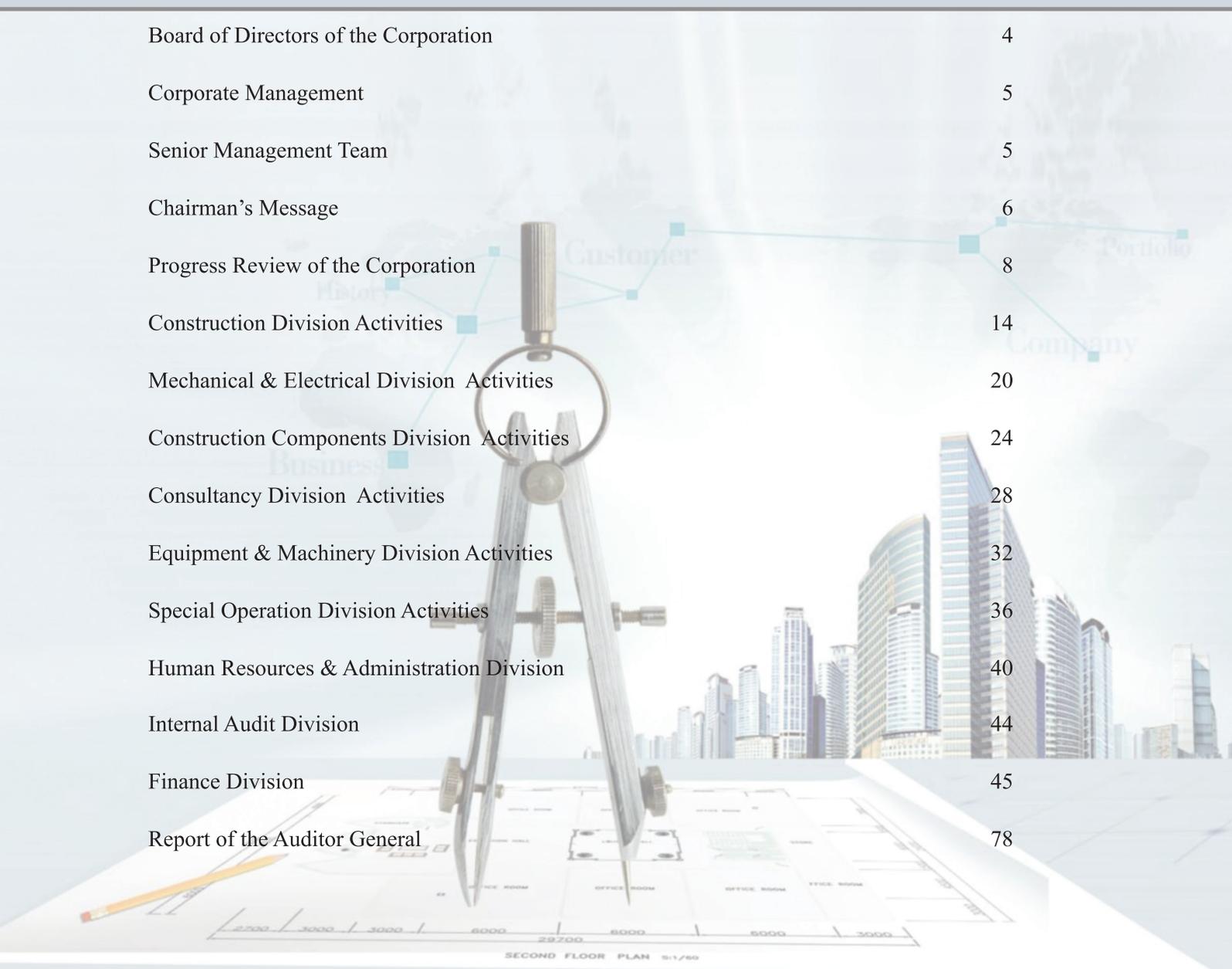
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ஸ்ரீலங்கா அரச பொறியியற் கூட்டுத்தாபனம்
STATE ENGINEERING CORPORATION OF SRI LANKA

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Corporate Information

Name of Corporation

State Engineering Corporation of Sri Lanka.

Legal Status

Fully owned Enterprise of the Government
of the Democratic Socialist Republic of Sri Lanka.

Name of Ministry

Construction, Engineering Services,
Housing & Common Amenities.

Registered Office

130, W.A.D. Ramanayaka Mawatha, Colombo 02

Tel: 011-2434691 Fax: 011-2421262

E-mail: chairman@secsl.lk www.secsl.lk



Engineers to the nation

Vision

To be the leading Engineering Enterprise

Mission

To be a provider of innovative and integrated engineering solutions through excellent consultancy, construction, manufacturing and project management services supported by research and development, delighting the client, with the active participation of a competent and motivated workforce within a prosperous enterprise and there by contribute to national development

Goals

- Achieve highest levels of technical Standards and professionalism
- To be a commercially focused, financially viable and self-sustainable government enterprise
- To diversify business activities of the corporation
- To develop leading and promote the use of domestic technology and local materials
- To be the leading partner in National Development Programmes
- Improve the management and human resources of the Corporation

Core Values

- Clients' Satisfaction
- Integrity
- Social Obligation
- Employee Satisfaction
- Safety
- Quality

Board of Directors - 2012



Mr. B.K. Jagath Kumara Perera
Chairman
(June, 2011 to date)



Mr. Akila Saliya Ellawala
Vice Chairman
(May, 2010 to date)



Mr. M.F.Mohamad Muzammil
Working Director
(September, 2010 to date)



Eng. Wimal Jayawardana
Director
(May, 2010 to date)



Mrs. Damitha Rathnayake
Director
(Treasury Representative)
June, 2010 to date)



Mr K.P.Dias
Director
(December, 2010 to date)



Mr. H.P. Cashian Herath
Director
(June, 2011 to date)



Mrs. I.Wikramanayake Alexander
Secretary to the Board
(August, 2010 to date)

Corporate Management

Mr. M.R. Jeyachandran	- General Manager
Ms. G. A. L. Nonis	- Deputy General Manager - Construction
Mr. M. D. B. Abeyrathna	- Deputy General Manager - Mech. & Electrical/ Equ. & Mach.
Mr. A.A. Piyadasa	- Deputy General Manager - Const. Component
Mr. M.K. Jayantha	- Deputy General Manager - Finance
Mr. S.P. Lokuhennadige	- Deputy General Manager - H.R & A
Mr. M. D. Pathmasiri	- Acting Deputy General Manager - Consultancy
Mr. U.R. Hettiarachchi	- Deputy General Manager - Special Operation Division

Senior Management

Mrs. P. Karawita	- Manager (Construction)
Mr. M. D. Pathmasiri	- Chief Engineer (Designs)
Mr. C.M.S.R. Fernando	- Actg. Chief Engineer (Contracts & Planning)
Mr. A.P.Thennakoon	- Acting Manager (Const. components)
Mr. A.P.K. Manamperi	- Acting Manager (Construction)
Mr. L.A.L.Liynarachchi	- Acting Manager (Const. components)
Mr. K.A.Shantha Kumara	- Acting Manager (Construction)
Mr. A.M.S.T.B.Alahakoon	- Acting Manager (Construction)
Mr. W.G.A.Gajasinghe	- Acting Manager (Construction)
Mrs. H.A.L. Henadheera	- Acting Chief Internal Auditor

Chairman's Message

1.0 Journey through Innovation & Excellence

It is indeed an honor that I take the opportunity to present the Annual Report 2012 of State Engineering Corporation as we celebrate 50th years of engineering excellence. It is remarkably a milestone for SEC being the apex of the Construction Industry while being 'Engineers to the Nation' for five decades. Our contribution to the national economy is gigantic and it covers almost all the sector of Housing, Education, infrastructure development, Community development, religious, health, sports etc... The vision itself proves that SEC is the leader in construction sector while empowering sustainable nation's economic growth. The SEC meanwhile a shelter to nearly three thousand employees and their thousands of family members. State Engineering Corporation reaches to a golden era where the strong helping hand, direction, leadership is given by the Hon. Minister Wimal Weerawansa, Ministry of Construction Engineering Services Housing and Common Amenities along with Mr. Gotabaya Jayarathna Secretary to the ministry. SEC is now playing a key role in facilitating the projects and in line with the Mahinda Chinthanya development programs, as the apex of the construction industry

2.0 Overall Performance

2012 financial year ended with positive attributes and State Engineering Corporation achieved challenging turnover which is a remarkable fact. The turnover for the financial year 2012 is Rs. 7951 Million and the net profit over (before tax) is Rs.204Mn. The total assets raised up to Rs.17 Billion which was only Rs.08 Billion in 2011.

3.0 Project Performance

All the operations divisions projected positive net operating profit at the end of the year and completed some of the national projects during the year 2012. The key projects completed during the year are; Construction of Sirimawo Bandaranayake Specilized Children Hospital at Peradeniya, Sports Complex at Reid Avenue, District Secretariat Building at Matara, Buddhashrawaka Bhikku university Building at Anuradhapura, five storied low income housing complex at Borella, Consultancy for Custom Head Quarters building and Renovations of Maligawatta Housing complex.

4.0 Acknowledgment

The year 2012 indeed a positive with constructive evaluation of key projects and overall administrative functions of SEC while reached a golden milestone. I extend my sincere thank to His Excellency the President Mahinda Rajapakse for his visionary leadership and guidance while at the same I take this opportunity to thank Hon. Minister Wimal Weerawansa, Minister of Construction Engineering Services Hosuing and Common Amenities along with Hon Lasantha Alagiyawanna, Deputy Minister and the Secretary of the Ministry. Further I extend my gratitude to the Board of Directors and General Manager, All Deputy General Managers with all the Senior Management members for ensuring that senior management performs in the manner of expected optimum capacity.

B.K. Jagath Kumara Perera
Chairman
State Engineering Corporation of Sri Lanka



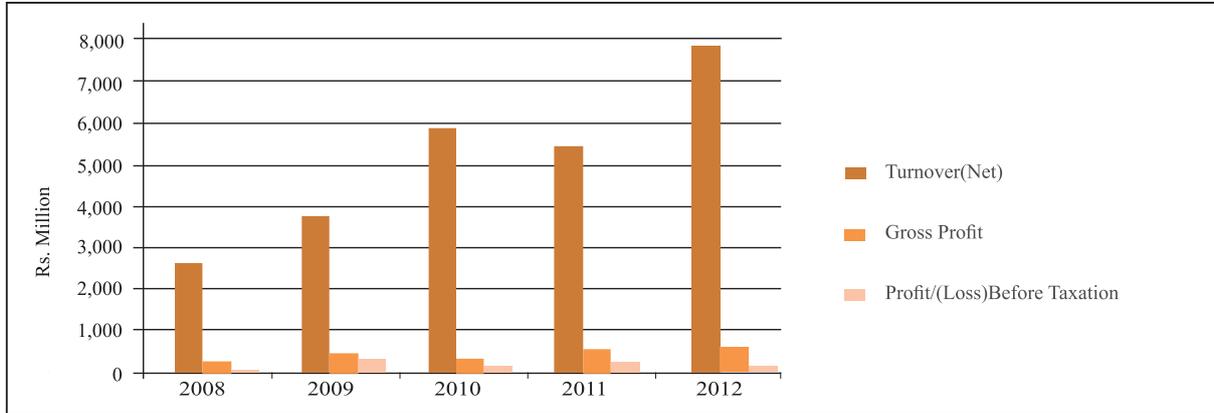


Progress Review of the Corporation

Turnover & Profit

During the financial year 2012, State Engineering Corporation recorded a turnover (net turnover) of Rs: 7,951 million and a net profit (before tax) of Rs: 225

million. The turnover increased by of 45% over the previous year.



Comparative Turnover & Profit Figures 2008 - 2012

Table I- (Comparative Turnover & Profit Figures of the Corporation 2008-2012)

	2008	2009	2010	2011	2012
Turnover(Net)	2,652	3,794	5,921	5,473	7,951
Gross Profit	240	431	320	527	653
Profit/(Loss)Before Taxation	59.5	313	133	252	225

All sections of the corporation have gained profits in their operation. With the remarkable growth in revenue.

Construction Division

Construction group has recorded Rs. 2,967 Min turnover during the financial year 2012 compared to 2,986 Min turnover achieved in 2011

Turnover & Net Operating Profit / (Loss)

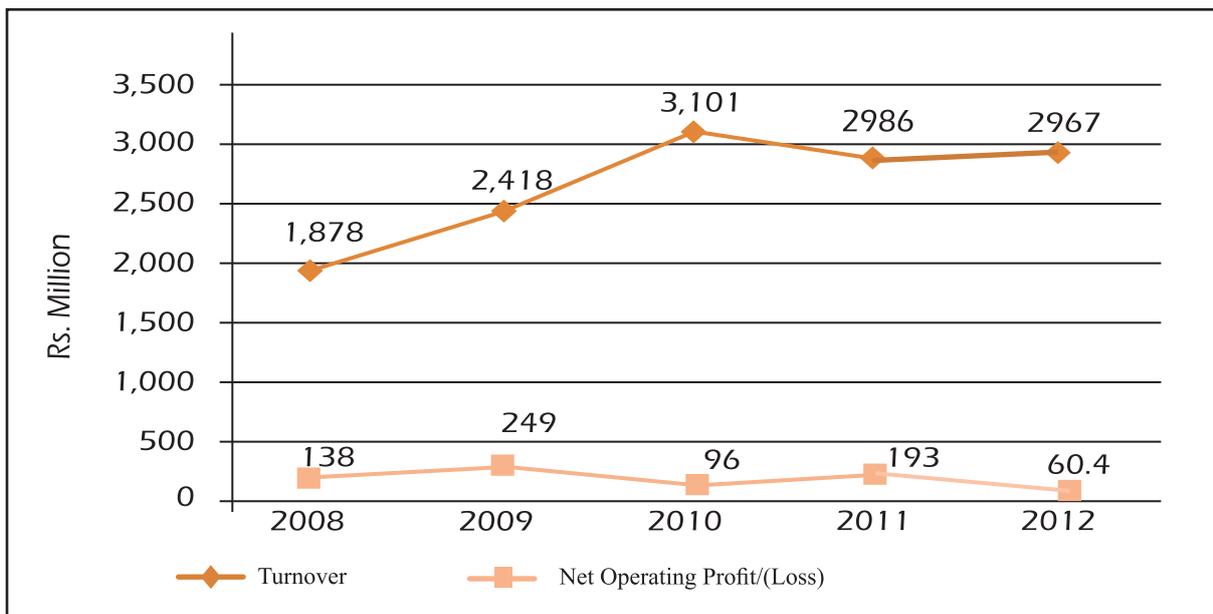


Table II - (Turnover & Net Operating Profit/(Loss) of Construction group)

Construction Components Division

Construction Components group is recorded a total turnover (Net) of Rs.1255 million. During the year 2012 compared with Rs.1099 million in 2011. This

group has recorded a net operating profit of Rs.64 million for the year 2012 against a net operating profit of Rs.92 million, for the financial year 2011.

Turnover & Net Operating Profit / (Loss)

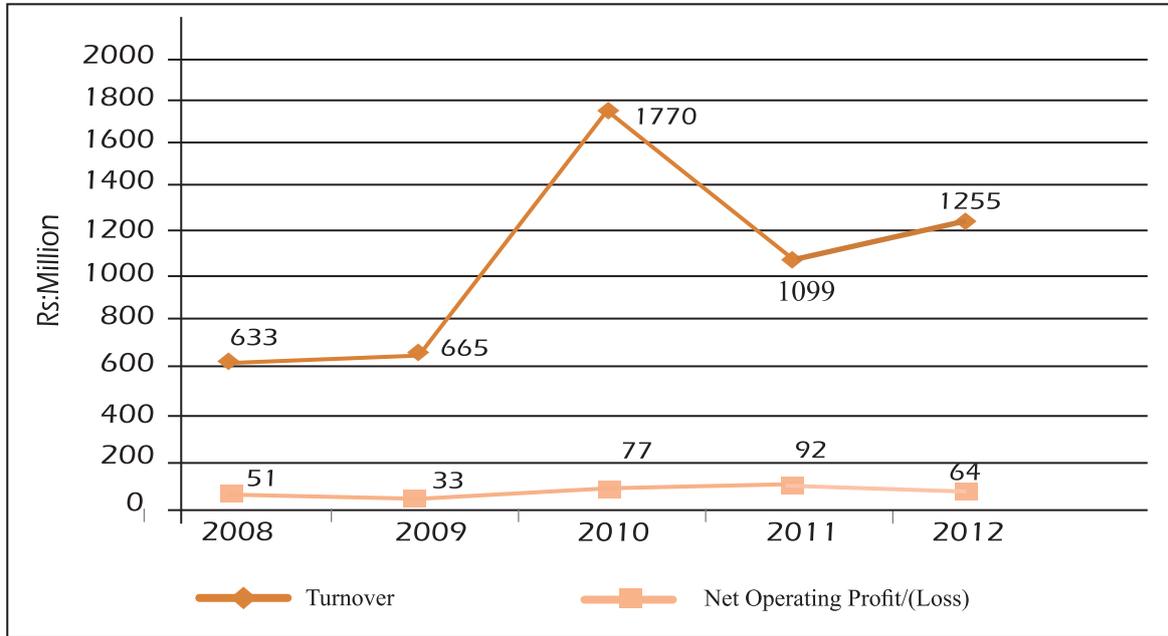


Table III - (Turnover & Net Operating Profit / (Loss) of Construction Components group)

Consultancy Division

The Consultancy Division has achieved a Turnover (Gross) Rs.289.9mn during the year. (as Compared with Rs.271mn in 2011) The Division has main-

tained a net operative Profit Rs.124mn

Turnover & Net Operating Profit / (Loss)

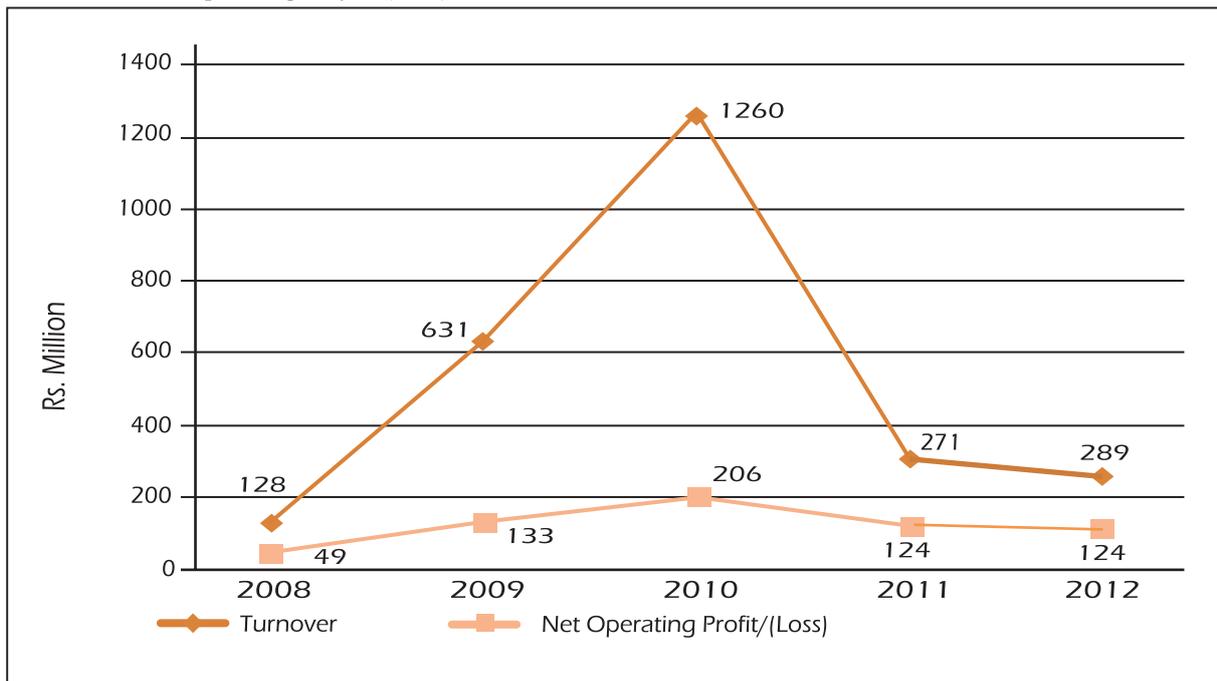


Table IV- (Turnover & Net Operating Profit/ (Loss) of Consultancy group)

Mechanical & Electrical Division

The M & E group achieved turnover (gross) of Rs. 284 million in 2012 compared with Rs. 724 million in 2011. The division net operating profit Rs. 1.2

million in 2012. Compared to net profit of 53.4 million achieved in 2011.

Turnover & Net Operating Profit/ (Loss)

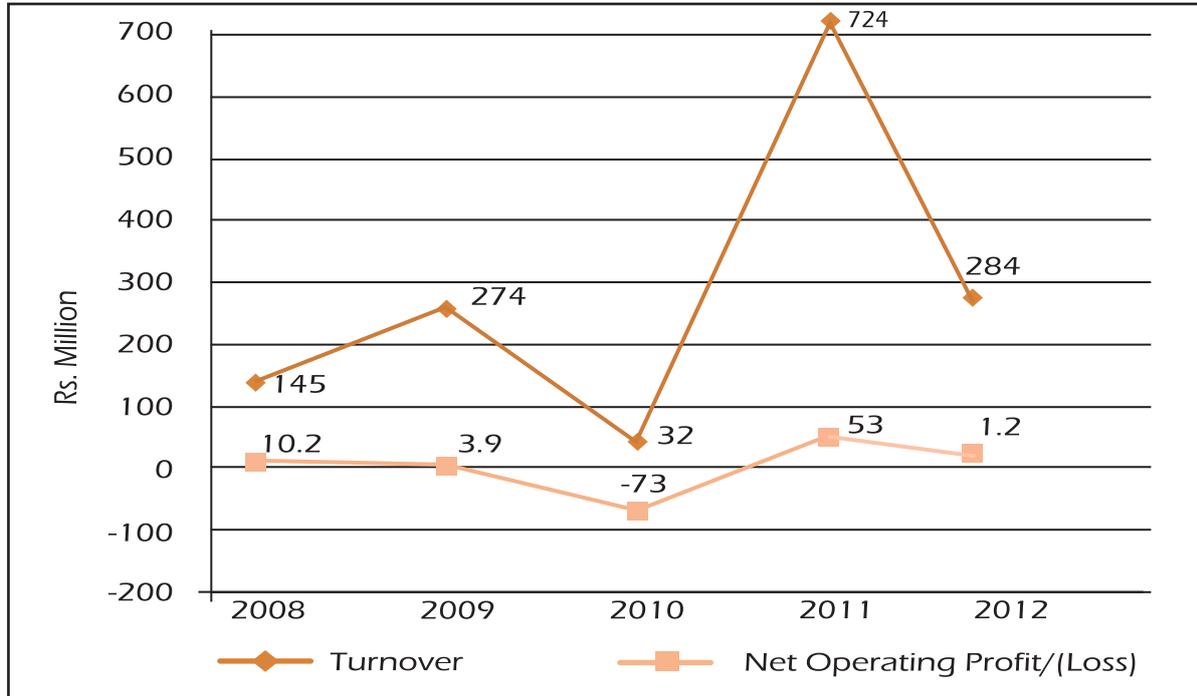


Table V (Turnover & Net Operating Profit / (Loss) of Mechanical & Electrical group)

Equipment & Machinery Division

National Equipment & Machinery organization amalgamated to SEC in 2011 and became E & M division. E & M reached its revenue of Rs. 470 Million with the profit of 4 mn in 2012.

M reached its revenue of Rs. 470 Million with the profit of 4 mn in 2012.

Turnover & Net Operating Profit/ (Loss)

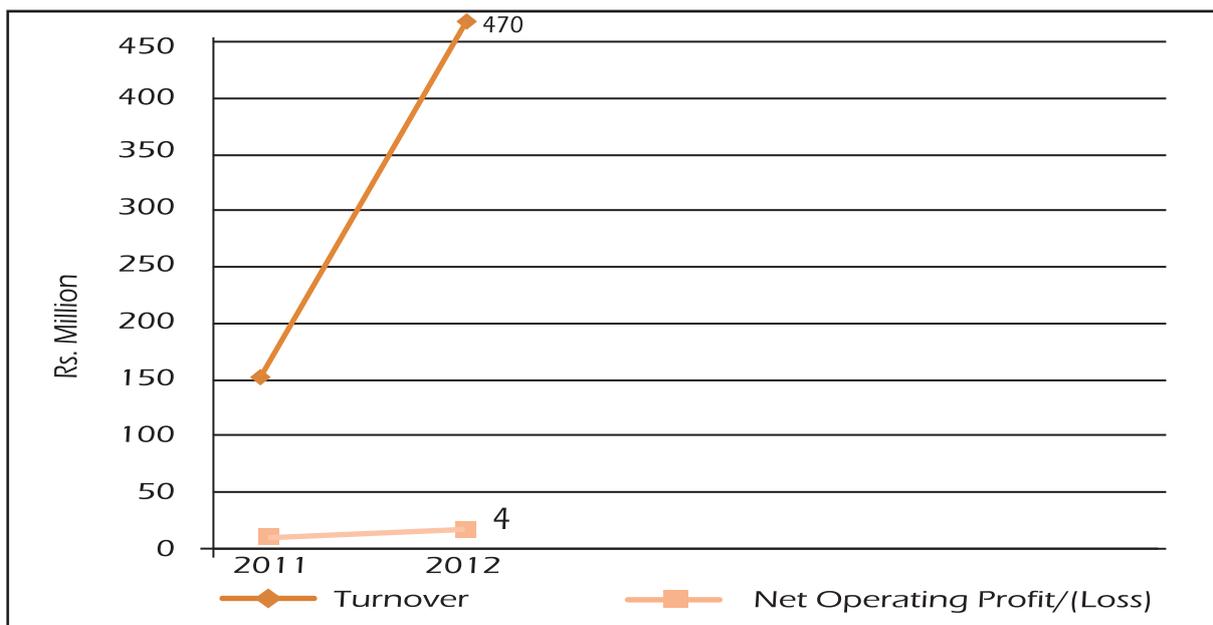


Table VI (Turnover & Net Operating Profit / (Loss) of Equipment & Machinery Division)

Table VI (Cash Collection of the Corporation)

Special Operation Division

The operation is a newly established division to undertake road construction. The division reached its revenue Rs.3,106 million for the year 2012 is shows remarkable growth of five times when comparing

with it's previous year 2011. Similarary operating profit increased by 6.6 times on Rs. 399m compared to 2011.

Turnover & Net Operating Profit/ (Loss)

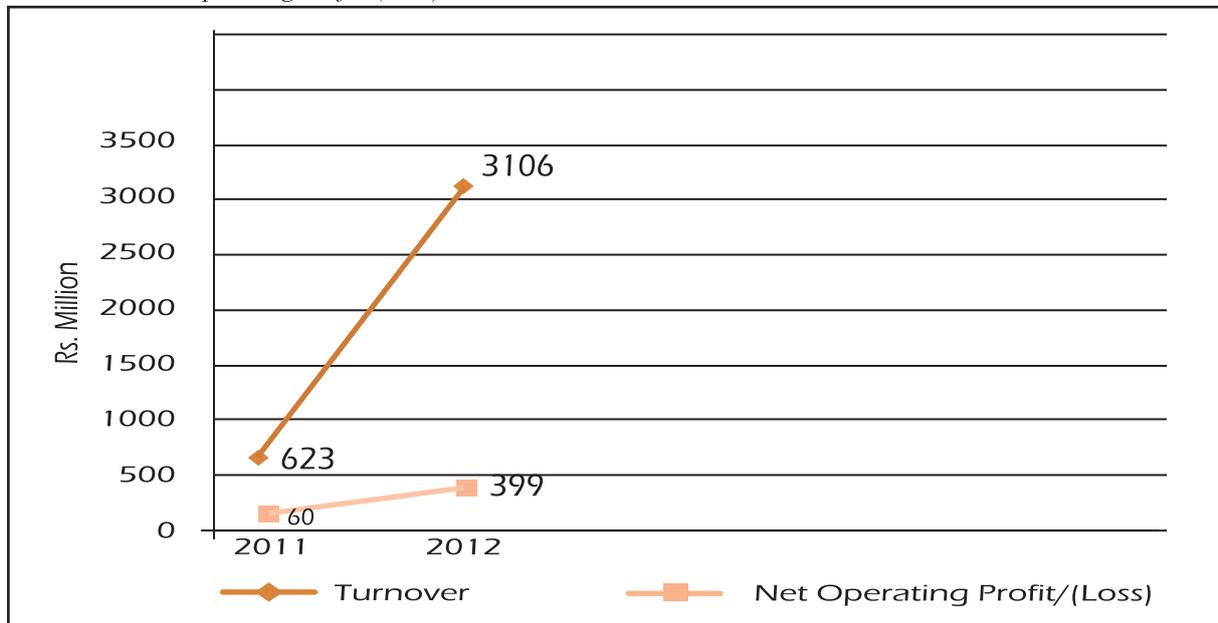


Table VII (Turnover & Net Operating Profit / (Loss) of Special Operation Division)

Cash Flows

Cash flows during the year 2011 in terms of collection of money from the clients are given below and are compared with past four years period. Where the

monthly cash inflow now improving, was possible to pay the salaries and other payment on time.

Collection of Finance Corporation

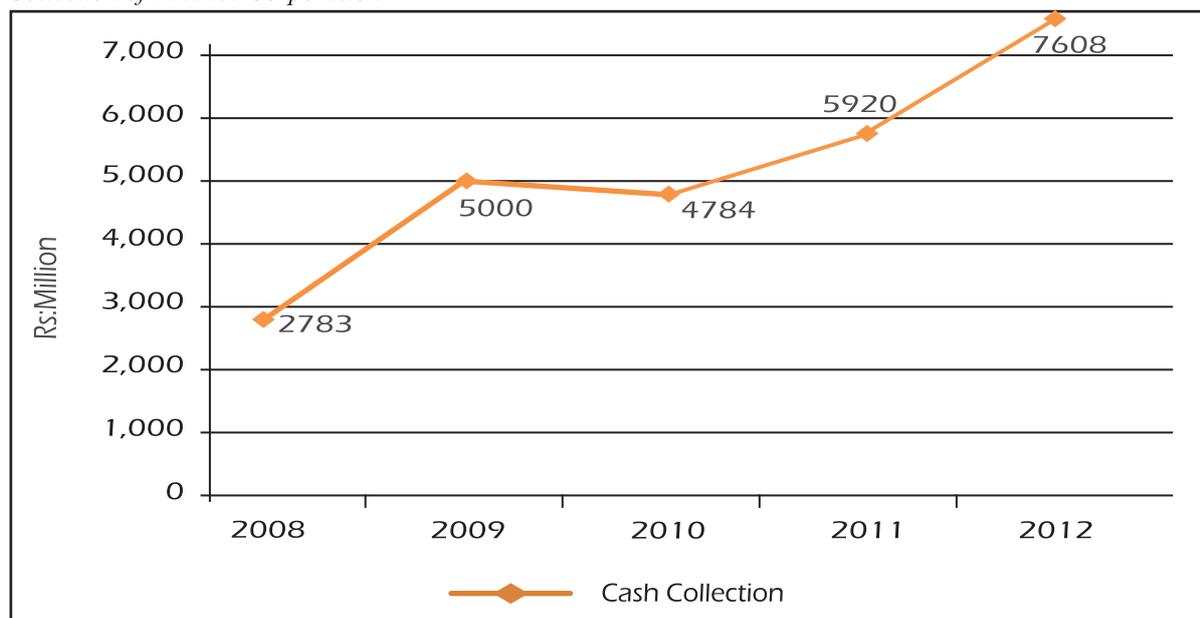


Table VIII (Cash Flow)

Assets

The total assets of the corporation grew by 123% over the previous year. The corporation increased its current assets to Rs:9,865 million in 2012 from Rs: 7,703 million in the previous year.

Growth of Assets

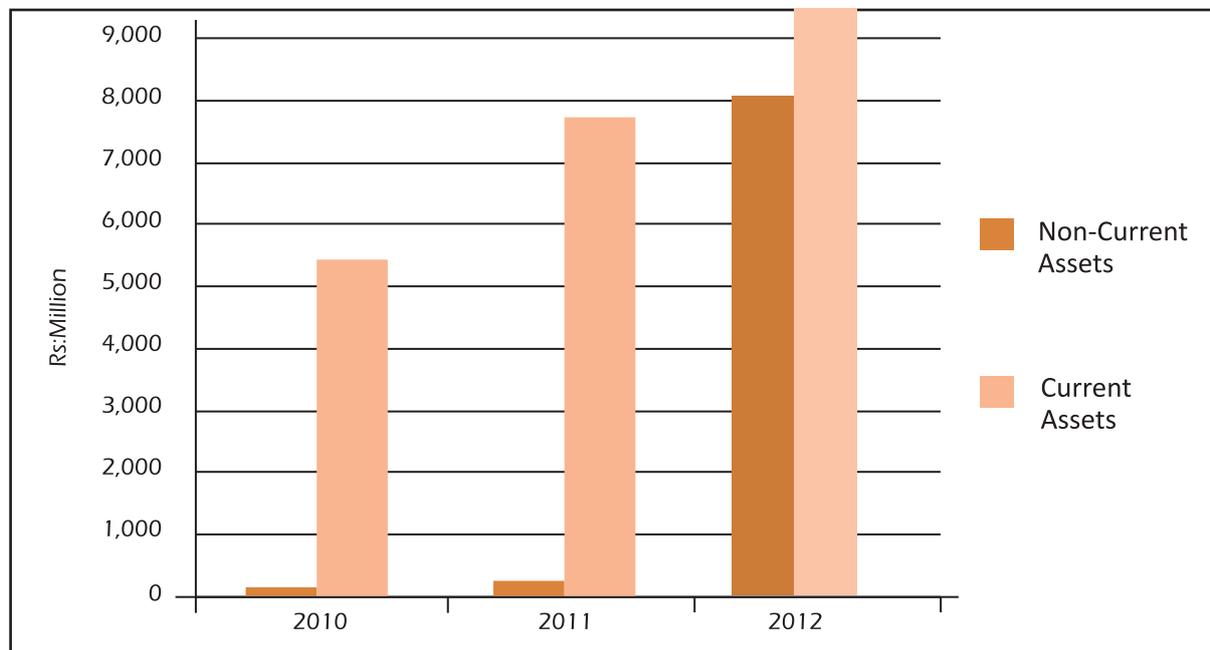


Table IX (Growth of Assets)

	2010	2011	2012
Non-Current Assets	162	312	8004
Current Assets	5,448	7703	9865

Other Revenues

	2008 (In Rs ,000)	2009 (In Rs ,000)	2010 (In Rs ,000)	2011 (In Rs ,000)	2012 (In Rs ,000)
Rent	7,122	5,938	7,208	7911	8,256
Sales of Fixed Assets (Unserviceable Assets)	410	12,006	-	60	14,894
Advertisement	3,627	471	-	-	-
Over head Bridge	671	569	-	-	223
Other (Excluding Provision -2004)	644	7,835	6,816	14,216	2,537
	12,474	26,819	14,025	22,187	25,910

Table X (Increase of Other Income)

Construction Division

Key Members of the Management

Deputy General Manager - Mrs. G.A.L. Nonis

Manager - Mrs. P.D. Karavita

Actg. Manager - Mr. A.P.K. Manamperi

Actg. Manager - Mr. A.M.S.T.B. Alahakoon

Actg. Manager - Mr. K.A. Shantha Kumara

Actg. Manager - Mr. W.G.A. Gajasinghe

Actg. Manager - Mr. M.E.C. Pinto



REVIEW OF PROGRESS

The total turnover and the profit of the Construction Group, during year 2012, were Rs.2968 Million and Rs.60.4 Million respectively. The turn over is Rs.68 Million higher than the budgeted amount in year 2012 in Construction Group.

As like in the past ,Construction Group had completed most remarkable projects during year as listed aforesaid. Also construction of Kottawa interchange to the first express way in Sri Lanka, Construction of Library building for Wickramarachchi Ayurveda Institute..etc. Beside, group commenced work on the largest zoological projects in Hambanthota, Pinnawala and Dehiwala.

Major Activities

Heavy and light Civil Construction work and Building Construction work.

Major projects undertaken in the year 2012 are as follows.

- Construction of 5 nos of 5 storied Housing Blocks consisting of 100 housing units each & 17 Nos of Single unit quarters at Angoda Hospital Premises-Rs.Mn 1070.00
- Construction of Hostel Building,(01 nos), Lecture Room Block-3 (02 nos) & Lecture. Hall (02 nos) —for Deyata Kirula, Ampara - Rs.Mn 650.30
- Proposed Building Complex for Buddhasravaka Bhikshu University at A'pura -Faculty of Language Studies Rs. Mn 199.1
- Construction of the Leopard Enclosure for Zoological Gardens at Pinnawala — Rs.Mn 184.61

Projects Completed in 2012

No	Site No	Name of the Project	Contract Sum (Rs. Mn)
1	1595	Sirimavo Bandaranayake Specialized Children Hospital Peradeniya	427+Additional amount 190.94
2	1635	Artificial Hockey Ground	183.95
3	1636	Proposed Development of Sport Complex(Hostel Building)at Reid Avenue.	217.86
4	1643/4	Construction of Safari road in African Lion Zone at Safari Park at Ridi-yagama	85.63
5	1643/8	Design and Construction of Peripheral Service Road at Safari Park at Ridi-yagama	10.47
6	1677	Proposed Bus Terminal and Commercial Complex Stage I - Homagama	49.77
7	1677/1	Proposed Bus Terminal and Commercial Complex Stage II - Homagama	13.83
8	1681	Renovation & Re Construction of Rajapihilla Rest House	38.45
9	1739	Construction of Library Building for Gampaha Wickramarachchi Ayurveda Institute	68.36
10	1745	Design, Construction & Completion of Proposed Residential Training centre for Migrant Workers - Building No 04 at Matugama	25
11	1745/1	Design, Construction & Completion of Proposed Residential Training centre Academic Block (Classroom block) at Matugama	14.21
12	1746	Proposed Buddhashrawaka Bhikshu University at Anuradhapura.	241.14
13	1750	Proposed four story building (block C) for District secretariat at Mathara Fort	139.02
14	1753	Construction of Animal Nursery as urgent Development Project At National Zoological Gardens,Dehiwala	23.75
15	1753/5	Construction of Main Resturant At National Zoological Gardens,Dehiwala	13.82
16	1753/6	Construction of Wet Toilet At National Zoological Gardens,Dehiwala	9.13
17	1753/10	Construction of Animal Nursery Partition 1st floor At National Zoological Gardens,Dehiwala	1.77
18	1753/11	Construction of Animal Nursery Partition 2nd floor at National Zoological Gardens at Dehiwala	1.04
19	1753/12	Landscaping in Main Restaurant & Wet Toilet At National Zoological Gardens,Dehiwala	0.51
20	1753/13	CCTV + Carpets, Window blinds	1.11
21	1753/14	Installation of AC in animal nursery At National Zoological Gardens,Dehiwala	6.68

22	1753/17	Animal Nursery Part 2 Work in Veterinary Laboratori Complex At National Zoological Gardens,Dehiwala	22.7
23	1753/18	Refurbishment work on Main Restaurant Part 2 at National Zoological Gardens Dehiwala	15.31
24	1753/22	Installation of high Quality fittings & Accessories, Construction of roof slab & turfing for wet toilet. At National Zoological Gardens,Dehiwala	9.13
25	1761	Proposed Commecial complex- stage II Radampola	21.52
26	1781	Construction of Toll Plaza & Toll Office Buildings at Kottawa Interchange	131.04
27	1796	Construction of Internal roads and boundry wall in Buddhasravaka Bhikshu University, Anuradhapura.	11.72
28	1814	Proposed Madanjeet Singh centre at Univercity of Moratuwa	37.86
29	1830	Construction & Completion of Proposed Over Head Tank,Under Ground Sump & Pump house - Buddashawaka Bhikku Universisty at Anuradhapura	13.19

Projects Awarded in 2012

No	Site No	Name of the Project	Contract Sum (Without VAT) Rs. Mn
1	1643/XIII	Construction of Gravel Service Road Stage II for Department of National Zoological Gardens at Hambantota	44.48
2	1643/XIV	Construction of 500m3 per day Capacity water treatment plant for Department of National Zoological Gardens at Hambantota	26.01
3	1753/XVI	Construction of Elephant Exhibit at National Zoological Gardens Dehiwala	46.22
4	1753/XVII	Construction of Bird Aivary at National Zoological Gardens Dehiwala	36.74
5	1822	Construction of the Leopard Enclosure for Zoological Gardens at Pinnawala	184.61
6	1832	Construction & Completion of New Prison Complex at Pallekelle Phase -2(A1) Stage 2, Site Development, Kitchen, Store, Elevated water Tank, Water sump and pump room	59.56
7	1833	Proposed Building Complex for Buddhasravaka Bhikshu University at A'pura -Faculty of Language Studies	199.10
8	1847	Proposed Building Complex for Buddhasravaka Bhikshu University at A'pura -Hostels -Stage I	105.53
9	1860	Construction of Proposed construction & completion of Hockey Turf pavilion at Reid Avenue - Colombo 7	31.93
10	1865	Construction and completion of new prison complex ,Phase-02 (A1) (stage 2) - Convicted Offender's Building - Section 4	102.24

11	1866	Construction of Boundary wall & Balance work at Foreign Employment Beureau at Matugama	53.22
12	1869	Construction of Bus Stand Development Project -Stage II, Phase I (Block 2) at Panadura	56.30
13	1879	"Construction of New Boundary Wall at Safari Park at Hambantota for Department of National Zoological Gardens "	283.09
14	1890	Design & Execute Landscaping improvement to Ayurveda Hospital Premises at Borella.	25.70
15	1892	"Construction of 5 nos of 5storied Housing Blocks consisting of 100 housing units each & 17 Nos of Single unit quarters at Angoda Hospital Premises "	1,070.00
16	1901	Construction of Hostel Building,(01 nos), Lecture Room Block-3 (02 nos) & Lecture Hall (02 nos) –Stage I for Deyata Kirula, Ampara	650.30
17	1903	Construction of 17 housing units at Angoda	40.80
18	1910	Accommodation facilities to officers at Homeopathy Hospital - Welisara	39.00
19	1913	Construction and Completion of Grade ii Jailor Barracks (Bachelor Barracks for 10 Jailor) Part of Barracks Building for 228 Male Guards, Etc, at New Prison Complex Pallekalle.	175.15
20	1916	Renovation of Auditorium at Hardy Advance Technology Institute at Ampara	63.30
21	1934	Construction of Balance work of the Labortary Building for the Department of Food Science - Phase II Faculty of Agriculture, University of Peradeniya	30.00
22	1933	Construction of multi purpose treatment center at Ingiriya	26.47
23	1932	Paving of Foot path /Road ways in Ayurveda Osu Uyana at Meegoda	7.49
24	1931	Repairing Ayurveda Hospital Neboda	4.29
25	1633	Construction & Completion of OPD Building (Stage I) for Proposed Maithripala Senanayake Memorial Traditional Ayurvedic Research Hospital and Affiliated Museum at Mihinthale for Ministry of Indigenous Medicine.	21.23
26	1628./I	External Works for Proposed Courts Complex	48.34
27	1821	Design & Construction of Dry toilets,Wet toilets and Workers Rest Building at Elephant Orphanage for National Zoological Garden at Pinnawala	77.89

** All values are without VAT

Projects Commenced in 2012

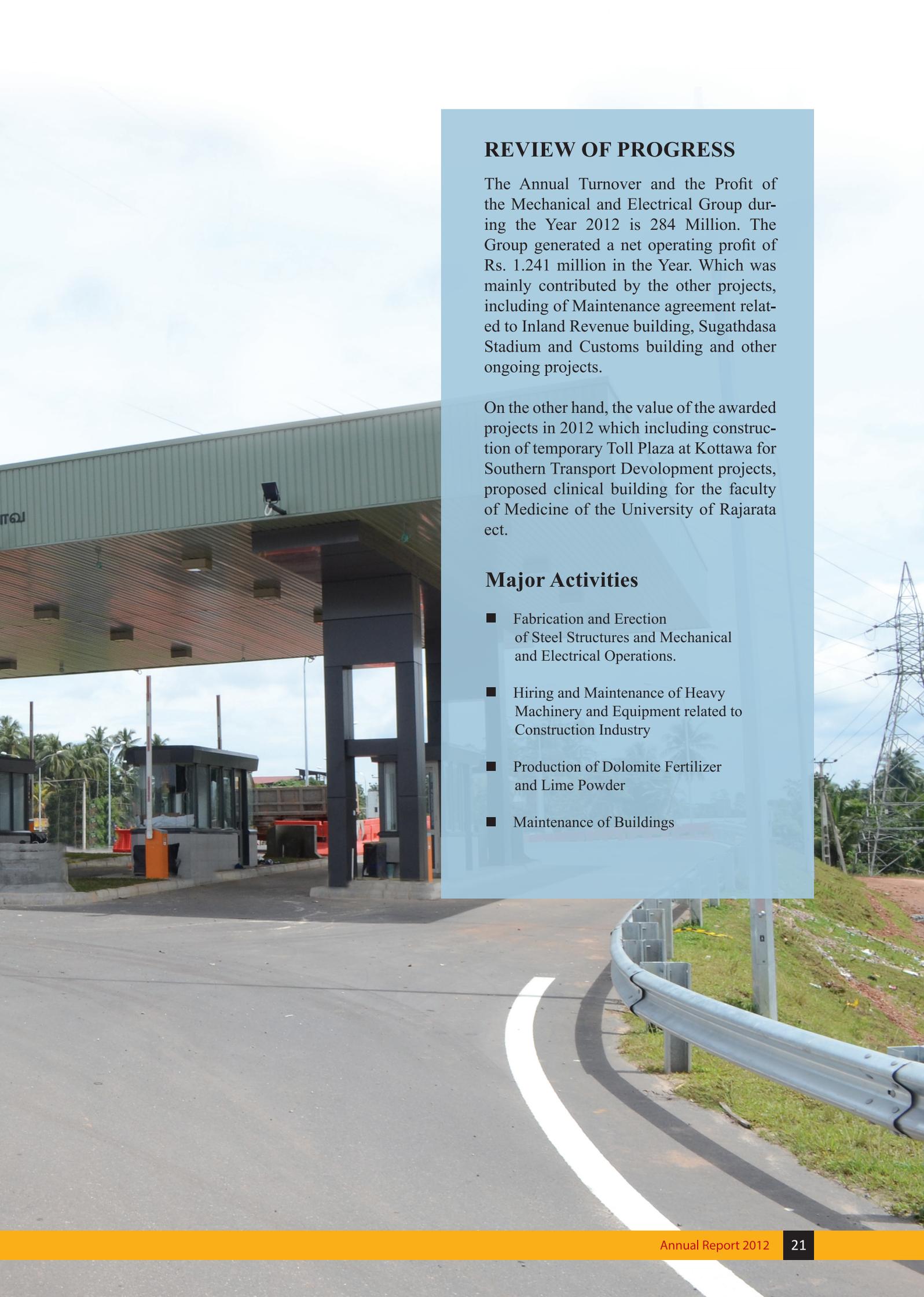
No	Site No	Name of the Project	Contract Sum (Without VAT) Rs. Mn
1	1643/XIII	Construction of Gravel Service Road Stage II for Department of National Zoological Gardens at Hambantota	44.48
2	1723/II	Construction of New Hostel Building for Migrant Resource Centre of Sri Lanka Bureau of Foreign Employment at Tangalle.	141.98
3	1753/XV	Construction of Bird Aivary at National Zoological Gardens Dehiwala	36.74
4	1753/XVI	Construction of Elephant Exhibit at National Zoological Gardens Dehiwala	46.22
5	1812/I	Construction of Main Entrance Building, Car Park & Internal Road for Department of National Botanic Gardens at Mirijjewila-Hambantota.	101.85
6	1820	Proposed Entrance Hall, Visitors Hall & Toilet Units, Awissavella	36.01
7	1821/ II	Proposed Building for Workers Rest for National Zoological Gardens at Pin-nawala	35.92
8	1826/1	Construction of Three Intake Control rooms, intake 225 m3 capacity ground reservoir & Installation of two intake pumps at Safari Park at Hambantota for Department of National Zoological Gardens	15.02
9	1827	Construction of Four Storeyed Stores Complex for Sri Lanka Ayurvedic Drug Corporation - Nawinna	71.10
10	1829	Proposed Lift for Disabled persons for existing Courts Complex at Horana.	14.28
11	1832	Construction of Prison Complex at Pallekele (Phase 2-(A-1))	59.56
12	1833	Proposed Building Complex for Buddhasravaka Bhikshu University at A'pura -Faculty of Language Studies	324.52
13	1844	Construction of Panchakarma Building at Molligoda, Wadduwa	30.31
14	1847	Proposed Building Complex for Buddhasravaka Bhikshu University at A'pura -Hostels -Stage I	105.53
15	1860	Construction of Proposed construction & completion of Hockey Turf pavilion at Reid Avenue - Colombo 7	31.93
16	1865	Construction and completion of new prison complex ,Phase-02 (A1) (stage 2) - Convicted Offender's Building - Section 4	102.24
17	1866	Construction of Boundary wall & Balance work at Foreign Employment Beureau at Matugama	53.22
18	1869	Construction of Bus Stand Development Project -Stage II, Phase I (Block 2) at Panadura	56.3
19	1879	Construction of New Boundary Wall at Safari Park at Hambantota for Department of National Zoological Gardens	283
20	1892	Construction of 5 nos of 5storied Housing Blocks consisting of 100 housing units each & 17 Nos of Single unit quarters at Angoda Hospital Premises	1,070.00
21	1901	Construction of Hostel Building,(01 nos), Lecture Room Block-3 (02 nos) & Lecture Hall (02 nos) –Stage I for Deyata Kirula, Ampara	650.3
22	1903	Construction of 17 Housing units at hospital premises Angoda & Mandawila road hospital. Owned land. Under the Construction of Housing for Urban Regeneration project	40.8
23	1910	Accommodation facilities to officers at Homeopathy Hospital (Block "A"), Welisara	39.00
24	1913	Construction and Completion of Quarters Building for the new prison Complex at Pallekele.	175.15
25	1915	Proposed Courts Building at wattala	194.11

Mechanical & Electrical Division

Key Members of the Management

Deputy General Manager	-	Mr. M.D.B. Abeyrathna
Working Manager (Ekala Work Shop)	-	Mr. H.S.N.J. Hewasiliyen
Work Manager (Dolomite Site)	-	Mr. M.S. Ehaliyagoda
Work Manager (Rathmalana Work Shop)-	-	Mr. Sanjaya Dharmasena
Asst. Work Manger (Peliyagoda Work Shop)-	-	Mr. E.M.D. Ekanayaka
Asst. Work Manger (Ekala Work Shop)	-	Mr. T.W.M. Thennakoon
Site Manager (Sugathadasa Site)	-	Mr. S.A. De Wijetunge
Site Manager (Custom Site)	-	Mr. W.A.D.P. Wickramasinghe
Mechanical Engineer	-	Mr. D.B. Semasinghe
Mechanical Engineer	-	Ms. S.A.N. Chyami
Mechanical Engineer	-	Ms. H.M.A.I. Herath
Mechanical Engineer	-	Mr. Imantha Jayarathna
Mechanical Engineer	-	Mr. E.K.C.S. Madhusanga
Mechanical Engineer	-	Mr. Pradeep Rathnayaka





REVIEW OF PROGRESS

The Annual Turnover and the Profit of the Mechanical and Electrical Group during the Year 2012 is 284 Million. The Group generated a net operating profit of Rs. 1.241 million in the Year. Which was mainly contributed by the other projects, including of Maintenance agreement related to Inland Revenue building, Sugathadasa Stadium and Customs building and other ongoing projects.

On the other hand, the value of the awarded projects in 2012 which including construction of temporary Toll Plaza at Kottawa for Southern Transport Development projects, proposed clinical building for the faculty of Medicine of the University of Rajarata ect.

Major Activities

- Fabrication and Erection of Steel Structures and Mechanical and Electrical Operations.
- Hiring and Maintenance of Heavy Machinery and Equipment related to Construction Industry
- Production of Dolomite Fertilizer and Lime Powder
- Maintenance of Buildings

Projects Started in 2012

No	Site No	Client	Project Description	Contract Sum (Rs.Million)
1	1886	Passenger Transport Authority	Supply Installation Testing commissioning & maintenance of fire detection & protection system.	8.535
2	1902	Sri Lanka Bureau of Foreign Employment at Tangalle	Fire Detection, fire piping & hose reel system	3.75
3	1907	Provincial Road Passenger Transport Authority	Metal Ceiling & proposed Head office building for the western province.	17.898
4	1848	Ministry of Construction, Engineering Services housing and Common Amenities	Water drainage system for Ministry stall at Dayata Kirula Exhibition site	0.595
5	1753	Dehiwala Zoo	Steel Stair Case 02 of Animal nursery of Dehiwala Zoo	0.438
6	1852	National Housing Development Authority	Proposed Landscaping work to existing pond at jayawadanagama H/S	3
7	1859	Inland Revenue Department	Removing Existing Roofing Sheets and Replacing roofing sheets of IRD	17.193
8	1881	Road Development Authority	Removal of fallen Steel, Truss of Old Mannar Bridge in the sea	12.511
Total				70.92

** All values are without VAT

Projects Completed in 2012

No	Site No	Client	Project Description	Contract Sum (Rs.Milion)
1	1737	Road Development Authority	Construction of Bridge on Meepe-Ingiriya Road in Kalutara District.	4
2	1743	Road Development Authority	“Reconstruction of bridge no. 5/2 of Maradagahamulla - Badalgama Road”	4
3	1744	Road Development Authority	Reconstruction of Bridge no. 7/5 on Nayapamulla - Unanwita - Batuwangala Road	4
4	1755	Road Development Authority	Construction of Bridge across Dehiwala canal	15.50
5	1762	Colombo Municipal Council	Repair to Collapsed Sewer Line at Galle Road Wellawatta	32
6	1765	National Housing Development Authority	Construction of Septic tanks ,Toilets and Bath at 118 Garden Paradise Road	4.5
7	1769	Urban Settlement Development Authority	Refurbishment Works of Sahaspura Housing Complex	1.60
8	1794	Army Head Quarters Sri Lanka Army,Colombo	Dismantling & Removing of Antenna Tower at Army Head Quarters- Colombo	0.75
9	1795	Sri Lanka Air Force	Removal of Antenna Tower (Height 108’) at Airport Head Quarters-Colombo	0.60
10	1802	Road Development Authority	Construction of Temporary Tall Plaza at Kottawa for Southern Transport Development Project	42
11	1810	Colombo Municipal Council	Repair of Sewer Line at Dewanampiyathissa Mawatha	0.87
12	1811	Colombo Municipal Council	Repair of collapsed Sewer Line at chitra lane	3.35
13	1848	Ministry of Construction ,Engineering Services ,Housing and Common Aminities	Water Drainage System for ministry Stall at deyata kirula exhibition site	0.60
14	1849	Dehiwala Zoo.	Steel Stair case 02 of Animal nursery of Dehiwala zoo.	0.44
Total				114.21

** All values are without VAT

Construction Components Division

Key Members of the Management

- Deputy General Manager - Mr. A.A. Piyadasa
Actg. Manager (Yards) - Mr. A.P. Tennakoon
Actg. Manager (Projects) - Mr. L.A.L. Liyanarachchi



REVIEW OF PROGRESS

Total turnover of the Construction Components Group for the year 2012 was Rs. 1,255Mn. which was 80% of annual reported amount. For this achievement significant contribution was given from construction projects amounting to Rs. 469Mn. At the same time specially precast yard at Ekala, Ratmalana & Sleeper production yard Dematagoada also contributed mainly for this achievement. Dematagoada precast yard was successfully manufactured 100,000 no of concrete sleepers to Sri Lanka Railways during the year.

Net operating profit of the group was Rs. 64Mn. Which was 9%. declined compared with budgeted figure of Rs.70Mn. All precast yards were able to generated profit except Bricks & Carpentry yard Dankotuwa & precast yard Peliyagoda, Which was closed down in March 2012 precast yard Peliyagoda owing to commence work of the proposed Theme park project.

Major Activities

- Pre – Cast Concrete Elementry Production of Bridge Beams, Clay Bricks, Interlocking Concrete Blocks & Cement sand Blocks
- Manufacturing of Railway Sleepers
- Construction of Pre fabricated Concrete Building & Housing
- Construction of Cost Effective Housing
- Construction of Bridges, Roads, etc.....

Projects Completed in 2012

No	Client	Project Description	Project Cost (Rs.Million)
1	Urban Settlement Development Authority	Proposed 48 wattle five storied low income housing scheme stage II at baseline Mawatha, Borella	124.9
2	Road Development Authority	Construction of culverts on SomawathiyaSeruwavila Road - From (22+000)km to (32+100) km	40.48
3	Road Development Authority	Construction of culverts on SomawathiyaSeruwavila Road - From (13+500)km to (22+000) km	38.13
4	Road Development Authority	Construction of culverts on SomawathiyaSeruwavila Road - From (6+900)km to (13+500)km	35.43
5	Ministry of Economic Developemnt	"Construction of three storied building for Babusalam Muslim Maha Vidyalaya - Pasyala."	34.45
6	Ministry of Economic Developemnt	Proposed alterations & additions for existing MOH building at Naiwala & Paththaduwana '	12.41
7	Ministry of Economic Developemnt	Proposed alterations & additions for existing MOH building at Walgammulla & Horagollagama	13.26
8	Ministry of Economic Developemnt	Proposed alterations & additions for existing MOH building at Meewitiya & Maligatanne	18.59
9	Provincial Director of Health Service, NW province	Construction of M.O.H. Building - Stage II-Phase I & Phase II at Arachchikattuwa	30.5
10	Ministry of Economic Developemnt	Proposed alterations & additions for existing MOH building at Gongithota	12.2
11	Road Development Authority	Construction of Bridge on 26/3 on Badagama - Hambegamuwa- Kaltota Road	30.41
12	CSR Project	Construction of Proposed Bus Halt at Sri Jayawardanepura Mawatha Battaramulla.	2.51
13	Urban Settlement Development Authority	Proposed improvement to the playground at Sri Wickramapura, Mattakkuliya	4.7
Total			397.97

** All values are without VAT

Awarded Projects in 2012

No	Client	Project Description	Project Cost (Rs.Milion)
1	Road Development Authority	Construction of Bridge on 26/3 on Badagama - Hambegamuwa- Kaltota Road	30.41
2	Urban Settlement Development Authority	Proposed Housing project for Relocation of Underserved settlements, Angulana-Stage II	485.00
3	Girls' High School mount Lavinia	Proposed Indoor stadium complex at Girls' High School mount Lavinia - phase I	29.48
4	Urban Settlement Development Authority	Construction of proposed housing project at Lunawa	875.00
5	Milco (Pvt) Ltd	Milco Milk Chilling centre , Anuradhapura road, Nochchiyagama	7.88
6	NHDA	Construction of proposed five storied Low income Housing Scheme at soysapura	40.00
7	Urban Settlement Development Authority	Proposed Improvement to the playground at Sri Wickramapura, Mattakkuliya.	4.70
8	Ministry of Economic Development	Proposed Maternity Clinic Building at Al-deniya.	13.41
9	Tissa Vidyalaya	Construction of proposed three storeyed pre-cast building for Tissa Vidyalaya, Kalutara - Stage II	28.20
10	Ministry of Economic Development	Proposed Maternity Clinic Building at Waneluwawa.	14.20
11	Ministry of Economic Development	Proposed Maternity Clinic Building at Meethirigala.	14.61
12	Ministry of Economic Development	Proposed Maternity Clinic Building at Ran-muthugala.	15.64.
13	Ministry of Economic Development	Proposed Maternity Clinic Building at Kinigama	14.85
14	Ministry of Economic Development	Proposed Maternity Clinic Building at Thalagama	14.38
15	Ministry of Economic Development	Proposed Maternity Clinic Building at Dewalapola	12.19
16	Ministry of Economic Development	Proposed Maternity Clinic Building at Minuwangoda	15.65.
Total			1615.6

*** All values are without VAT*

Consultancy Division

Key Members of the Management

- Deputy General Manager - Mr. M.D. Pathmasiri
- Chief Engineer (Designs) - Mr. M.D. Pathmasiri
- Chief Architect - Ms. Dharshini Gamage
- Chief Quantity Surveyor - Mr. L. Ramanayake
- Senior Chief Engineer (Electrical)- Mr. S. S. Wickramasinghe
- Senior Architect - Mr. Hysinth Ranasinghe
- Senior Architect - Ms. Rangika Alwis
- Senior Architect - Mr. W.P.Sudharshana
- Senior Engineer - Mr. D.T. Rajasekaran
- Senior Engineer - Mrs. Nirmali Jayakody
- Senior Engineer - Mr. J.C. Kannangara
- Senior Quantity Surveyor - Ms. Udeni Thalagalaarachchi
- Senior Quantity Surveyor - Ms. Menaka Jayasinghe



REVIEW OF PROGRESS - 2012

The Consultancy Division has shown a steady increase in its turnover during the year 2012, Division recorded a turnover of Rs. 289.9 million during the year 2012 compared with Rs. 271.4 million in 2011. Consultancy fees income of the division has increased by 6.8%

Net operating profit of Rs. 124.5 million was registered against Rs. 124.3 million in 2011. Major Consultancy projects in year 2012 are Housing Project at Lunawa. and Housing Project at Kalinga Mawatha, Kirulapona.

Most of the Consultancy Projects undertaken were for provision of Consortium Consultancy Services including Architectural, Structural, Electrical and Specialist Services such as Air Conditioning, Fire Fighting and Quantity Surveying. However, there were several projects for which only Engineering Design Services were sought by clients such as Urban Development Authority.

Major Activities

Building and Civil Engineering Consultancy Works

Projects Started in 2012

No	Job No	Project Description	Estimated Cost of Construction (Rs.Million)	Total Consultancy Fee (Rs.Million)
1	[2012-01]	Proposed Hostel Stage V, Makandura for Wayamba University	71.56	4.29
2	[2012-02]	Proposed Hostel Stage VI, Makandura for Wayamba University	60.33	3.62
3	[2012-03]	Proposed Building Complex for Faculty of Agriculture , Rajarata University at Anuradhapura	110.19	6.61
4	[2012-31]	Housing Project at Lunawa for Urban Settlement Development Authority	875	21.87
5	[2012-43]	Proposed 5-Storeyed Low income Housing Project for National Housing Development Authority at Soysapura	39.79	0.99
6	[2012-47]	Proposed Kalinga Mawatha Housing Scheme for CMC at Kirulapona	1100	17.60
7	[2012-52]	Proposed 500 Nos. Walk up apartments at Base Hospital Premises, Mulleriyawa for UDA	1099.69	32.99
8	[2012-54]	Proposed Development of Thalawakale Bus Stand for National Transport Commission	28.59	1.71
9	[2012-61]	Proposed Library Building for Faculty of Engineering, University of Ruhuna	86.59	5.01
10	[2012-66]	Deyata Kirula - Ampara	195.5	7.82
11	[2012-67]	Proposed Building for Faculty of Applied Sciences at Vavuniya Campus for University of Jaffna	42.06	2.52
12	[2012-72]	Proposed Lecture Hall for Faculty of Business Studies at Vavuniya Campus for University of Jaffna	44.91	2.51
13	[2012-76]	Proposed Paddy Storage Warehouse at Maradagahamula	362.23	9.05
14	[2012-77]	Proposed Swimming Pool and Play Ground at Maharagama, Nawinna for Western Provincial Ministry of Transport, Sports and Youth Affairs, Art and Cultural Affairs, Co-operative Development, Food Supplies and Distribution and Rural Development Ministry	75	4.50
15	[2012-80]	Proposed Four Storeyed Administration Building for the Gampaha Wickramarachichi Ayurveda Institute - University of Kelaniya	68	2.50
Total			4259.44	123.59

No	Job No	Project Description	Estimated Cost of Construction (Rs.Million)	Total Consultancy Fee (Rs.Million)
16	(2010-06)	Proposed Four Storied Building (Block C) for District Secretariat at Matara Fort	123.72	7.42
17	(2011-15)	Proposed 3 storied Building for Babusalam Maha Vidyalaya at Meerigama , Pasyala	49.20	2.95
18	(2008-82)	Air Condition & Refrigeration Building for Ceylon German Technical Training Institute at Moratuwa.	51	3.06
19	(DM-968)	Head Quarters Building for Sri Lanka Customs	6047	302.35
20	(2007-44)	Faculty of Business Studies and Finance - Stage I Kuliypitiya for Wayamba University	95.78	5.75
21	(2011-46)	Bachelor Staff Quarters for Academic Staff at Makandura for Wayamba University	27.42	1.64
22	(D/M/1049)	Proposed Building for Faculty of Music for University of Visual & Performing Arts- StageIII(PhaseI)-(4th and 5th floors). Colombo.	112.63	6.76
23	(2010-76)	Proposed Auditorium at 3rd Floor Level of the Existing Building for Legal Draftsman's Department, Hulftsdorp, Colombo	12.83	0.77
Total			4259.44	123.59

Projects Completed in 2012

No	Job No	Project Description	Estimated Cost of Construction (Rs.Million)	Total Consultancy Fee (Rs.Million)
1	DM-1,315	Construction of Library Building for the Gampaha Wickramarachchi Ayurveda Institute	64.50	3.90
2	2010-28	Wet Toilet at Dehiwala zoo	9.83	0.49
3	2010-28	Animal Nursery Dehiwala Zoo	29.90	1.49
4	2009-39	Construction and Completion of Clinical Building Complex of Faculty of Medicine & Allied Science for Rajarata University at Anuradhapura	714.68	42.88
5	DM-1,089	Construction and Completion of Proposed Building Stage I (Balance work) for Faculty of Commerce & Management - University of Kelaniya	157	9.42
6	2010-80	48 Watta five storied low income Housing Scheme Stage II at Baseline Mawatha, Borella for NHDA	124.90	5
7	2008-17	Proposed Building (Stage II) for production, packing and storing of Pharmaceuticals for SPMC at Rathmalana	82.40	4.94
Total			1183.21	68.12

Equipment & Machinery Division

Key Members of the Management

Deputy General Manager	-	Eng. M.D.B Abeyrathne
Manager (Operations)	-	Eng. N.S Sivanathan
Manager (Maintenance)	-	Eng. S Janathakumar
Accountant	-	Ms. Manel Priyanthi de Silva



REVIEW OF PROGRESS

Background

The Division mainly owns heavy earth moving machinery as Motor Graders, Dozers, Excavators, Loader Backhoes, Road Rollers, Transporter Lorries and presently operating 20 Island wide dispersed operating centers and 05 workshops provide the service to the whole nation and the leadership comes through the D.G.M (E &M Division) to the downstream through Manager (Operations), Manager (Maintenance) that provides the Mechanical Engineering knowledge being Mechanical Engineers

Functional Activities

The Division provides services from construction equipment & machineries to all Government, non-government and Private sector Organizations. In addition to that directly undertakes construction jobs related to machinery deployment and minor civil constructions where jobs to increase the total revenue of the division.

Also, provide the corrective and preventive maintenance services internal & external customers for all construction equipment & machinery from the islandwide workshop network.

E & M Division's strengths, capability, capacity and possible contribution for the sustainable development of the country.

- Contribution to sustainable development of Agriculture infrastructure (Renovation of water tanks, canals and other land preparation works) to the country.
- Active participation and contribution for the rural road network development.
- Soil conservation projects and waste management projects.
- Construction and renovation of bunds.
- Waste water & storm water harvesting projects .
- Identify the emerging natural disasters, introduce innovative preventive programs and implementation of same (flood, drought, Tsunami, temperature increase, sea level rise, earth slips and beach & soil erosion etc.) to enhance the wellbeing of the all being of the country.

Fleet of Machinery & Equipments which are under operation

Machinery

01.	Dozer (D4)	-	05 NOS.
02.	Dozer (D5)	-	01 NO.
03.	Motor Grader	-	19 NOS.
04.	Vibrating Roller	-	30 NOS.
05.	Loader Backhoe	-	02 NOS.
06.	Loader Backhoe (JCB)	-	02 NOS.
07.	Excavator (320 C)	-	02 NOS.

	T o t a l		61 NOS.
			=====

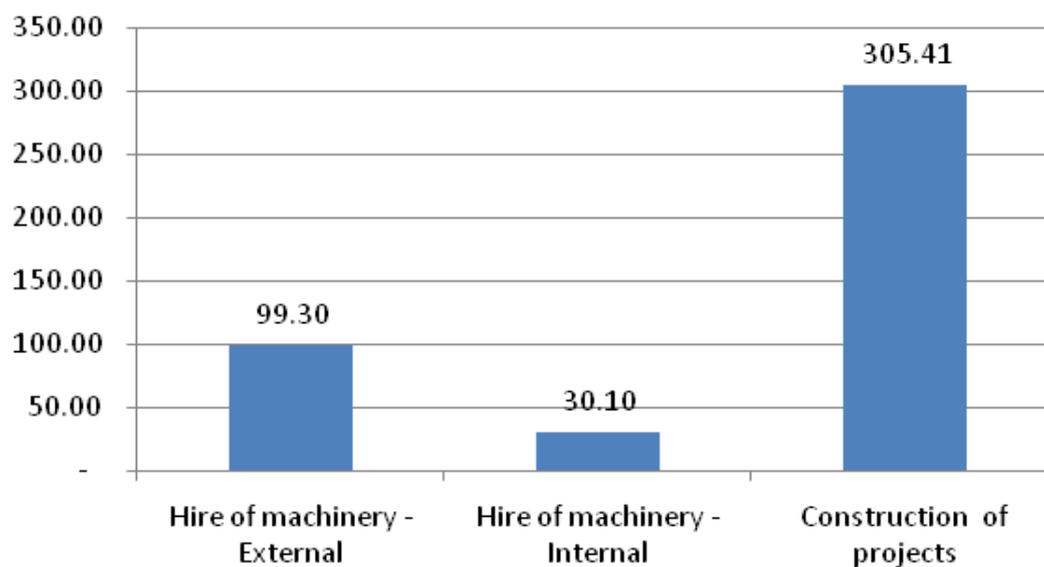
Financial Activities

Turnover in 2012

Hire of Machinery - External	-	Rs. 99,301,325.00
Internal	-	Rs. 30,100,238.00
Construction of Projects	-	Rs.305,414,651.00

	T o t a l	Rs.434,816.214.00
		=====

Turnover for the year 2012



Projects carried out year 2012

No	Site No	Client	Project Description	Project Cost (Rs.Milion)
1	1800	NHDA	Maligawatte Revamping Project	160.00
2	1855	Department of wild Life Conservation	Hunuwilagama -Bogoda ,Malwatu Oya , Jungle Clearing & Power Fence	7.83
3	1857	Department of wild Life Conservation	Wilpattu National Park -New Road Thanthirimala 100Km	13.10
4	1864	Department of wild Life Conservation	Horopothana Elephant Barrier with Electric Fence- Extra work	14.71
5	1864	Department of wild Life Conservation	Horopothana Elephant Barrier with Electric Fence	164.81
6	1871	Urban Council -Point Pedro	Reconstruction of Arthiyady DC Channel at Point -Pedro.	18.80
7	1882	Department of wild Life Conservation	Renovation of Thantirimale Entrance to Tekkma,Kockmote (35.1Km)	19.50
8	1896	Municipal Council - Jaffna	Reconstruction of Odai Veethy,Sivaprakasam Veethy & by Lanes Channel & Drainage -11	12.40
9	1897	Municipal Council	"Reconstruction of Swamiar Veethy,Bylammes Uppukulam Veethy(3rd Cross Street) Road Drainage & Culvert"	6.53
10	1898	Municipal Council - Jaffna	Reconstruction of Hindu Ladies Lane,Aththysoodi Veethy Convent Lane and Gnanavairavar Front Lane -15	6.41
11	1906	Pradeshiya Sabha Kanthale	Construction of Crematorium - Kanthale	15.84
12	1908	National Water Supply & Drainage Board	KONDACHCHI Water Supply Scheme	25.56
13	1909	National Water Supply & Drainage Board	Kumana Bagura	31.77
		Toatal		497.26

** All values are without VAT

Special Operation Division

Key Members of the Management

Deputy General Manager	-	Mr. U.R. Hettiarachchi
Engineer (Civil)	-	Mrs. G. J. Peter
Engineer (Civil)	-	Mr. L. R. Abhayarathna
Engineer (Civil)	-	Mr. D. G. S. Senadheera
Engineer (Civil)	-	Mr. M. M. Prasanna
Engineer (Civil)	-	Mr. T. D. K. Chinthaka
Engineer (Mechanical)	-	Mr. L. P. Palihakkara
Forman	-	Mr. M. M. L. W. B. Manamperi
Quantity Surveyor	-	Mr. G. M. S. Samarathunga
Quantity Surveyor	-	Mr. M. D. Sriwardhana
Quantity Surveyor	-	Mr. W. G. V. N. Kumara
Quantity Surveyor	-	Ms. R. N. N. Wijerathne
Quantity Surveyor	-	Mrs. H. D. D. P. Kodithuwakku
Civil Superintendent	-	Ms. C. I. P. Wijerathne
Draughtman	-	Mr. G. R. C. Kulathunga
Draughtman	-	Ms. D. S. Nelumdeniya
Accountant	-	Ms. M. D. D. Dayarathne-



REVIEW OF PROGRESS

Special Operation Division (SOD) was formed in mid of 2011 specifically to undertake provincial road carpeting in three main districts Rathnapura, Galle and Mathale. The client Ministry of Economic and Development had awarded 180 provincial road projects to State Engineering Corporation and the entire scope of work is handled by SOD with the approximate contract value of Rs 13, 395.75 Mn.

The total turnover of the division during the year 2012 was Rs 3, 106 Mn and it is a significant increase as compared with the turnover of 2011, which was Rs 625 Mn. Net operating profit of the division is Rs. 399.6 Mn, which is an increase of Rs. 199 Mn as compared with the budgeted figure of Rs. 200 Mn. By the end of year 2012 division had completed 420 km carpeting work of over 82 roads.

In addition, the division has received 101 machineries such as asphalt and crusher plants, asphalt pavers, backhoe loaders, wheel loaders, motor graders, road rollers, angle broomers etc. The asphalt & crusher plants were installed as permanent sites in Galpatha, since the test run was successful asphalt & crusher production work will be commenced in the year 2013. The asphalt produced by the plant is planned to be utilized for the carpeting work of the provincial roads projects.



Ongoing Projects

Name of the Project	Electorate	Number of Project	Actual Length (Km)	Contract Value (Rs. Mn.)
Galle Provincial Road Carpeting Projects	Hiniduma	4	27.75	522.12
	Karandeniya	7	32.41	465.56
	Ambalangoda	8	42.90	758.56
	Habaraduwa	12	37.36	677.94
	Balapitiya	8	31.56	776.78
	Baddegama	7	44.36	126.91
	Rathgama	18	40.30	770.86
	Galle	18	23.02	447.34
	Akmeemana	13	37.83	663.55
	Elpitiya	8	29.00	724.31
	TOTAL	103	346.49	5,933.93
Rathnapura Provincial Road Carpeting Project	Rathnapura	5	27.35	483.70
	Eheliyagoda	11	48.59	1,229.94
	Nivithigala	4	28.25	572.55
	Kalawana	7	24.57	531.44
	Kolonna	8	26.72	712.89
	Rakwana	5	31.22	564.43
	Palamadulla	7	34.58	803.90
	Balangoda	5	15.27	360.50
	TOTAL	52	236.54	5,259.35
Mathale Provincial Road Carpeting Project	Matale	7	36.81	601.84
	Dambulla	4	29.10	494.33
	Laggala	5	27.78	532.14
	Rattota	9	33.52	574.16
	TOTAL	25	127.20	2,202.47
	TOTAL	180	710.23	13,395.75

Physical Progress of Projects

Item	District Name	Total Length (km)	Completed Length (km)	Carpet Completed Projects (Nos)	Physical Progress %
1	Galle	350.13	209.67	60	73%
2	Rathnapura	236.54	144.3	17	69%
3	Mathale	127.20	65.35	5	62%
	TOTAL	713.87	419.32	82	68%

Human Resources & Administration Division

Key Members of the Management

Mr. S.P. Lokunannandige	-	Deputy General Manager (HR & A)
Mr. E.A.R. Edirisinghe	-	Manager -Development & Training
Mrs. O.D.G.S.Jayaweera	-	Legal Officer
Mrs. H.B.R.S.S. Basnayake	-	Assistant Legal Officer
Mr. K.L.M. Samarathunga	-	Assistant Personnel Manager
Mr. Major.D.N.R.Peiris	-	Chief Security Officer
Mr. Gamini Makolage	-	Administrative Officer
Mr. Thushara Gunasekara	-	Administrative Officer
Ms. Tharukshi Liyanage	-	Administrative Officer
Mr. I.D. Dayananda	-	Transport Officer
Mr. Nimal Mendis	-	Public Relations Officer

1. The staff of the establishment was 3022 in the year 2012 out of which 2090 permanent employees and 911 contract basis. There were 21 casual employees.
2. The permanent staff members was increase by 490 amalgamation of National Equipment and Machinery organization to SEC.
3. The following table shows the distribution of the Corporation staff compared with the previous year. It does not contain Casual Employees.
4. Internal recruitments and post award had been given with the approved granted on 25-11-2009

Description		2012		2011		2010	
		Permanent	Contract	Permanent	Contract	Permanent	Contract
1	Chairman/ Vice Chairman	-	2	-	2	-	2
2	Working Director	-	1	-	1	-	1
3	General Manager	-	1	1	-	1	-
4	DGM (Construction)	1	-	1	-	1	-
5	DGM (Construction Components)	1	-	1	-	1	-
6	DGM (Mechanical and Electrical)	-	1	-	1	-	1
7	DGM (Consultancy)	-	-	1	-	1	-

8	DGM (HR and Administration)	-	1	-	1	-	1
9	DGM (Finance)	-	1	1	-	1	-
10	DGM (Special Operations Unit)	-	1	-	1	-	-
	DGM (Machinery)	1	-	-	-	-	-
11	Senior Consultant (Research and Development)	-	-	1	-	-	-
12	Manager (Construction)	1	-	1	-	1	-
13	Chief Engineer (Planning)	1	-	1	-	1	-
14	Chief Engineer (Electrical)	-	-	-	1	-	1
15	Chief Engineer (Mechanical)	1	-	-	1	-	1
16	Chief Valuer	-	-	-	-	-	-
17	Senior Engineer (Air Conditioning)	-	1	-	1	-	-
18	Engineer (Information Technology)	-	-	-	-	-	1
19	Engineer (Civil Mechanical Electrical)	75	78	76	59	48	97
20	Architect	19	13	21	10	13	15
21	Quantity Surveyor	09	20	11	16	04	25
22	Accountant	06	05	03	05	03	05
23	Administrative Officer	22	03	03	03	03	02
24	Other Executive Officer	29	74	20	24	37	15
25	Senior Superintendent (Civil Mechanical Electrical)	24	-	21	-	-	-
26	Superintendent (Civil Mechanical Electrical)	37	141	26	141	27	123
27	Designer/Assistant Quantity Surveyor	48	108	50	64	42	34
28	Foreman	45	42	37	31	25	31
29	Clerk and parallel grades	248	157	194	183	175	142
30	Security Servant	142	23	109	25	116	12
31	Semi-trained Employee	90	28	76	11	52	07
32	Trained Employee	666	69	459	62	419	42
33	Untrained Employee	624	141	580	81	687	53
34	Sub total	2090	911	1694	724	1659	610
	Grand Total		3001		2418		2269

5. After approval of allocations the staff for the 2012 year end was as follows

I	Approved staff to 2009-11-25	1961
II	Approved staff to 2011-02-14	107
III	Approved staff to 2011-12-23	181
IV	Approved staff to 2012-06-22	02
V	Approved staff to 2012-10-25	260

		2539

6. Also 490 Employees from National Equipment and Machinery Organization was enlisted to State Engineering Corporation (the approved staff was 344 and the rest was enlisted as person to hold basis)

7. All internal promotions pertaining to year 2012 have been completed.

I.	Engineers(Civil)	25
II.	Architects	03
III.	Quantity Surveyor	01
IV.	Legal Officer	01
V.	Accountant	03
VI.	For the post of Assistant Qs/ Management Asistant/ KKS/ Security Guard in ternal examina tions were held but pro motions were yet to given.	

8. Technical allowance of Rs.15,000/= was granted to Engineers, Architects, QS and Rs.5000/= technical allowance were granted to Superintendent (civil, Mechanical, Electrical)

9. For those who were not granted with technical allowances were given with Rs.4000/= special allowance for the permanent employees and Rs.2000/= for the contact basis employees.

10. Special New Year allowance of Rs.5000/= were granted for all the employees.

11. Annual Bonus of Rs.10,000/= were granted for all employees.

12. Distress loan of Rs.100,000/= were given to 25 employees.

13. According to Public Enterprise circular employees who reached age of 57 were renewed with the service considering the performance basis until age of 60.

14. In collaboration with NAITA < ICTAD to receive the national vocational qualification certificate for trained employees working in different capacities.

15. Those who were lack with qualifications were directed to sit for the examinations and given with designation for the successful candidates.

16. After the amalgamation of NEMO to SEC, the salary scales of the NEMO employees were adjusted positively with the SEC salary scales accordingly the Public Enterprise Circular no 30.

17. After the amalgamation all the NEMO employees were granted with recruitment letters that they were enlisted to SEC.

18. During the enlisted process many issues were raised and an independent panel was appointed to consider the appeals and a report were compiled based on the observations.

19. Promotions were granted with successful candidates of Equipment and Machinery division.

20. In the technical division(Engineers, Architects, QS) posts were given with Board approval for the permanency.

21. Even though worked under skilled employee category and yet designation title were not granted, those of 9 unskilled employees were granted with designation titles.

22. Permanency interviews were called for the superintendent (Civil, Mechanical, Electrical) posts.

23. Interviews were called to fill the permanent positions of Chief Security Officer and Accountants.

24. Legal Section

I. R.E/197 case District court Bandarawela

II. 533/2009 case Ampara Labor tribunal

III. 57914/M.R case District court Colombo

Verdicts of those three cases were given on behalf of positive result to SEC.

25. Trainings were given to 385 employees under 66 training programs during the year 2012.

26. In the year 2012, N of 188 trainees were recruited as trainees from government institutes.

27. The total employees of SEC up to 31 December 2012 was as follows

I. Permanent	2090
II. Contract basis	911
III. Casual	21
Total	3022

28. The staff of the Human Resources and Administration division was as follows,

Accordingly there was a staff of 63 engaged in duties of the Human Resource and Administration division during the year 2012.

Internal Audit Division

Key members of the Management

Mr. M.H.Senaweera – Chief Internal Auditor

Internal Audit Report

Internal Audit Plan approved by the Board of Directors for the year 2012 has been forwarded to the Auditor General for his consent.

During the year 2012, 68 audit reports were submitted to the management by the Chief Internal Auditor. The Summarized audit reports produced in each quarter have been given to the Audit & Management Committee.

Three Audit & Management Committee meetings were held during the year 2012 and a summarized copy of the internal audit reports has been sent to the Auditor General Department.

Pre Audit Examinations

Pre audit examinations have been carried out for the employees' final payments (210 Nos), employees' gratuity payables (45 Nos), no claimed certificates (207 Nos) and sub contractors final payments (263 Nos).

Internal audit officers had attended to 15 condemn board meetings and 149 bid openings.

Finance Division

Key Members of the Management

Deputy General Manager (Finance) -	Mr. M.K. Jayantha
Acting Manager (Finance)	- Mr. P.M.A. Karunasinghe
Accountant (Payments)	- Mrs. B.L.K. Dayani
Accountant (Financial Accounting)-	Ms. T.S. Apsara Rohan
Accountant (Salaries & Wages)	- Ms. A. Nilupa Dilsara
Accountant (Construction)	- Ms. K.W.M.L.D. Keerthiratne
Accountant (Construction)	- Mr. H.K. Bandula Yodheeshwara
Accountant (Mech. & Elect.)	- Ms. S.A.M.A.B.J.K. Senarathna
Accountant (Construction Components)-	Mr. K.B.G.H.N. Kariyawasam
Accountant (Consultancy)	- Mr. M.M. Anorathna
Accountant (SOD)	- Ms. Dinesha Dayarathna
Accountant (Equip. & Machinery)-	Ms. Manel de Silva
Accountant (Equip. & Machinery) -	Ms. A.L. Samanthi Perera

Review of Progress

In 1962 State Engineering Corporation of Ceylon was established with initial Capital of Rs. 1.0 Million with a contribution of Rs 400,000 as per the Audited Accounts as of 31.03.1963. Government had made it's further contributions up to 70.0 million, Which currently maintaining, with in 12 years in five installments as Rs. 2,769,850 in 1966 Rs. 14,990,150 in 1968 9,835,000 in 1969 Rs. 2,005,000 in 1971 Rs. 40,000,000 in 1974. With the minimal contribution of the stake holder, in the year 2012, the year of event in the commemoration of 50th anniversary SEC has been travelling on her path with numerous ups and downs being financial autonomous venture belong to Sri Lanka Government. It could developed it's retained earning thro her performance Rs. 991.0 million along with Non Current Assets at market price of Rs. 7.9 billion with Current Assets as Rs 9.8 billion.

Financial Reports

- Balance Sheet
- Income Statement
- Statement of Changes in Equity
- Cash Flow Statement
- Notes to the Financial Statements & Accounting Policies

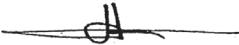
Balance Sheet

		2012 Rs.	2011 Rs.
	NOTES		
Assets			
Non-current Assets			
Property, Plant and Equipment	2	7,920,043,178	250,571,616
Investments in Shares (12,000 shares at Rs.100.00 in HDFC)	3	607,200	16,800,000
Capital Work in Progress		48,647,500	7,891,609
		7,969,297,878	275,263,225
Deferred Tax		35,158,534	37,026,852
Current Assets			
Inventories	04	532,802,115	600,946,877
Trade & Other Receivables	05	6,082,029,258	4,689,700,775
Other Current Assets	06	3,026,130,069	2,126,282,571
Other Current Financial Assets	07	11,823,325	14,635,600
Cash & Cash Equivalents	08	212,231,584	271,650,960
		9,865,016,351	7,703,216,783
Total Assets		17,869,472,764	8,015,506,859
Equity and Liabilities			
Capital and Reserves			
Voted Capital		70,000,000	70,000,000
Capital Accretion Reserves		27,738,806	27,738,806
Revaluation Reserves		7,728,678,484	-
General Reserves		3,602,690	3,635,162
E & M Capital		(167,291,865)	(152,287,728)
Available for sale reserves		(592,800)	15,600,000
Accumulated Profit/(Losses)		991,008,588	825,496,824
Total Equity		8,653,143,903	790,183,064
Non-Current Liabilities			
Long Term borrowings		30,800,000	30,800,000

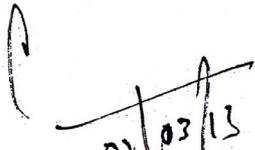
Interest Bearing Borrowings	09	2,643,857	9,472,634
Retirement Benefit Obligation	10	205,299,150	156,905,063
		238,743,007	197,177,697
Current Liabilities			
Treasury Loan Interest			
Trade Payables	11	4,861,093,314	4,228,067,273
Interest Bearing Borrowings	09	6,692,189	5,614,023
Other Current Liabilities	12	3,514,497,225	2,656,549,014
Bank Overdraft	13	595,303,126	137,915,787
		8,977,585,854	7,028,146,097
Total Equity and Liabilities		17,869,472,763	8,015,506,859

Directors certificate in terms of Public Enterprises Circular No PED 45 The Accounting statements on pages 02-03 and Notes on pages 05 to 14 from an integral part of these Financial Statements . The Board of Directors is responsible for the preparation and presentation of these Financial Statements .These Financials Statements were approved by the Board of Directors and signed on their behalf.

Chairman


B. K. JAGATH KUMARA PERERA
 CHAIRMAN / CEO
 STATE ENGINEERING CORPORATION OF SRI LANKA

Director


 01/03/13
DIRECTOR
 STATE ENGINEERING CORPORATION OF SRI LANKA

*STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2012*

		2012 Rs.	2011 Rs.
Revenue	17	7,951,205,894	5,473,848,679
Cost of Sales		7,297,286,157	4,946,759,636
Gross profit	18	653,919,737	527,089,043
Other Operating Income and Gains	19	25,910,734	22,187,333
Administrative Expenses	20	(439,624,663)	(213,931,054)
Results from operating activities		240,205,808	335,345,322
Finance Cost	21	(17,712,733)	(9,763,078)
Finance Income	22	3,415,480	22,194,710
Net Finance Cost		(14,297,253)	12,431,632
Net Profit / (Loss) before tax expenses		225,908,555	347,776,954
Income tax expense		19,918,670	46,822,600
Deferred Tax		1,868,318	(35,080,670)
Net Profit / (Loss) after tax expenses		204,121,567	336,035,024
Other Comprehensive Income			
Net change in Fair Values of AFS investments		(16,192,800)	10,200,000
Surplus On Revaluation of Property Plant & Equipments		7,728,678,484	-
Total Comprehensive income for the year		7,916,607,251	346,235,024

The accounting policies and notes on pages 06 through 27 form an integral part of the financial statements.

Statement of Changes in Equity

	Voted Capital Rs.	Capital Accretion Reserve Rs.	Revaluation Reserve Rs.	General Reserve Rs.	E & M Capital Rs.	Available for sale reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st December 2010	70,000,000	27,738,806	-	3,635,162	-	-	488,543,167	589,917,135
Effects of correction of prior period errors	-	-	-	-	-	-	(1,027,549)	(1,027,549)
Balance as at 1st January 2011 (Restated)	70,000,000	27,738,806	-	3,635,162	-	-	487,515,618	588,889,586
Application of Deferred Taxation	-	-	-	-	-	-	1,946,182	1,946,182
Adjustment due to first time adoption of SLFRS/LKAS	-	-	-	-	-	5,400,000	-	5,400,000
Balance as at 1st January 2011 (Restated)	70,000,000	27,738,806	-	3,635,162	-	5,400,000	489,461,800	596,235,768
Net effect from amalgamation	-	-	-	-	(152,287,728)	-	-	(152,287,728)
Net change in fair value of AFS financial assets	-	-	-	-	-	10,200,000	-	10,200,000
Profit for the period	-	-	-	-	-	-	336,035,024	336,035,024
Balance as at 31st December 2011	70,000,000	27,738,806	-	3,635,162	(152,287,728)	15,600,000	825,496,824	790,183,064
Balance as at 1st January 2012	70,000,000	27,738,806	-	3,635,162	(152,287,728)	15,600,000	825,496,824	790,183,064
TFR of Treasury grants to the relevant period which cost have been recognized	-	-	-	-	(15,004,137)	-	-	(15,004,137)
Adjustment in respect of Overstatement of Stock	-	-	-	-	-	-	(38,609,803)	(38,609,803)
Effects of correction of prior period errors	-	-	-	-	-	-	-	-
Machinery Repair Funds	-	-	-	(32,472)	-	-	-	(32,472)
Comprehensive Income for the period	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	204,121,567	204,121,567
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Net change in fair value of AFS financial assets	-	-	-	-	-	(16,192,800)	-	(16,192,800)
Revaluation of Property Plant & Equipments	-	-	7,728,678,484	-	-	-	-	7,728,678,484
Balance as at 31st December 2012	70,000,000	27,738,806	7,728,678,484	3,602,690	(167,291,865)	(592,800)	991,008,588	8,653,143,903

Cash flow Statement as at 31.12.2012

Item Description	2012	2011
Total Comprehensive income for the year	7,916,607,251	
Revaluation & fair Value adjustment	(7,712,485,684)	
Net Profit After Tax	204,121,567	
Add Differed Tax & Income Tax expenses	21,786,988	
Net Profit Before Tax	225,908,555	252,920,612
Interest - Expences	17,712,733	9,763,078
Interest - Income	(3,415,480)	-22194710
Dividends		(54,000)
Prior Year Adjustment	(15,869,110)	
Net profit from operation before provisions	224,336,698	240,434,980
Net Assets (Nemo Acquisiution)		(152,287,728)
Net of PPE., Current Assets & Liabilities		152,287,728
Adjustment for ;		
Depriciations	66,472,758	68,224,188
Provision for bad and doubtful debtors	24,134,787	22,508,490
Provision for Accrued expences	141,623,360	(15,377,165)
Provision for Obsolete stocks & receivbles	8,972,476	8,100,423
Provision for Gratuity	62,754,760	50,980,079
Operating Profit before working capital changes	528,294,839	374,870,995
Increase in inventories	21,394,983	(142,853,521)
Increase in trade debtors & other receivables	(2,312,885,302)	(2,090,062,775)
Increase in trade creditors & other payables	1,329,458,150	1,807,110,858
Operating Profit before payment of gratuity	(433,737,330)	(50,934,443)
less: Gratuity paid	(14,360,673)	(16,652,636)
Net cash flow from operating activities	(448,098,003)	(67,587,079)
Cash flow from investing activities		
Acquisition of fixed Assets	(40,521,843)	(33,776,432)
Disposal of Fixed Assets	33,256,007	
Capital WIP	(40,755,892)	(1,853,499)
Dividend received (Differed Tax)	-	54,000
Interest received	4,670,607	19,381,500
Net cash flow from investing activities	(43,351,121)	(16,194,431)
Cash flow from financing activities		
Interest paid	(17,712,733)	(9,763,078)
Lease payments	(7,644,858.00)	(5,904,575)

Revocation of Fixed Deposit		6,484,484
Net cash flow from financing activities	(25,357,591)	(9,183,169)
Net decrease in cash and cash equivalent	(516,806,715)	(92,964,679)
Net cash & Cash equivalent at the beginning	133,735,173	225,914,521
Net cash & Cash equivalent at the end	(383,071,542)	132,949,842
Represented as follows		
Cash at Bank & in hand	66,132,650	122,027,650
E&M Cash at Bank	1,260,113	14,907,256
Fixed Deposit - Short term	137,310,817	130,555,918
Doha bank C/A	-	2,474,805
Savings at Bank	4,896,894	900,000
Piece rate Imprest	333,985	
Cash Imprest	2,297,125	
Bank Over Drafts	(595,303,126)	(137,915,787)
Net cash & Cash equivalent at the end	(383,071,542)	132,949,842

Notes to the Financial Statements for the year ended 31st December 2012

01. CORPORATE INFORMATION

01.1 General

- (i) Reporting entity State Engineering Corporations was established under the State Industrial Corporation Act No.49 of 1957 on the 01st January 1962. The State Engineering Corporation function under the Ministry of Construction & Engineering Service and provides services in civil engineering construction, mechanical and electrical engineering, architectural and engineering consultancy services, manufacture of pre-cast components and building materials for civil engineering projects.
- (ii) The registered office of the State Engineering Corporation is located at No.130, W.A.D. Ramanayake Mawatha, Colombo 02

Summary of Significant Accounting Policies

General Policies

Basis of preparation

The financial statements have been prepared on a historical costs basis and are presented in Sri Lankan Rupees and all values are rounded to the nearest rupees.

Statement of compliance

The financial statements which comprise the statement of comprehensive income, statement of financial position, and the cash flow statement, together with the accounting policies and notes (the “financial statements”) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

For all 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) which were effective up to 31 December 2011. These financial statements for the year ended 31 December 2012 are the first financial statements the corporation has prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) immediately effective from 01st January 2011. These SLFRS/LKASs have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The effect of the transition to SLFRS/LKAS on previously reported financial performances, financial positions and cash flows of the Corporation is given in note 16 to the financial statements.

ACCOUNTING POLICIES

Changes in accounting policies

The changes to accounting policies have been applied consistently to all financial periods presented in these financial statements and in preparing the opening SLFRS/LKAS statement of financial position as at 01st January 2011 for the purpose of the transition to SLFRS/LKAS, unless otherwise indicated.

The accounting policy for subsequent measurement of property plant and equipments have been changed from cost model to revaluation model to provide reliable and more relevant information about the effects of transactions, other events or conditions on the corporation’s financial position.

The Accounting policy for subsequent measurement of retirement benefit obligation has been changed from calculation method mentioned in the gratuity act to Gratuity formula method to provide reliable and more relevant information about the effect of transaction, other event or condition on the corporation financial position.

Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

Events occurring after the end of the reporting period

All material events occurring after the end of the reporting period are considered and where necessary, adjustments have been made in these financial statements.

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Corporation require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the corporation's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amount of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

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 (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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.

Defined benefit plan - Gratuity

The cost of defined benefit plans- gratuity is determined using formula valuation techniques. The formula valuations involves making assumptions about discount rates, future salary increases, retirement age. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Defined contribution plan – EPF & ETF

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Corporations contribute the defined percentages of gross emoluments of employees to Employees' Provident Fund and to the Employees' Trust Fund.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- a) **Raw material** – at actual cost on first-in-first-out (FIFO) basis.
- b) **Finished goods & Work in progress** –at the cost of direct material, direct labour and appropriated proportion of fixed production overheads
- c) **Other Inventories** - At actual Cost

01.2.7 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

01.2.8 Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

01.2.2.9 Property, plant and equipment

Basis of recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Corporation and the cost of the asset can be reliably measured.

Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Corporation derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of

revaluation. 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 income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. 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 particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Corporation has adopted a policy of revaluing assets by professional valuers at least every 3 years.

De-recognition

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

Depreciation

Depreciation is calculated by using a 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 life of such assets.

The estimated useful lives of assets are as follows:

Assets	Years
Buildings	40
Plant and machinery	05
Furniture and fixtures	10
Motor vehicles	05
Office Equipments	05
Computers	05

The asset’s residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

01.2.2.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 01st January 2011, the date of inception is deemed to be 01st April 2011 in accordance with the SLFRS 1.

Finance Leases

Finance leases which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in

the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

01.2.2.11 Intangible assets

Basis of recognition

An Intangible asset is recognized if it is probable that future economic benefits associated with the asset will flow to the Corporation and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized, and expenditure is charged against income statement in the year in which the expenditure is incurred.

Useful economic lives, amortization and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

01.2.2.12 Foreign currency translation

Foreign currency transactions and balances in the financial statements are presented in Sri Lanka rupees, which is the Corporation's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the Corporation operates. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are affected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognized in line with the gain or loss of the item that gave rise to the translation difference.

01.2.2.13 Financial instruments — initial recognition and subsequent measurement financial assets

01.2.2.14. 1 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, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.

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

require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset. The Corporation's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

01.2.2.14. 2 Subsequent measurement

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

01.2.2.14. 3 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 or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the income statement. The Corporation evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Corporation is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Corporation may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

01.2.2.14. 4 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 amortized cost using the effective interest rate method (EIR), less impairment. Amortized 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 amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

01.2.2.14. 5 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Corporation has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

Amortized 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 amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

01.2.2.14. 6 Available-for-sale financial investments

Available-for-sale financial investments 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 measurement, available-for sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in the income statement. The Corporation evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Corporation is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Corporation may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Corporation has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

01.2.2.14 7 De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a Corporation of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Corporation's continuing involvement in it.

In that case, the Corporation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

01.2.2. 14. 8 Impairment of financial assets

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

of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Corporation of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

01.2.2.15 Financial Liabilities

01.2.2.3. 15. 1 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. Gains or losses on liabilities held for trading are recognized in the income statement. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

01.2.2.15. 2 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized 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 amortization is included in finance costs in the income statement.

01.2.2.15. 3 De-recognition

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

01.2.2.15. 4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

01.2.2. 16 Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Corporation makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered

impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognized against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

01.2.2.17 Taxes

The Corporation is subject to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS/LKAS in the Financial Statements and the taxable profit for the purpose of imposition of taxes.

01.2.2.18. 1 Tax Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

01.2.2.18.2 Deferred tax

Deferred taxation is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Income tax relating to items recognized directly in equity is recognized in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

01.2.2.19 Employee benefit liability

The employee benefit liability of the Corporation is based on the formula on gratuity as per section 57 & appendix D (2) of the LKAS 19 (Employee Benefits). The formula valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in note 10.

01.2.3 Statement of Comprehensive Income

01.2.3.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Corporation.

The following specific criteria are used for recognition of revenue:

(a) Revenue

Revenue from the sale of goods recognized when the significant risk 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 an effective control over the goods sold.

(b) Rendering of services

Revenue from rendering of services is recognized by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

(c) Construction Contracts

When the outcome of the contract can be measured reliably, contract revenue is recognized by reference to stage of completion of the contract activity at the Balance Sheet date. Further, the Corporation recognizes construction revenue only after receiving the work done certification from the customer. Any expected losses on specific contracts are recognized immediately by a corresponding reduction in their revenue.

(d) Interest Income

Interest income is recognized on a time proportion basis that takes in to account the effective interest rate on interest generating assets.

(e) Dividend

Dividend income is recognized when the Corporation's right to receive the payment is established.

(f) Other income

Other income is recognized on an accrual basis.

01.2.3.2 Expenditure recognition

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning 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 has been charged to the income statement. For the purpose of presentation of the income statement, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Corporation’s performance.

01.2.3.2.1 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available for- sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognized on financial assets (other than trade receivables) that are recognized in the income statement.

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 the Group incurs in connection with the borrowing of funds.

01.2.4 SRI LANKA ACCOUNTING STANDARDS (SLFRS/LKAS) ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Corporation’s financial statements are listed below. This listing is of standards and interpretations issued, which the Corporation reasonably expects to be applicable at a future date. The Corporation intends to adopt those standards when they become effective.

a) SLFRS 9-Financial Instruments: Classification and Measurement SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. The adoption of SLFRS 9 will have an effect on the classification and measurement of the Corporation’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities. This standard becomes effective for annual periods beginning on or after 1 January 2015.

b) SLFRS 13-Fair Value Measurement SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Corporation is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1st January 2014.

Exemptions applied

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions which are optional and certain exceptions which are mandatory from retrospective application of certain SLFRS/LKAS. Optional exemptions the Corporation has opted to apply:

2. Property Plant & Equipment

(a) Free Hold Assets:

Cost / Revaluation	Land & Buildings	Plant & Machinery	Computer Hard/Soft ware	Furniture & Fittings	Office Equipment	Motor Vehicles	Total (RS.)
Balance as at 01st January 2012	103,381,959	646,369,280	50,293,110	29,943,448	42,713,710	87,247,247	959,948,755
Additions during the period	13,700,330	12,680,843	6,404,800	2,949,225	4,786,645	-	40,521,843
Depreciation	(52,136,400)	(559,661,962)	-	-	-	(85,900,278.58)	(697,698,640)
Revaluation	7,247,541,318	264,459,104	-	-	-	212,590,831	7,724,591,253
Disposals/ Transfers	(33,256,007)	-	-	-	-	-	(33,256,007)
Balance as at 31st December 2012	7,279,231,200	363,847,265	56,697,910	32,892,672	47,500,355	213,937,800	7,994,107,203

Less: Depreciation							
Balance as at 01st January 2012	49,831,762	513,527,431	31,542,661	15,880,824	29,194,523	85,148,486	725,125,687
Transferred from L.H. Assets.	-	-	-	-	-	-	-
Charge for the Year	2,304,638	46,134,531	6,547,294	1,850,349	4,405,698	751,793	61,994,303
Depreciation on Disposal	-	-	-	-	-	-	-
Revaluation	(52,136,400)	(559,661,962)	-	-	-	(85,900,279)	(697,698,640)
Balance as at 31st December 2012	-	-	38,089,955	17,731,174	33,600,221	-	89,421,350

Carrying Amount							
As at 31 December 2012	7,279,231,200	363,847,265	18,607,955	15,161,499	13,900,134	213,937,800	7,904,685,853
As at 31 December 2011	53,550,197	132,841,849	18,750,449	14,062,623	13,519,187	2,098,762	234,823,068

b) Leased Hold Assets:							
Balance as at 01st January 2012	-	8,400,000	-	-	-	13,992,286	22,392,286
Additions during the Period	-	-	-	-	-	-	-
Depreciations	-	(4,087,231)	-	-	-	-	(4,087,231)
Transferred to F.H. Assets.	-	-	-	-	-	-	-
Revaluations	-	4,087,231	-	-	-	-	4,087,231
Balance as at 31st December 2012	-	8,400,000	-	-	-	13,992,286	22,392,286

Less: Depreciation							
Balance as at 01st January 2012	-	2,407,233	-	-	-	4,236,504	6,643,737
Transferred from F.H. Assets.	-	-	-	-	-	-	-
Charge for the Year	-	1,679,998	-	-	-	2,798,457	4,478,455
Depreciation on Disposal	-	-	-	-	-	-	-
Revaluation	-	(4,087,231)	-	-	-	-	(4,087,231)
Balance as at 31st December 2012	-	-	-	-	-	7,034,961	7,034,961

Carrying Amount							
As at 31st December 2012	-	8,400,000	-	-	-	6,957,325	15,357,325
As at 31st December 2011	-	5,992,767	-	-	-	9,755,782	15,748,549

Total Carrying Amount							
as at 31st December 2012	7,279,231,200	372,247,265	18,607,955	15,161,499	13,900,134	220,895,125	7,920,043,178
As at 31st December 2012	7,279,231,200	372,247,265	18,607,955	15,161,499	13,900,134	220,895,125	7,920,043,178
As at 31st December 2011	53,550,197	138,834,617	18,750,449	14,062,623	13,519,187	11,854,543	250,571,617

03 Investments in Shares As at 31st December

Total Carrying Amount					
		2012		2011	
	No of Shares	Cost	Fair Value	Cost	Fair Value
HDFC	12,000	1,200,000	607,200	1,200,000	16,800,000
		1,200,000	607,200	1,200,000	16,800,000

04 Inventories

	2012 Rs.	2011 Rs.
Materials	294,675,541	366,936,223
Finished Goods	205,513,308	176,854,014
Work in Progress	2,914,341	-
	503,103,190	543,790,237
Less: Provisions for Slow Moving & Obsolete items	38,245,115	29,317,639
Add: E & M Inventory	67,944,041	86,474,279
	532,802,115	600,946,877

05 Trade & Other Receivables

Trade Receivables (Note 5.1)	4,707,337,873	3,667,173,351
Contract Retention Money	1,265,611,589	919,128,103
Other Receivables	109,079,797	103,399,321
	6,082,029,258	4,689,700,775
5.1 Trade Debtors	5,720,868,660	4,657,374,315
Less:		
G.S.T/V.A.T	819,184,201	727,190,753
N S L	-	3,541,485
Provision for Bad & Doubtful Debts	340,272,384	316,137,597
	1,159,456,585	1,046,869,835
Debtors E & M	145,925,798	56,668,871
	4,707,337,873	3,667,173,351
5.2 Retention & T.C		
Construction Group	812,138,466	584,038,143
Mechanical & Electrical Group	60,533,395	51,952,024
Construction Components Group	111,115,856	240,053,335
Consultancy Group	32,220,601	32,220,601
Special Operations Division	233,125,770	10,864,000
Service Group	52,390	-
E & M	16,425,111	-
	1,265,611,589	919,128,103

5.3 Other Receivables		
Receivable from Sub contracts	86,383,642	86,383,642
Receivable Income from Overhead Bridge	538,482	440,931
Cash Lost (Recoverable) at Seruwavila Site	805,938	805,938
Interest on Bank Deposits	1,558,083	2,813,210
Receivable from Site No 1576 - (UDA)	5,356,353	5,356,353
Distress Loans	14,437,299	7,599,247
	109,079,797	103,399,321

06 Other Current Assets

6.1 Due from Customers	1,585,807,328	844,539,910
6.2 Deposits Recoverable	23,251,037	22,254,740
6.3 Current Assets		
Foreign Purchase Control A/C	66,291,789	13,734,094
Salaries & Wages Rounding Off Recoveries	21,138	
Withholding Tax	56,728,900	71,208,053
Prepayments	14,526,453	5,226,841
W.H.T on Interest Income	6,478,966	6,417,251
Nation Building Tax	13,567,605	13,567,215
Funds Transfer	11,000,000	5,745,250
Receivable from Employees	-	20,410
Economic Service Tax Recoverable	2,873,910	15,086,838
Investment in SEC (Quarter) LLC	5,958,715	-
L/C Margin Account	53,917	5,917
Inter Group C/A (Debtors)	(55,975,382)	-
Loan to NEMO	-	13,770,288
Medical Insurance	(242,183)	9,169
Welfare Advance	500,000	500,000
Deposit & Advance E & M	9,793,608	15,747,813
WIP -Project E & M	-	6,413,514
	131,577,435	167,452,653

	2012	2011
	Rs.	Rs.
6.4 Advances		
Wages Advances	61,730	61,730
Advance Payments to Suppliers	21,702,334	14,666,769
Advances for Services	8,412,996	6,716,091
Salary Advances	1,934,248	-
Advances to Staff	20,410	606,340
Festival Advances to Employees	2,302,394	2,122,194
Cheque with Order Advances	745,091,798	423,598,569
Special Cash Advances/Traveling Advances	(396,170)	9,904,849
Palekela Advance Account	14,395	64,395
Mobilization Advances to Sub Contractors	242,269,162	392,803,885
Special Cash Advances (Sal.& Wages)	(290,495)	122,705
Labour Sub Contract Advances	264,371,467	241,367,741
	1,285,494,268	1,092,035,268
TOTAL	3,026,130,069	2,126,282,571

07 Other Current Financial Assets

Fixed Deposits Long Time(B.O.C Corporate Branch)	11,185,354	10,379,219
Fixed Deposits A/C (P.B Park Street)	159,221	159,221
Fixed Deposits (Security) On Bonds(P.B Park Street)	270,000	270,000
Fixed Deposits -Workmen Compensation(P.B Park Street)	208,750	343,250
Doha Bank Fixed Deposit	-	3,483,910
	11,823,325	14,635,600

08 Cash & Cash Equivalents

Cash at Bank and Cash in Hand	66,132,650	122,027,650
Doha Bank Current Account	-	2,474,805
Fixed Deposits at Bank - Short time	137,310,817	130,555,918
Savings at Bank	4,896,894	900,000
NEMO Cash at Bank	1,260,113	14,907,256
Purchase Cash / Spare Parts Impress &Traveling Impress	2,297,125	570,191
Wages Piece Rate Impress	333,985	215,140
	212,231,584	271,650,960

09 Current Portion of Interest Bearing Borrowings Lease Commitment

	Payable Within One Year Rs.	Payable After One Year Rs.	Total Rs.
Plant and Machinery	2,966,964	1,727,963	4,694,927
Motor Car	4,885,848	1,056,178	5,942,026
	7,852,812	2,784,141	10,636,953
Interest in Suspense			
Plant and Machinery	540,037	99,937	639,975
Motor Car	620,586	40,347	660,933
	1,160,623	140,285	1,300,908
	6,692,189	2,643,857	9,336,046

10. Retirement Benefit Obligation

	2012 Rs.	2011 Rs.
As at beginning of the year	156,905,063	145,352,476
Current service cost	14,518,055	11,665,352
Interest charge for the year	18,828,604	17,442,327
(Gain) / Loss arising from change in the assumption	29,408,101	(902,456)
Gratuity paid during the year	(14,360,673)	(16,652,636)
As at end of the year	205,299,150	156,905,063
10.1 Expenses on defined benefit obligation		
Current Service Cost	14,518,055	11,665,352
Interest Cost	18,828,604	17,442,327
(Gain/Loss arising from changes in the assumptions)	29,408,101	(902,456)
	62,754,760	28,205,223

The gratuity liability is valued using gratuity formula considering the assumptions required to arrive at the present value of defined benefit obligation.

Assumptions

The following are the principal assumptions as at the reporting date.

	2012	2011
Discount Rate	12%	12%
Future Salary Incremental Rate	0-2%	0-2%

11 TRADE PAYABLES

	2012 Rs.	2011 Rs.
Trade Payables	1,555,880,876	1,193,502,684
Mobilization Advances Payable	3,172,939,909	2,908,074,696
Sundry creditors including accrued expenses	128,266,236	122,369,381
Treasury Loan Interest	4,006,293	4,006,293
	-	114,219
	4,861,093,314	4,228,067,273
11.1 Trade Payables		
Trade Creditors	198,823,283	122,759,010
Sub Contractors		
Sub Contracts	520,353,787	396,260,111
Sub Contract Retention	502,158,891	317,662,560
Sub Contract Accruals	9,614,881	9,614,881
	1,032,127,559	723,537,552
U.D.A		
U.D.A. Control A/C	20,557,709	22,512,074
Ministry Pool Vehicles	36,669,366	45,572,561
Creditors E & M	267,702,959	279,121,487
TOTAL	1,555,880,876	1,193,502,684
11.2 Sundry creditors including accrued expenses		
Acquisition of Assets - B.M.M.C.	1,741,893	1,741,893
3rd Party Payments	(14,949,144)	117,302
Services	6,041,106	3,802,483
E.P.F.	(5,587,683)	8,859,931
E.T.F	866,599	1,208,170
Payment of EPF Arrears - Before 1984	6,908,372	7,209,265
Salaries	11,139,599	753,117
Overtime	41,265,840	19,072,350
Wages	837,959	506,780

Trainee Allowances Payable	1,790,506	2,611,210
Accrued Expenditure E & M	74,596,985	67,295,873
Compensation payable E & M	248,043	248,042
Death Donation	(1,245,225)	-
Stamp Fees	465,165	196,240
Audit fees	4,146,219	8,746,725
	128,266,236	122,369,381

12 OTHER CURRENT LIABILITIES

Other Taxes Payable	233,531,217	241,190,899
Due to Customers	2,048,345,092	1,383,039,997
VAT Payable		
Other Liabilities	1,232,620,916	1,032,318,118
	3,514,497,225	2,656,549,014
	8,375,590,539	6,884,616,287
12.1 Other Taxes Payable		
PAYE Tax	750,974	205,567
G.S.T / VAT	146,473,957	129,593,321
N.S.L	500,542	500,542
N B T	2,454,880	4,278,730
Tax In Default	3,739,236	3,739,236
Tax	30,762,860	9,500,000
Provision for E.S.C	19,903,480	23,786,391
Provision for Income Tax	28,945,287	69,587,112
	233,531,217	241,190,899
12.2 Other Liabilities		
Final Payments to Staff	(3,190,313)	236,635
Unclaimed Wages & Casual O.T.	767,727	740,113
Unclaimed Salaries & O.T.	3,553,205	3,050,760
Unclaimed Car Mileage & Subsistence	6,899	3,436
Tender Deposits	4,833,407	1,555,139
Securities Deposits	846,500	859,500
Salaries and Wages Rounding off recoveries	64,633	46,754
Other Deposits	(2,212,200)	55,000
Payable to I.R.D	1,113,114	1,289,114
Building Department	549,640	549,640
Dalada Maligawa Control A/C	993,816	993,816
Budda Sasana Ministry Control A/C.	6,472,546	6,472,546
Debtors of on Account Payment	288,517,127	269,748,802
Volunteer Retirement Scheme - (Treasury)	20,278,812	20,278,812
Cancel Cheque A/C	74,860	74,860
Bill Discount Loan	50,000,000	-
Deposit E & M	-	2,138,553
Construction Group	240,045,789	217,907,421

Mechanical & Electrical Group	3,356,331	3,033,914
Construction Components Group	293,217,712	299,598,770
Consultancy Group	125,459,819	129,324,191
SOD	131,518,729	11,989,248
Provision for Budgetary Allowance	9,164,161	9,556,413
Provision for Medical Leave Bonus	3,484,772	3,619,136
Provision for Completed Construction Projects(General)	1,916,238	1,916,238
Provision for Labour Subcontract Advances	51,787,592	47,279,307
	1,232,620,916	1,032,318,118

13 Bank Overdraft

People's Bank	480,197,432	136,804,575
Bank of Ceylon	115,105,694	1,111,212
	595,303,126	137,915,787

14 Related Party Disclosures

The Company carried out transactions in the ordinary course of business with the following related party

14.1 Compensation of Key Management Personnel

“According to Sri Lanka Accounting Standard (LKAS) 24 “Related Party Disclosures”, Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), personnel hold designation of Divisional General Manager and above positions and their immediate family member have been classified as Key Management Personnel of the Company.

	2012 Rs.	2011 Rs.
Short term Employment Benefits		
Director's Remuneration	2,050,171	1,610,191
Transaction with Ocean View Development co. Ltd where the chairman of SEC is bearing similar capacity of ODC	3,741,375	1,511,500
	5,791,546	3,121,691

14.2 Events occurring after the end of the reporting period

There have been no material events occurring after end of the reporting period that require adjustments to or disclosure in the Financial Statements.

15. Contingent Liabilities.

There were no contingent liabilities as at 31st December 2012.

16. First time adoption of SLFRS/LKAS

16.1 Reconciliation of Equity as at 01 April 2011 (Date of transition to SLFRS/LKAS)

	As at 01st January 2011			As at 31st December 2011		
	As per SLAS Rs.	Remeasurement / Reclassification Rs.	As per SLFRS/ LKAS Rs.	As per SLAS Rs.	Remeas- urement / Reclas- sification Rs.	As per SLFRS/ LKAS Rs.
Assets						
Non-current Assets						
Property, Plant and Equipment	155,549,743	-	155,549,743	250,571,616	-	250,571,616
Investments in Shares	1,200,000	5,400,000	6,600,000	1,200,000	(592,800)	607,200.00
Capital Work in Progress	6,038,110	-	6,038,110	7,891,609	-	7,891,609
	162,787,853	5,400,000	168,187,853	259,663,225	(592,800)	259,070,425
Deferred Tax	-	1,946,182	1,946,182	37,026,852	-	37,026,852
Current Assets						
Inventories	401,616,002	-	401,616,002	600,946,877	-	600,946,877
Trade Debtors	2,615,772,543	(2,615,772,543)	-	3,667,173,352	(3,667,173,352)	-
Retention &T.C	741,493,365	(741,493,365)	-	919,128,103	(919,128,103)	-
Other Debtors Receivables & Advance	892,647,826	(892,647,826)	-	1,362,887,241	(1,362,887,241)	-
Trade & Other Receivables	-	3,424,023,204	3,424,023,204	-	4,689,700,775	4,689,700,775
Other Current Assets	-	1,255,794,829	1,255,794,829	-	2,126,282,571	2,126,282,571
Deposits Recoverable	10,994,916	(10,994,916)	-	22,254,740	(22,254,740)	-
Due from Customers	418,909,383	(418,909,383)	-	844,539,910	(844,539,910)	-
Fixed Deposits	21,120,084	(21,120,084)	-	14,635,600	(14,635,600)	-
Other Current Financial Assets	-	21,120,084	21,120,084	-	14,635,600	14,635,600
Cash & Cash Equivalents	337,393,573	-	337,393,573	271,650,960	-	271,650,960
	5,439,947,692	-	5,439,947,692	7,703,216,783	-	7,703,216,783
	-	-	-	-	-	-
Total Assets	5,602,735,545	7,346,182	5,610,081,727	7,999,906,860	(592,800)	7,999,314,060
Equity and Liabilities						
Capital and Reserves						
Voted Capital	70,000,000	-	70,000,000	70,000,000	-	70,000,000
General Reserves	3,635,162	-	3,635,162	3,635,162	-	3,635,162
Capital Accretion Reserve	27,738,806	-	27,738,806	27,738,806	-	27,738,806
E & M Capital	-	-	-	(152,287,728)	-	(152,287,728)
Available for sale reserves	-	5,400,000	5,400,000	-	(592,800)	(592,800)
Accumulated Profit/(Losses)	487,515,618	1,946,182	489,461,800	825,496,824	-	825,496,824
	588,889,586	7,346,182	596,235,768	774,583,064	(592,800)	773,990,264
Total Equity						
Non-Current Liabilities						
Long Term borrowings	30,800,000	-	30,800,000	30,800,000	-	30,800,000
Deferred Liabilities	145,352,476	-	145,352,476	156,905,002	-	156,905,002
Interest Bearing Borrowings	12,656,078	-	12,656,078	9,472,634	-	9,472,634
	188,808,554	-	188,808,554	197,177,636	-	197,177,636
Current Liabilities						
Treasury Loan Interest	4,006,293	(4,006,293)	-	4,006,293	(4,006,293)	-
Trade Payables	-	2,201,098,264	2,201,098,264	-	4,228,067,273	4,228,067,273
Interest Bearing Borrowings	5,029,495	-	5,029,495	5,614,023	-	5,614,023

Other Current Liabilities	-	2,508,909,029	2,508,909,029		2,656,549,015	2,656,549,015
Trade Creditors	683,431,614	(683,431,614)	-	1,193,502,694	(1,193,502,694)	-
Other Creditors & Payables	1,266,931,542	(1,266,931,542)	-	1,395,992,608	(1,395,992,608)	-
Due to Customers	1,293,651,840	(1,293,651,840)	-	1,383,039,997	(1,383,039,997)	-
Mobilization Advances	1,461,986,005	(1,461,986,005)	-	2,908,074,696	(2,908,074,696)	-
Bank Overdraft	110,000,614	-	110,000,614	137,915,787	-	137,915,787
	4,825,037,403	-	4,825,037,403	7,028,146,098		7,028,146,098
Total Equity and Liabilities	5,602,735,545	7,346,182	5,610,081,727	7,999,906,860	(592,800)	7,999,314,060

16.2 Notes to the reconciliations

16.2.1 Trade and other receivable/Other current assets

Due to the application of LKAS 32 and 39, non financial assets(Other taxes receivables and deposits and advances) in trade and other receivable have been reclassified to other current assets to Rs.4,689,700,775/- and Rs.2,126,282,571/- at date of transition and 31st December 2011 respectively. Further the company by provided for impairment provisions for debtor under individual improvement testing method.

Trade and other receivable	2011 Rs.	2010 Rs.
Trade Debtors	(3,667,173,352)	(2,615,772,543)
Retention & T.C	(919,128,103)	(741,493,365)
Other Debtors Receivables & Advance	(1,362,887,241)	(901,972,147)
Deposits Recoverable	(22,254,740)	(10,994,916)
Due from Customers	(844,539,910)	(418,909,383)
Classification change		
Trade & Other Receivables as per SLFRS	4,689,700,775	3,424,023,204
Impairment provision for debtors	-	-
Other Current Assets as per SLFRS	2,126,282,571	1,265,119,150
Net Effect	-	-

16.2.2 Trade & other payables & other current financial assets

As per LKAS 32 and 39, short term investment at the lower of cost or market value on an aggregated portfolio basis. According to SLFRS/LKAS the company designated such investments as fair value through profit and loss investments which are measured at fair value.

	2011 Rs.	2010 Rs.
Fixed Deposits as per SLAS	(14,635,600)	(21,120,084)
SLFRS adjustment - Classification change	14,635,600	21,120,084
Other Current Financial Assets		
Net Effect	-	-

16.2.3 Retained Earnings

The net effect of adoption of SLFRS as of the transition date of 01 January 2011 is recorded through “Retained Earnings”

16.2.4 Trade payables/ Other current liabilities

Due to application of LKAS 32 and 39, non-financial liabilities(Other taxes payable and provisions) in trade and other payables have been reclassified to other current liabilities, Further Mobilization advance have been reclassified to trade payables.

	2011 Rs.	2010 Rs.
Treasury Loan Interest	(4,006,293)	(4,006,293)
Trade Payables	-	-
Other Current Liabilities	-	-
Trade Creditors	(1,193,502,694)	(683,431,614)
Other Creditors & Payables	(1,395,992,608)	(1,266,931,542)
Due to Customers	(1,383,039,997)	(1,293,651,840)
Mobilization Advances	(2,908,074,696)	(1,461,986,005)
Trade Payables	4,228,067,273	2,201,098,264
Other Current Liabilities	2,656,549,015	2,508,909,029
		-

16.2.5 Other income / Finance income

As per previous SLAS interest income and dividend income has been classified under other operating income. Under SLFRS/LKAS interest income and dividend income has been classified in finance income.

	For the year ended 31st December 2011 Rs.	For the year ended 01st January 2010 Rs.
Reclassification from other operating income	(22,194,710)	(14,025,148)
Reclassification to Finance income	22,194,710	14,025,148

	2012 Rs.	2011 Rs.
19 Other Income		
Circuit Bungalow Room Charges	480,148	677,330
Rent SEC House	7,776,433	7,910,608
Tender Fees	31,375	3,069,287
Sales of Scrap Items	14,894,975	60,480
Management Fees	-	10,200
Dividend Income	-	54,000
Registration fees	1,897,963	2,508,824
Hire of labour and recovery & Subsistence	-	222,388
Income from Scholarship Bonds	88,630	1,161,556
Thunkaldakma Exhibition	-	2,331,525
Rent Overhead Bridge	223,726	-
Sundry Income	517,484	4,181,135
	25,910,734	22,187,333
20 Administrative Expenses		
Emoluments	181,681,125	148,263,965
Welfare	14,693,131	10,567,601
Insurance	769,259	4,973,344
Fuel & Lubricant /Materials	26,620,047	23,583,846
Repairs & Maintenance	6,480,476	5,525,211
Travelling & Subsistence	1,148,984	1,100,052
Foreign Travels	2,570,559	-
Transport & Hire Charges	26,647,087	19,545,115
Sub Contact Labour	733,764	1,545,095
Materials	22,438,332	-
Gratuity	20,482,648	(94,802,372)
Professional Charges	3,425,710	2,673,558
Bank Charges & Commission	3,245,131	1,289,865
Services	-	6,223,579
Printing & Stationery	12,177,483	7,812,964
Rates & Taxes	1,961,019	1,994,989
Electricity , Water & Telephone	21,119,007	15,411,639
Depreciation	9,295,267	8,322,544
Advertising	18,106,528	9,271,201.00
Bad debt written off	24,134,787	22,508,490
Provision for Obsolete Stocks	8,927,476	8,100,423
R&D Expenses	2,364,438	-
Local Consultancy Fees	-	552,142
Audit Fees	-	550,000
Debit Tax	-	1,332,793

To be tfr to wip	(119,290)	-
Training Fees & Subscription	2,357,896	1,284,613
Newspaper	88,267	36,856
Postages & Stamp Fees	451,734	431,023
Business Promotion	17,360,434	3,587,141
Other Expenses	1,408,163	-
Construction Levy	1,221,278	-
Sports & Recreation	364,308	-
Legal Fees	3,540,815	-
Donation	3,928,800	2,245,377
	439,624,663	213,931,054
21 Interest Expenses		
O.D. Interest	12,751,184	2,449,230
Loan Interest	3,067,273	4,008,219
Interest on leasing	1,894,276	3,305,629
	17,712,733	9,763,078
22 Interest Income		
F.D Interest	2,443,385	16,893,034
Saving Interest	-	55,881
Distress Loan Interest	91,533	439,959
REPO Interest	880,562	4,805,836
	3,415,480	22,194,710



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கணக்காய்வாளர் தலைமை அறியுதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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යථෝක්ත වාර්තාව මේ සමඟ එවා ඇත.

(Signature)
 එච්.ඒ.එස්.සමරවීර
 විගණකාධිපති.

- පිටපත් :- 1. ලේකම්, ඉදිකිවිම්, ඉංජිනේරු සේවා, නිවාස හා පොදු පහසුකම් අමාත්‍යාංශය
 2. ලේකම්, මුදල් හා ක්‍රම සම්පාදන අමාත්‍යාංශය





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கணக்காய்வாளர் தலைமை அலுவலக திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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 My No. } වජව/2012 }

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 Your No. }

දිනය } 2014 අගෝස්තු 14 දින }
 Date }

The Chairman
 State Engineering Corporation of Sri Lanka

Report of the Auditor General on the Financial Statements of the State Engineering Corporation of Sri Lanka 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 Engineering Corporation of Sri Lanka for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the comprehensive income statement, 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 Corporations 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 furnished to the Chairman of the Corporation on 06 May 2014.

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 misstatements 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. 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 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 the 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 Engineering Corporation of Sri Lanka 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 Sri Lanka Accounting Standards

According to the Sri Lanka Accounting Standard No. 07, the following deficiencies in the cash flow statement for the year under review were observed.

- (a) According to the cash flow statement, prior year adjustments amounting to Rs.38,609,803 had been shown as Rs.15,869,110 in the cash flow statement.
- (b) Even though the increase in the stock according to the financial statements amounted to Rs.59,217,285 that had been shown as Rs.21,394,983 in the statement of changes in working capital.
- (c) The negative value of Rs. 21,782,052 relating to the provision for payments to third parties, provision for payment of provident funds and the provision for death donations shown in the financial statements had been adjusted to the cash flow statement without being rectified.

2:2:2 Accounting Policies

The following observations are made.

- (a) Even though it was disclosed that the valuation of stocks in terms of the accounting policy 1.2.2.6 had been done at cost or the net realizable value whichever is less, the Corporation had not computed the net realizable value of the finished stocks amounting to Rs.273.45 million and reconciled with the cost.
- (b) Even though it was stated that the trade and other debtors had been separately identified and the impairment policy had been effected in accordance with Note No. 1.2:2.14.8 to the accounts, the Corporation had made a provision for bad debts amounting to Rs.24,134,787 only in respect of 18 debtors without separately identifying the debtors.

2:2:3 Accounting Deficiencies

The following observations were made.

- (a) The debtors balance of Rs.5,866,794,458 in the Debtors Control Accounts presented as at the end of the year under review included an unusual credit balance of Rs.129,533,365.
- (b) Unusual credit balances totaling Rs.17,472,644 in the Purchases Imprest Account, Special Cash Advances Account, Sub-contracts Mobilization Advances Account and the Labour Sub-contract Advances Account and the unusual debit balances totaling Rs.566,851,864 in the Sub-contracts Creditors Account, Trade Creditors Account and the Other Deposit Accounts existed.
- (c) The operating profits totaling Rs.22,182,118 of 09 ongoing projects of the Constructions Division for the year under review had been shown as Rs.48,957,553 and as such the total profit of the Corporation had been overstated by a sum of Rs.26,775,435.
- (d) Even though the balance of the Inter-Departmental Current Accounts of the various Divisions of the Corporation should be adjusted against each other at the end of the year, those had not been correctly reconciled and as such a credit balance of Rs.55,975,382 existed as at the end of the year in the Inter-Departmental Current Account.
- (e) The written down value of the fixed assets valued at Rs.278,682,273 had not been taken into account in the computation of the deferred tax and as such the Deferred Tax Assets Account had been overstated by a sum of Rs.33,441,873.
- (f) Even though Treasury provisions had not been received for the Machinery and Equipment Division in the year under review the receipt of a recurrent grant of Rs.17,798,294 had been recorded and as such the net loss of Rs.13,753,305 for the year under review had been shown as a net profit of Rs.4,044,989.
- (g) The opening balance of the Income Tax Provision Accounts amounting to Rs.69,587,112 had been brought to account as Rs.64,377,329, thus resulting in an understatement of Rs.5,209,783.
- (h) Penalties, entertainment expenses, course fees for local training, Directors' fees and allowances amounting to Rs.19,461,344 had been included in the sales cost instead of being included under the Heads of other expenses.

2:2:4 Unreconciled Control Accounts

The following non-reconciliations are observed.

- (a) The balances of the following accounts had not been reconciled with the schedule.

Particulars of Account	Balance in the	Balance	Difference
	Account	according to	Increase/ (Decrease)
	Rs.	Rs.	Rs.
Stock of Raw Materials	294,675,541	293,606,865	1,068,676
Due to Customers	2,048,345,092	1,743,592,074	304,753,018
Due from Customers	1,585,807,328	1,602,198,576	(16,392,248)
Buildings	78,347,707	104,135,339	(25,787,632)
Written Down Value of Buildings	39,804,869	42,180,574	(2,375,705)

- (b) Even though the fair value of investments in the statement of changes in equity as at 31 December 2011 amounted to Rs.16,800,000 the statement of reconciliation presented as at that date in the adoption of the new Accounting Standards for the first time, that had been understated by a sum of Rs.16,192,800 and shown as Rs.607,200.

2:2:5 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the balance of trade debtors as at the end of the year under review amounting to Rs.5,720,868,660 over 95 per cent remained receivable from Government institutions. Out of that a sum of Rs.903,648,558 represented debtors older than 03 years and the progress of debt recovery had been at a very low level. It was observed that as compared with the preceding year the trade debtors had increased by 23 per cent.
- (b) The balance of trade creditors as at the end of the year under review shown in the financial statements as Rs.1,555,880,876 as compared with the balance amounting to Rs.1,193,502,684 as at 31 December 2011 indicated an increase of 30.36 percent.
- (c) Action had not been taken for the settlement of creditors balances older than 05 years amounting to Rs.145,027,411 included in the balance of sub-contract creditors amounting to Rs.520,353,787 and the creditors of the Machinery and Equipment Division amounting to Rs.267,702,959.
- (d) Even though a sum of Rs.20,557,709 payable and a sum of Rs.5,356,353 recoverable from the Urban Development Authority had been brought forward by the Corporation since the year 2000, no action whatsoever had been taken for the payment or the recovery of those amounts.
- (e) The balance of the Medical Leave Allowance Provision Account amounting to Rs.3,484,772 existing from the years prior to the year 2007 had not been adjusted even by the end of the year under review.
- (f) Action had not been taken even in the year under review for the settlement of a sum of Rs.9,129,116 payable in respect of the Temple of the Tooth Control Account, the Ministry of Buddha Sasana Control Account, the Department of Inland Revenue Account and the Department of Buildings Account that had been brought forward in the accounts from the year 2005.

- (g) The sum of Rs.233,099,481 brought forward in the accounts from the year 2011 as payable by the State Engineering Corporation to the National Housing Development Authority had not been settled in the year under review.
- (h) The balance of Rs.9,614,881 shown in the financial statements for the year 2011 as accrued expenses payable to the sub-contractors of 58 work sites had not been settled even by the end of the year under review.

2:2:6 Payment of Advances

The Corporation had been paying numerous advances for various purposes and adequate courses of action had not been taken for the settlement of the advances paid.

- (a) The balance of the advances paid to suppliers as at the end of the year under review amounting to Rs.21,702,334 as compared with the balance of Rs.14,666,769 as at the end of the preceding year indicated an increase of 48 percent.
- (b) The issue of cheques along with the order before the receipt of goods had been continued and the balance of the Cheque Advances with Orders Account as at the end of the year under review amounted to Rs.745,091,798 and the balance of this account as at 31 December 2011 amounted to Rs.423,598,569. The balance of the Cheque Advances Account as compared with the preceding year indicated an increase of 76 per cent.
- (c) The money paid by the Corporation as mobilization advances on sub-contracts had not been settled within the specified periods, and as such the balances of advances had been brought forward in the accounts year after year. The value of the mobilization advances on sub-contracts as at 31 December of the year under review amounted to Rs.242,269,162. Out of the mobilization advances paid to the labour sub-contractors the unsettled balance of advances as at the end of the year under review amounted to Rs.264,371,467.

2:2:7 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished to audit.

	Items in the Financial Statements -----	Value ----- Rs.Millions	Evidence not made available -----
(a)	Capital Receipts for the shifting of the Narahenpita Precast Yard to another place.	22.65	Files on Source of receipt and transfer documents.
(b)	Balance of the Account No. 9934 included in the cash and cash equivalents.	1.88	Bank Statements, Bank Reconciliations and Confirmation of Balances.
(c)	Investment Account Balance of the State Engineering Corporation of Sri Lanka (Qatar) Company	5.95	Bank Confirmations, Deposit Certificates, Balances Renewal Advice, Credit Advice.

(d)	Advances granted to Suppliers	21.7	Schedules and Age Analysis
(e)	Stocks of Finished Goods	75.09	Files on Stock Verifications.
(f)	Stocks of Finished Goods (Ekala Precast Yard Work Site)	122.98	Stock Valuation Documents.

2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance
-----	-----
(a) Finance Regulation 756 of the Democratic Socialist Republic of Sri Lanka	A stock verification as at 31 December of the year under review had not been carried out on the stock of raw material valued at Rs.16,358,641.
(b) Letter No. BD/356/303/23/N dated 28 April 2004 of the Department of National Budget.	Action had not been taken up to 31 December of the year under review to refund the balance of Rs.20,278,812 remaining from the money received from the Treasury under the Voluntary Retirement Scheme.
(c) Public Enterprises Circular No. PED/PEN/2011/01 of 11 February 2011.	The Corporation had not obtained the approval of the Department of Public Enterprises for the annual advertising programme. Advertising expenditure amounting to Rs.37.94 million had been incurred without obtaining approval of the Minister of Planning for exceeding the estimated expenditure.
(d) Government Procurement Guidelines No. 08 of 25 January 2006	
(i) Section 2.14.1	In the selection of contractors by following the system for inviting quotations, quotations should be invited from at least 05 contractors registered with the Institute of Construction Training and Development (ICTAD). Nevertheless, quotations had been invited only from three contractors for the award of 10 sub-contracts valued at Rs.48.701 million in connection with tarring of UdaWalawaBank Road.
(ii) Section 3.2.1	The test check of the purchase of capital assets valued at Rs.47,612,407 in the year under review revealed instances of deviation from the National Competitive Building process by obtaining quotations only from one or two suppliers.

3. Financial Review

3:1 Financial Results

The operations of the Corporation during the year had resulted in a pre-tax net profit of Rs.225.90 million as compared with the corresponding net profit of Rs.347.77 million for the preceding year, thus indicating a decrease of Rs.121.87 million the financial results for the year under review. It was observed that the following matters had affected that situation.

- (a) The administration expenses of the Corporation as compared with the net operating profit of the Corporation for the past 04 years had unusually increased and as a percentage it had fluctuated between 54 per cent to 274 per cent. The administration expenses for the year under review had been double the net operating profit.
- (b) The net operation profits of the Construction, Electrical and Machinery and Construction Components' Divisions of the Corporation, for the year under review as compared with the preceding year had deteriorated by 68 per cent, 97 per cent and 31 per cent respectively.
- (c) The net income of the Electrical and Mechanical Division had continuously decreased in all years except in the year 2011. The decrease in the net income in the year under review as compared with the preceding year had been about 72 percent.

4. Operating Review

4:1 Performance

The following observations are made.

- (a) The operations of the Matale Dolomite Processing Yard had been run at losses in all the other years except the year 2006. The loss for the year under review and the accumulated loss amounted to Rs.856,203 and Rs.38.4 million respectively.
- (b) The Brick and Carpentry Products Yard at Dankotuwa had incurred a loss of Rs.2.3 million in the year under review and out of the past 15 years, losses had been incurred in 14 years and the accumulated loss amounted to Rs.25.75 million. The income from external sale of bricks in the year under review as compared with Rs.3,446,645 in the year 2011 had decreased to Rs.376,192 and represented a decrease of 89 per cent. None of the carpentry products had been sold externally in the year and the total expenditure of the work site as compared with the preceding year had increased by 50 per cent.
- (c) The Ratmalana Work Site of the Construction Division had not made any external sales in the year 2011 and the year under review and the total sales amounting to Rs.54,037,300 represented internal sales. Even though the income of the Work Site had increased by 15 per cent as compared with the preceding year, the operating profit had decreased by 63 per cent due to the increase of the cost of sales by 35 per cent.
- (d) The operating profit of Rs.6,331,660 of the Peliyagoda Work Site of the Mechanical and Electrical Division for the year 2011 had decreased by 95 percent in the year under review.

- (e) Even though the income of the Ratmalana Work Site of the Mechanical and Electrical Division had increased by 39 per cent as compared with the preceding year a loss of Rs.12.4 million had been incurred by the year under review due to the increase of the cost of sales by 19 per cent and the other expenditure by 356 per cent.
- (f) The income of the Peliyagoda Processing Yard of the Construction Components Division as compared with the preceding year had decreased by 78 per cent and had incurred a loss of Rs. 3.3 million as at the end of the year under review.
- (g) Seven Depots and 05 Work Sites of the Machinery Division incurred losses of Rs.11.71 million and Rs.90.59 million respectively. Two Depots had not earned any income whatsoever during the year under review.

4:2 Management Inefficiencies

The following observations are made.

- (a) Even though the Corporation had obtained a direction in terms of Section 153 of the Inland Revenue Act, No. 10 of 2006 the client institutions had not been informed properly. As such the institutions had remitted a sum of Rs.56,728,900 as Withholding Tax to the Department of Inland revenue at the end of the year under review.
- (b) The application made by the Corporation on 16 December 2011 to the Department of Inland Revenue for obtaining a direction to prevent the deduction of Withholding Tax on the interest income from fixed deposits had been rejected due to the failure of the Corporation to settle its tax liability properly. Action had not been taken to set off the accumulated balance of Rs.6,478,966 in the Withholding Tax Account representing the Withholding Tax remitted by the Bank from the year 2005 up to the year under review, against the tax liability.
- (c) A Provision of Rs.9.5 million had been made for taxes from the year 2003 without correct identification. Action had not been taken up to the end of the year under review to identify and settle the amount.
- (d) Value Added Tax amounting to Rs.20,665,484 had been overpaid in the years 2002 and 2003 due to the omission of input tax amounting to Rs.29,516,563 in the computation and payment of the Value Added Tax. The Corporation had failed to settle the matter even up to the end of the year under review.
- (e) According to the letter dated 09 November 2012 of the Department of Inland Revenue, the Corporation had been informed of a tax liability of Rs.415,954,164 including a penalty of Rs.89,421,863 on the arrears of Turnover Tax, Security Levy, Save the Nation Tax, Value Added Tax and Economic Service Charge, arising from the failure of the management of the Corporation to settle past tax bills properly.
- (f) The defaulted tax amounting to Rs.3,739,236 existing over a long period shown under the other tax liabilities payable had not been settled even during the year under review.
- (g) According to the accounts of the Corporation, the written down value of the buildings amounted to Rs.22,937,054. Nevertheless, the deferred tax had been computed by treating that as a negative value of Rs.2,157,698.

4:3 Operating Inefficiencies

The legal ownership had not been obtained up to the end of the year under review for lands about 35 acres in extent on which the Head Office, 08 Work Sites and 09 Regional Offices of the Corporation are maintained.

4:4 Transactions of Contentious Nature

The following observations are made.

- (a) A sum of Rs.5,885,178 had been paid in the year 2011 to the Insurance Corporation of Sri Lanka for providing life insurance cover and medical insurance cover for the employees of the Corporation only for a period of one year from 16 June 2011 to 15 June 2012. The insurance cover was not operative after 15 June 2012.
- (b) A sum of Rs.1,960,272 had been spent on the publication of a newspaper advertisement on the saving of a sum of Rs.25 million from the estimated expenditure of a project in the year under review.
- (c) Even though an employee who had obtained no-pay leave for employment abroad should have reported for service on 15 August 2012, he had not reported for service even by the end of the year under review. Action had not been taken for the recovery of a sum of Rs.351,973 due from him from guarantors of the bond.

4:5 Uneconomic Transactions

The following observations are made.

- (a) The Corporation had taken an interest in the year 2008 in earning income by carrying out construction works in foreign countries and had spent a sum of Rs.13,130,730 in that connection. Nevertheless, the Corporation had failed up to the end of the year under review to commence construction works in a foreign country, obtain contracts or earn any income whatsoever. The expenditure incurred had become fruitless.
- (b) The Corporation had to pay a sum of Rs.11,313,468 in the year under review as liquidated damages due to the failure to complete the construction contracts within the specified periods.
- (c) Forty nine Sales Promotion Officers had been recruited without the approval of the Department of Management Services with the objective of spreading the civil works Island-wide and salaries amounting to Rs.15,305,200 had been paid to them in the year under review. Despite the production sites at places such as Dankotuwa and Matale had been running at losses throughout without a substantial level of turnover and without commencing any new projects in the year, a sum of Rs.47,361,550 had been spent in the year as business promotion expenses.

4:6 Identified Losses

The following observations are made.

- (a) A loss of Rs.215.98 million had been incurred by the end of the year under review by 28 works-

in-progress of the Corporation due to the failure to follow a sound management practice in connection with operating activities.

- (b) The entire Value Added Tax amounting to Rs.168.99 million receivable for the value of work done amounting to Rs.1,408 million under the Modernization of the Khetarama International Cricket Stadium of a bid value of Rs.1,444 million had not been received from the Sri Lanka Cricket. The reason adduced thereto had been that Sri Lanka Cricket is receiving Valued Added Tax concession. Nevertheless, according to the letter No. FP/06/20/03/03/19(SP-Vol. II) of the Director General of the Ministry of Finance and Planning, Sri Lanka Cricket had received tax concessions only for work done in three months from 01 February 2011 to 01 May 2011. As such it is evident that the tax concessions are not applicable for the above work done prior to that period. A further sum of Rs.321.5 million exclusive of the Value Added Tax remained receivable on this Project from the Sri Lanka Cricket even by 31 March 2014.

4:7 Deficiencies in Contract Administration

The following observations are made.

- (a) The Corporation had incurred a loss of Rs.180.67 million as at 31 December of the year under review due to incurring expenditure exceeding the bid value of 18 construction contracts.
- (b) Action had not been taken to issue invoices as at the end of the year under review for the recovery from the clients, a cumulative expenditure of Rs.133.74 million incurred on 22 projects of the Construction Division.
- (c) Thirty four projects on which cumulative expenditure of Rs.919,860,187 had been incurred by 31 December 2010 had been idle during the years 2011 and 2012.
- (d) The consultancy services of certain construction works undertaken by the Corporation are being done by the Consultancy Division of the Corporation. Even though the bills on work done prepared by the Construction Division should be certified by the Consultancy Division within 21 days, the certification of bills in respect of 23 projects amounting to Rs.197,362,608 had been delayed over periods ranging from 05 months to 02 years. That had directly affected the delay in obtaining money from the clients.

4:8 Resources of the Corporation given to other Government Institutions

The following observations are made.

- (a) Contrary to the provisions in Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Corporation had released 25 motor vehicles to the Ministry of Construction and Engineering Services in the first 06 months of the year 2012 alone and a sum of Rs.9,910,467 had been spent on fuel and hire charges of those motor vehicles. Even though the information on the release of the motor vehicles belonging to the Corporation to the Ministry was called for, such information had not been furnished to audit even by 31 March 2014.
- (b) A sum of Rs.1,200,000 had been paid in the year as the salaries two Co-ordinating Secretaries of the line Ministry.

4:9 Expenditure incurred Outside the Objectives of the Corporation

A sum of Rs.1,155,000 had been incurred outside the objectives of the Corporation on the development works of the Gampaha District.

4:10 Staff Administration

Particulars of Employees	Number Approved	As at 31 December 2012	As at 31 December 2013
Permanent	2,623	2,091	2,012
Contract	260	908	1,076
Casual	--	21	14
Total	2,883	3,020	3,102

The following observations are made.

- (a) Even though the staff for the Corporation up to the end of the year under review approved by the Department of Management Services had been 2,883, the staff in service as at the end of the year under review had been 3,020. As such 137 employees exceeding the approved number had been deployed in service and the number of employees deployed in service exceeding the approved number as at the end of the year 2013 had been 219.
- (b) The staff employed on contract basis without approval as at the end of the year under review had been 648 and that number as at 31 December 2013 had increased to 816.
- (c) According to the letter No. DMS/E3/43/4/265/1 dated 25 November 2009 of the Director General of Management Services, it was informed that the creation of posts or filling of vacancies should not be done without the approval of the Department of Management Services. Nevertheless, 22 posts not approved had been created and 106 employees had been recruited. Salaries amounting to Rs.45,016,764 had been paid to them in the under review alone. Such posts created had increased to 32 as at 31 December 2013 while the salaries paid to 197 employees recruited amounted to Rs.62,949,396.
- (d) According to the letter No. DMS/E3/43/4/265/1 dated 14 February 2011 of the Director General of the Department of Management Services, the number of unskilled Employees that can be recruited had been revised downward from 500 to 460. But the numbers in service as at 31 December 2012 and 31 December 2013 had been 775 and 706 respectively. The salaries paid to the employees recruited the approved number amounted to Rs.5,748,750 and Rs.4,489,500 respectively.
- (e) A sum of Rs.6,205,000 at the rate of Rs.10,000 per employee had been paid as a bonus to 2,482 employees on the approval of the Board of Directors, contrary to the Management Services Circular No. 49 of 24 December 2012. In addition a sum of Rs.14,025,000 had been paid to the employees as allowances in March 2012 without obtaining the approval of the Cabinet of Ministers. As such the total bonus paid contrary to the circular amounted to Rs.20,230,000.
- (f) Four posts of Deputy General Manager representing the Senior Management of the Corporation, had been recruited on contract basis.

5. Accountability and Good Governance

5:1 Presentation of Financial Statements

According to the paragraph 6.5.1 of Public Enterprises Circular No. PED/12 of 02 June 2003, the draft accounts should be furnished to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the final accounts for the year 2012 had been presented for audit only on 17 January 2014, that is after a delay of 320 days.

5:2 Corporate Plan

In terms of the Public Enterprises Circular No. PED/47 of 18 December 2007 and Chapter 5 of the Public Enterprises Guidelines on Good Governance of the Department of Public Enterprises, the detailed revised Corporate Plan should be furnished to the Auditor General, the Secretary to the Committee on Public Enterprises and a copy to the Department of Public Enterprises 15 days before commencement of the financial year. But that had not been so done. The following deficiencies were observed in the Corporate Plan for the years 2012 to 2015 presented in October of the year under review.

- (a) The following objectives in terms of the State Industrial Corporations Act, No. 49 of 1957 had not been included in the Corporate Plan.
 - (i) The maintenance of a centre for the repair of motor vehicles and machinery including the facilities for sale of petroleum products.
 - (ii) Functioning as an agency for any Company or Corporation or persons maintaining business for the manufacture of any type of equipment, machinery, spare parts, tools and implements used for industrial purposes.
- (b) Section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 as amended by the Circular No. PED/47 of 18 December 2007.
 - (i) The activities of the Corporate Plan had not been shown in a manner to build up a connection between the Action Plan and the Budget.
 - (ii) A report on the progress of the execution of the activities of the Corporate Plan at the end of each year and evaluation of the areas not implemented and areas of slow progress and follow up action thereon had neither been prepared nor brought to the notice of the Board of Directors.
- (c) Even though the goals of the activities in the Corporate Plan to be achieved by the respective officers had been shown the values of the goals had not been shown.
- (d) The manner of achieving the operating profit shown in the statement of profit and loss included in the Corporate Plan and their inter-connectivity from year to year had not been explained.
- (e) Major measurement indicators relating to the performance evaluation had not been included in the Corporate Plan.

5:3 Action Plan

It was observed that the Corporation had not directed its operations in accordance with its objectives as the Corporation had been functioning after the year 2006 without preparing a Corporate Plan and an Annual Acton Plan in accordance with Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

5:4 Internal Audit

The following observations were made in connection with the Internal Audit.

- (a) The activities in the Annual Internal Audit Programme had not paid adequate attention to the performance audit while internal audit queries on performance evaluation as well had not been issued.
- (b) Even though a large number of internal audit activities directed at the evaluation of the profit ability and performance evaluation of the Production Units maintained by different Divisions of the Corporation had been included in the Internal Audit Programme, those Divisions had been incurring losses continuously for more than 10 years.
- (c) Even though a large number of internal audit activities had been focused on the advances given by the Corporation for various programmes, the settlement of advances and the adequacy of the internal control thereon, the balance of the unsettled advances had been increasing continuously during several past years, while a large number of deficiencies in the control on advances also were revealed.

5:5 Procurement Plan

The Corporation had not prepared a Procurement Plan for the year 2012 in terms of Section 4.2 of the Government Procurement Guidelines of 25 January 2006.

5:6 Budgetary Control

Comparison of the actual income and the profit according to the financial statements presented by the Corporation with the budgeted amounts revealed differences amounting to Rs.1,264.70 million and Rs.185.65 million respectively. As such the budget had not been prepared realistically while it had not been made use of as an effective instrument of financial control.

5:7 Tabling of Annual Reports

The Corporation had not tabled the Annual Report for the year 2011 in Parliament even by 31 March 2014.

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 the detailed report furnished in terms of Section 13(7)(a) of the Finance Act. Special attention is needed in respect of the following areas of systems and controls.

- (a) Stock Control
- (b) Advances
- (c) Accounts Receivable and Payable
- (d) Financial Management
- (e) Tax Management
- (f) Budgetary Control and Corporate Plan
- (g) Procurement Process
- (h) Contract Administration

H.A.S. Samaraweera
Auditor General