

Annual Report

2013



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@seosl.lk

Web : www.seosl.lk



Details : Finance Division | P M A Karunasinghe (Manager Finance)
Guidance : Consultancy Division | DGM (Consultancy Division)
Created By : Rachitha Bandara (3D Animator - Consultancy Division)
Cover : Archt Chalana Rambukwella

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 work-force 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 Programmers
- Improve the management and human resources of the Corporation

Core Values

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

Board of Directors - 2013



Mr. B.K.J.K. Perera
Chairman



Mr. Akila Saliya Ellawala
Vice Chairman



Mr. M.E. Mohamad Muzammil
Working Director



Eng. Wimal Jayawardana
Director



Mrs. Damitha Rathnayaka
Director (Treasury
Representative)



Mr. K.P. Dias
Director



Mr. H.P. Cashian Herath
Director



Mrs. I. Wikramanayake Alexander
Secretary of the Board

Corporate Management

Mr. M.R.Jeyachandran	- General Manager
Mr. K.A.Shantha Kumara	- Acting Deputy General Manager - Construction
Mr. A.A.Piyadasa	- Deputy General Manager - Const. Component
Mr. M.D.B.Abeyrathna	- Deputy General Manager - Mech. & Electrical
Mr.M.D.B.Abeyrathna	- Deputy General Manager - Equipment & Machinery
Mr. M.D.Pathmasiri	- Deputy General Manager - Consultancy
Mr.S.P.Lokuhennadige	- Deputy General Manager - HR & A
Mr. U.R.Hettiarachchi	- Deputy General Manager - SOD
Mr. M. K. Jayantha	- Deputy General Manager - Finance

Senior Management

Mr. P.M.A.Karunasinghe	- Manager (Finance)
Mrs. P.D.Karawita	- Manager (Construction)
Mr.A.P.K.Manamperi	- Acting Manager (Construction)
Mr.W.G.A.Gajasinghe	- Acting Manager (Construction)
Mr. A.M.S.T.B.Alahakoon	- Acting Manager (Construction)
Mr.M.E.C. Pinto	- Acting Manager (Construction)
Mr.A.P.Tennakoon	- Acting Manager (Const. components)
Mrs.R.F.G. Ramanayake	- Manager (I.T)
Mr. Chamika Anuradha	- Manager (Marketing & Admin)
Mr. S.S.Wikramasinghe	- Chief Engineer (Electrical)
Mr.D.T.Rajasekarn	- Chief Engineer (Designs)
Mr.D.N.A.Galappaththi	- Chief Quantity Surveyor
Mr.K.E.H.A.Ranasinghe	- Chief Architect
Mr. M.H.Senaweera	- Chief Internal Auditor
Mr.C.M.S.R.Fernando	- Actg. Chief Engineer (Contracts & Planning)

Chairman Statement

It is indeed a positive financial year for State Engineering Corporation. The 2013 year ended with major hit in the construction industry with Rs.7965 Million turnover with a net profit (before tax) Rs.148 Million. The major division's operations run in positive manner and the divisions were able to achieve the targets as well. The reporting financial year has been challenging and continues to be more competitive. Even though the micro and macro environment factors continue to be more variable and challenging, we strive to attribute great achievement with strict adherence to the best practice. The working capital continues to increase and efficient management system contributes to generate productive results in this financial year.

Division's Performances

The construction division which is the heart of the State Engineering Corporation could hit an Rs.3551 Million record breaking turnover and the revenue increased by 19% only. Even the profit generation is more than two times increased comparing to the previous year. The construction division successfully completed second stage of the Sirimavo Bandaranaiyka Children Hospital and court complex of Negambo. Further to that parallel to the Deyata Kirula 2013, there were major development projects which the construction division carried out in Ampara. Construction of lecture halls and hostel buildings were done accordingly.

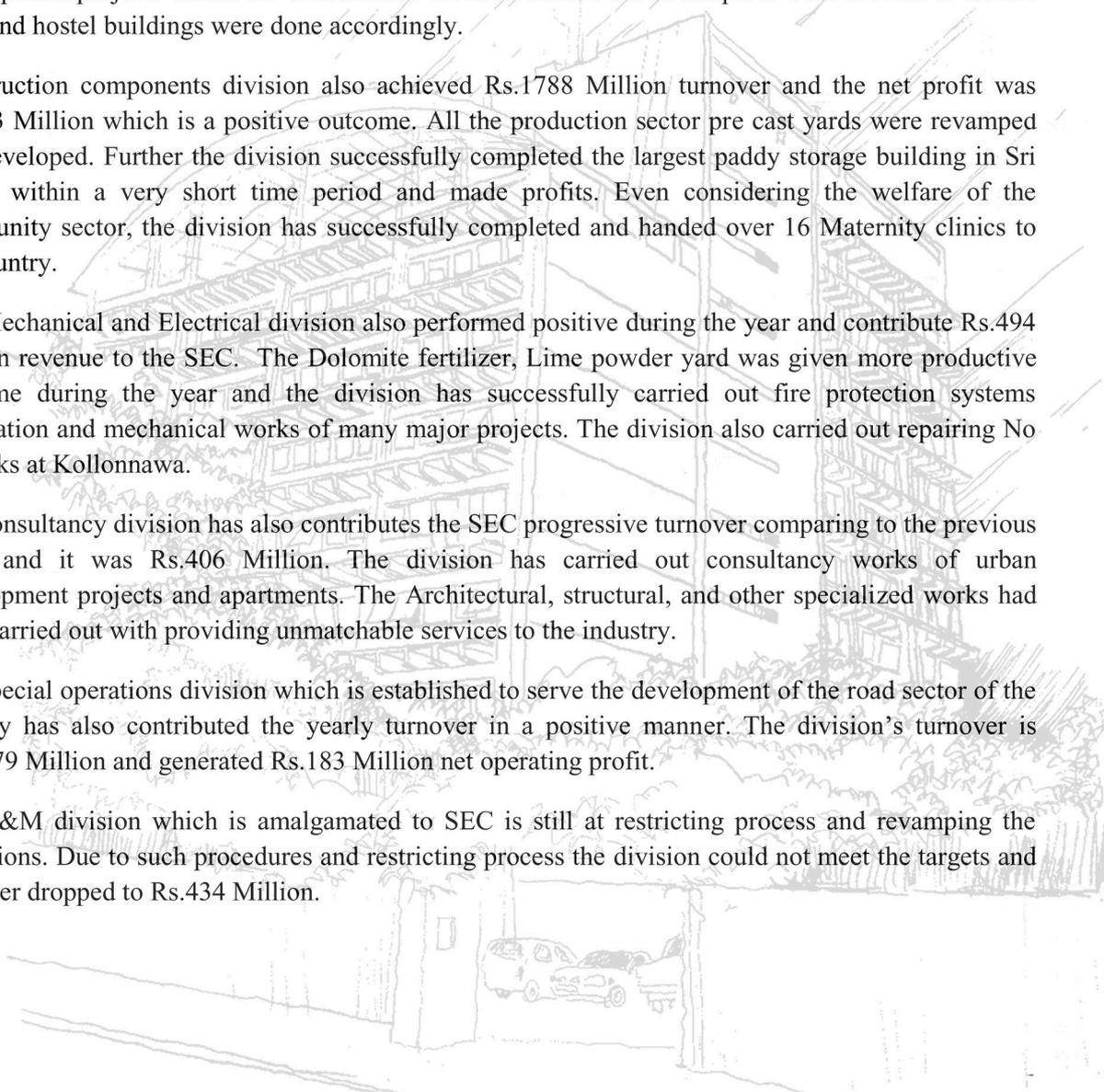
Construction components division also achieved Rs.1788 Million turnover and the net profit was Rs.113 Million which is a positive outcome. All the production sector pre cast yards were revamped and developed. Further the division successfully completed the largest paddy storage building in Sri Lanka within a very short time period and made profits. Even considering the welfare of the community sector, the division has successfully completed and handed over 16 Maternity clinics to the country.

The Mechanical and Electrical division also performed positive during the year and contribute Rs.494 Million revenue to the SEC. The Dolomite fertilizer, Lime powder yard was given more productive outcome during the year and the division has successfully carried out fire protection systems installation and mechanical works of many major projects. The division also carried out repairing No 34 tanks at Kollonnawa.

The consultancy division has also contributes the SEC progressive turnover comparing to the previous years and it was Rs.406 Million. The division has carried out consultancy works of urban development projects and apartments. The Architectural, structural, and other specialized works had been carried out with providing unmatched services to the industry.

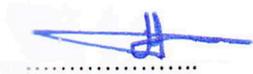
The special operations division which is established to serve the development of the road sector of the country has also contributed the yearly turnover in a positive manner. The division's turnover is Rs.1879 Million and generated Rs.183 Million net operating profit.

The E&M division which is amalgamated to SEC is still at restricting process and revamping the operations. Due to such procedures and restricting process the division could not meet the targets and turnover dropped to Rs.434 Million.



The Sri Lankan economy is expected to have sustainable path with a growing GDP and challenging financial year. The construction industry continues to boom and mega development projects is expected to be launched in the next year. Such positive and constructive environment will expected to generate more opportunities for the corporation to provide diversified outcome to the nation.

I would like to place my heart full gratitude to the Board of Directors and the Management team and the dedicative staff for the commitment that has been given to achieve these positive results and navigating the State Engineering Corporation for a better future through various challenges.



B.K.J.K Perera

Chairman

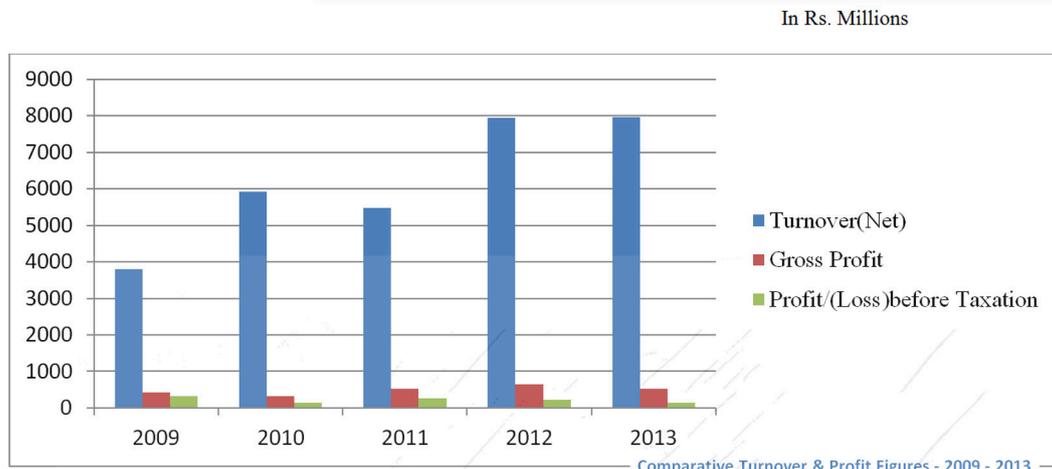
20 September 2014



Progress Review of the Corporation

Turnover & Profit

During the financial year 2013, Corporation has recorded its turnover Rs.7965 million with a net profit (before tax) Rs.148 million



In Rs. Millions

	2009	2010	2011	2012	2013
Turnover (Net)	3,794	5,921	5,473	7,951	7,965
Gross Profit	431	320	527	653	522
Profit/(Loss) before Taxation	313	133	252	225	148

Table I (Comparative Turnover & Profit Figures of the Corporation 2009 - 2013)

Construction Division

Construction group has recorded Rs.3551 million Turnover in the financial year 2013, which includes internal turnover Rs.114 million compared with Rs.2967 million turnover which includes internal turnover Rs.122 million in year 2012. The group has successfully achieved its annual targeted Revenue with the increases of 16.6%. The Net Operating Profit is shown as Rs.160 million. Which is more than 2 1/2 times of the year 2012.

Turnover & Net Operation Profit / (Loss) In Rs. Millions

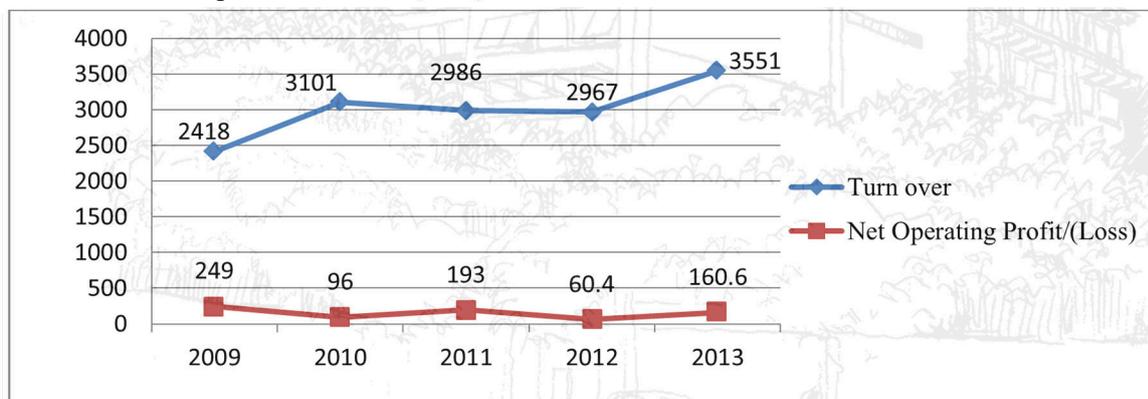


Table II - Turnover & Net Operating Profit/(Loss) of Construction Group

Progress Review of the Corporation

Construction Components Division

Construction Components group has recorded its turnover Rs.1788 Million during the year 2013, which includes intenal tumover Rs.116 million and successful achievement of annual budget as Rs. 1671.5 million. Further the group has achieved 6.3% net profit ratio compared to 5% net profit ratio in year 2012.

Turnover & Net Operation Profit / (Loss) In Rs. millions

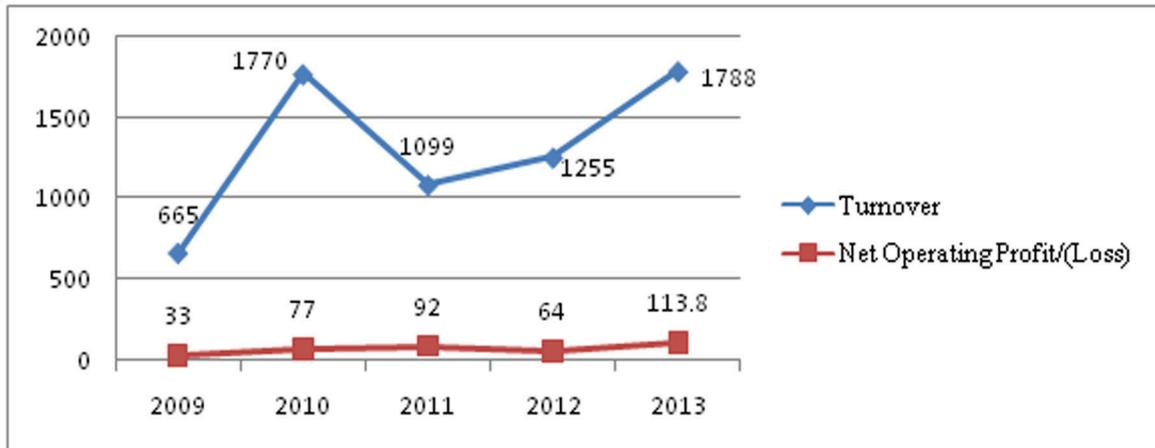


Table III - Turnover & Net Operating Profit/(Loss) of Construction Components Group

Consultancy Group

Consultancy group has recorded its Revenue as Rs. 406 Million, which includes intenal tumover 38 Million recorded Net Operating Profit of 94 Million Revenue is shown a 40% growth in 2013.

Turnover & Net Operation Profit / (Loss) In Rs. Millions

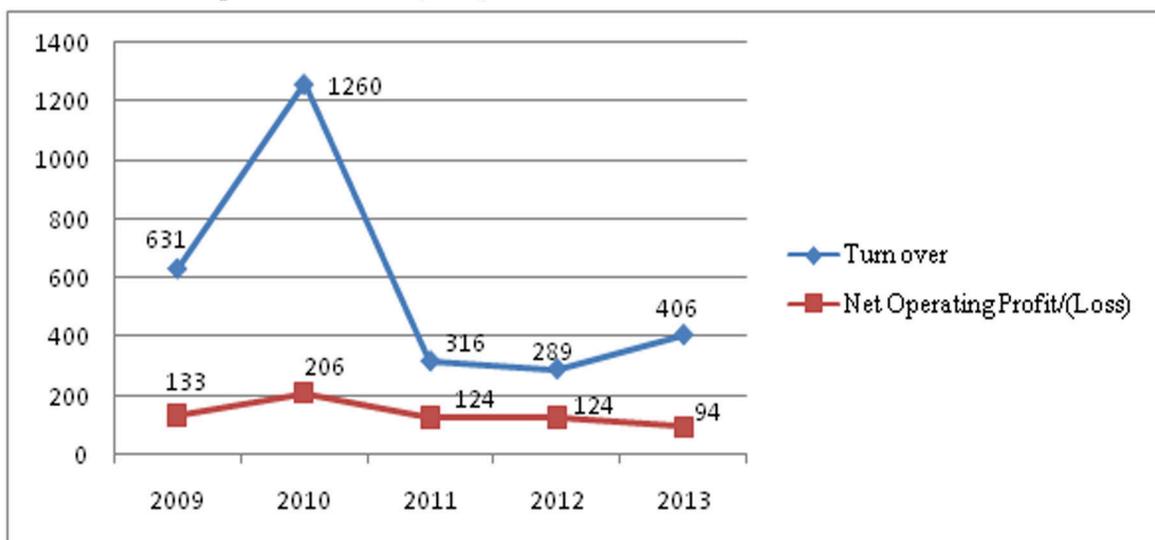


Table IV - Turnover & Net Operating Profit / (Loss) of Consultancy Group

Progress Review of the Corporation

Mechanical & Electrical Division

A significant progress is shown in revenue of Rs.494 million, which includes internal revenue Rs.277 Million and profit of Rs.14.6Million in year 2013. When compare with previous year Turnover and Operating (Net) Profit is shown as 73.9% and over 10 times growth respectively. The achievement of its annual target reached up to 70% in Turnover.

Turnover & Net Operation Profit / (Loss) In Rs. Millions

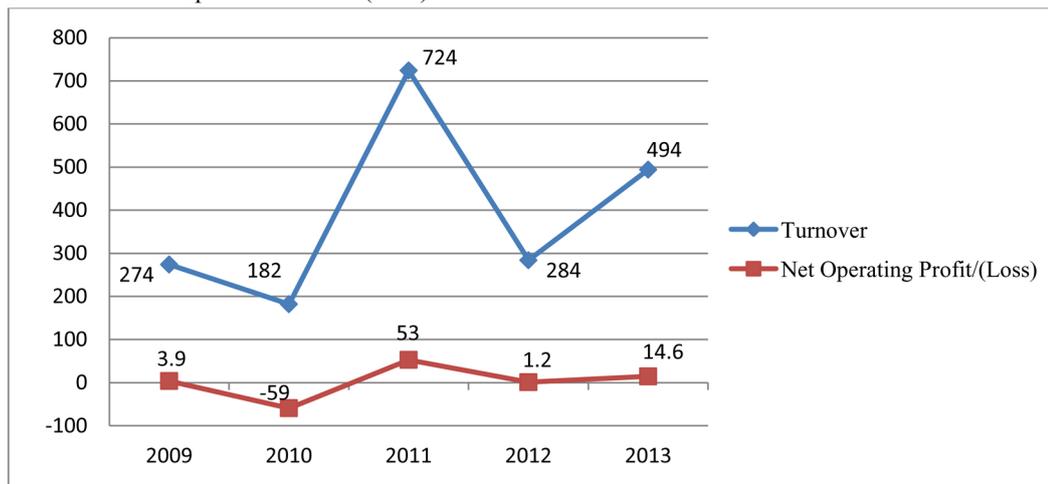


Table V - Turnover & Net Operating Profit/(Loss) of Mechanical & Electrical

Equipment & Machinery Division

The progress of The Equipment and Machinery Division has not met up to expected level due to inherent limitation of then NEMO, Which in under process of restructuring Programmer.

Turnover & Net Operation Profit / (Loss) In Rs. Millions

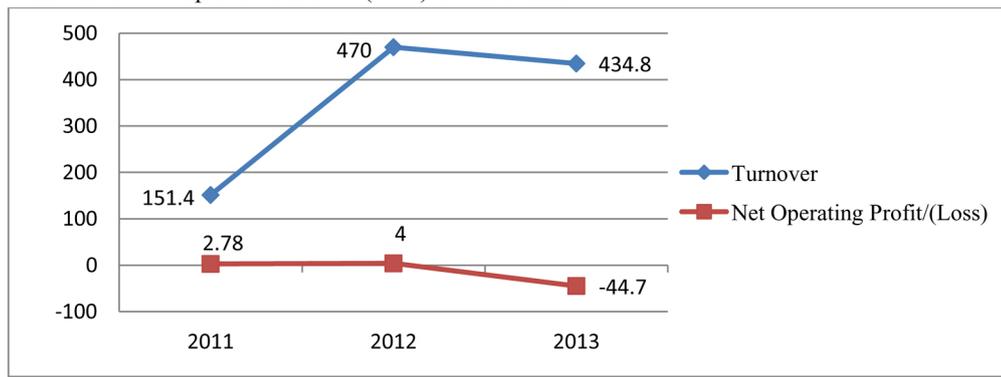


Table VI - Turnover & Net Operating Profit/(Loss) of Equipment & Machinery Division

Progress Review of the Corporation

Special Operation Division

Segment was established to undertake single activity to serve Provincial Road Sector, which faced adverse situation on the decision of client organization where cease the projects was resulted to reduce annual turnover and Net Operating Profit from Rs. 3106 million to Rs.1879 million and Rs.399 million to Rs.183.6 million in 2012 and 2013 respectively.

Turnover & Net Operation Profit / (Loss) In Rs. million

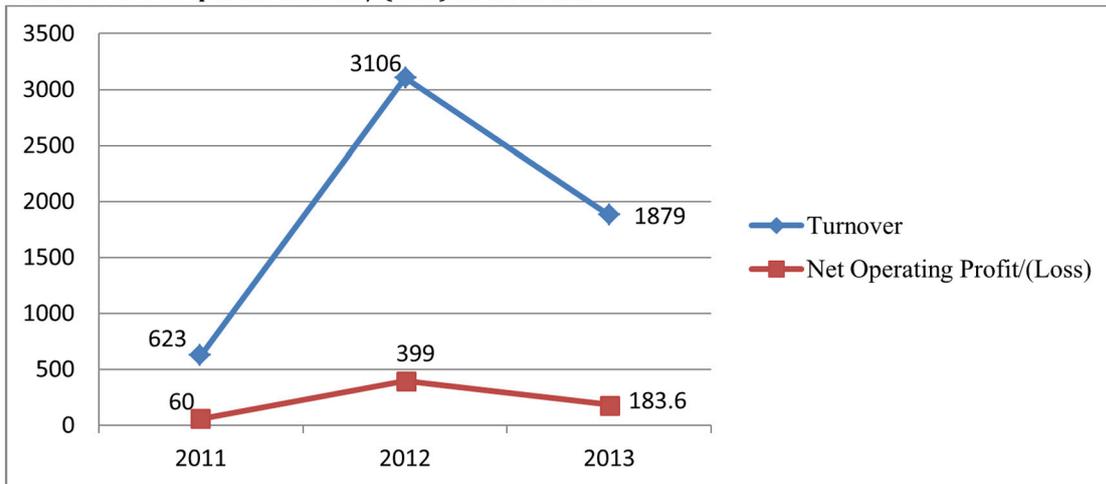


Table VII - Turnover & Net Operating Profit/(Loss) of Special Operation Division

Cash Flows

Cash Flows during the year 2013 in terms of collection of money from client increased by 11% compared with previous year. With the incremental cash collection operating commitments as well as all statutory requirements have been met on time.

(Collection of Finance Corporation) In Rs. million

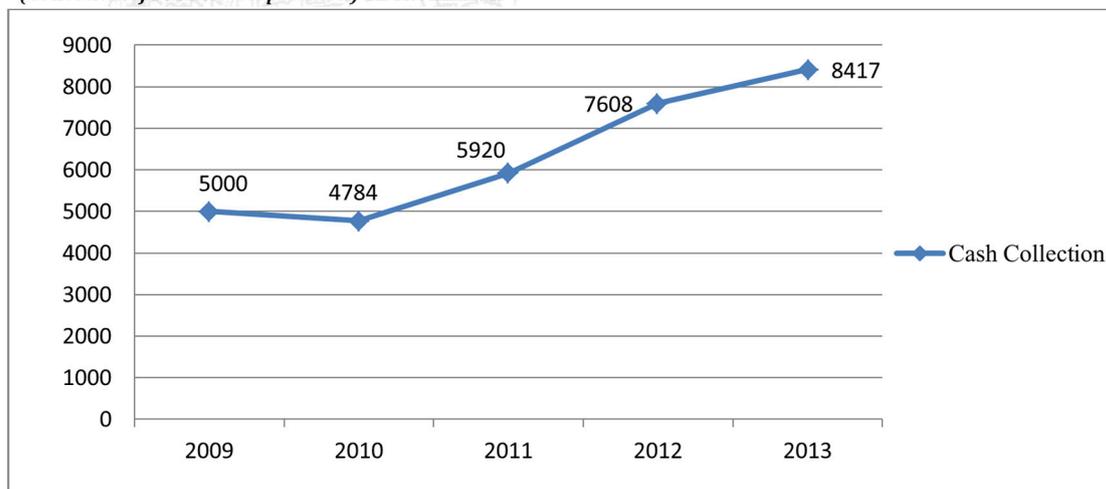


Table VIII - Cash Flows

Assets

The total assets of the Corporation are grown by 6.7% over the previous year. The corporation increased its current assets to Rs.10,431 million in year 2013 from Rs.9,857 million in the previous year.

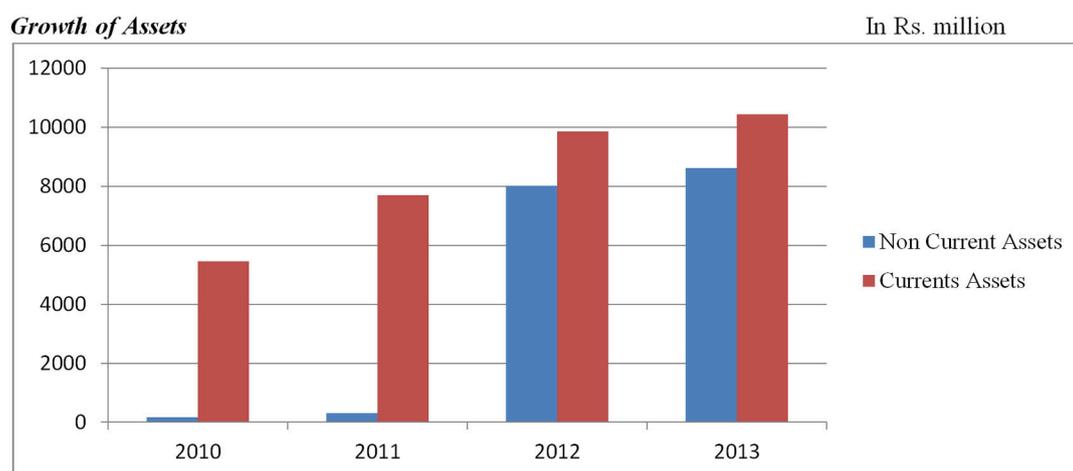


Table IX - Growth of Assets

	2010	2011	2012	2013
Non-Current Assets	170	312	8011	8612
Current Assets	5439	7703	9857	10431

Other Revenue

	2009 (In Rs,000)	2010 (In Rs,000)	2011 (In Rs,000)	2012 (In Rs,000)	2013 (In Rs,000)
Rent	5,938	7,208	7,911	8,480	8,152
Sales of Fixed Assets (Unserviceable Assets)	12,006	-	60	14,895	4,187
Over head Bridge	569	-	-	-	-
Other (Excluding Provision - 2004)	7,835	6,816	14,216	-	-
Reversal of Stock over provision	-	-	-	-	31,308
Reversal of Bad debt provision over provision	-	-	-	-	18,056
Reversal of other provision	-	-	-	-	22,541
Amortization of Grants	-	-	-	-	33,343
Registration fee income	-	-	-	1898	2,879
Miscellaneous income	471	-	-	637	1,249
	26,819	14,024	22,187	25,910	121,715

Construction Group

Key Members of the Management

DGM (Acting)	-	Eng. Mr. K.A. Shantha Kumara
Manager	-	Eng. Mrs. P.D. Karawita
Acting Manager (C)	-	Eng. Mr. A.P.K. Manamperi
Acting Manager	-	Eng. Mr. A.M.S.T.B. Alahakoon
Acting Manager	-	Eng. Mr. W.G.A. Gajasinghe
Acting Manager	-	Eng. Mr. Pinto
Accountant	-	Mr. H.K. Bandula Yodheeshwara





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Progress review of Construction Group

The total invoiced value and the profit of the Construction Group during the year 2013, Rs. 3551 million and 160.5 million respectively. The invoiced value is 506 million higher than the budgeted amount in year 2013 in Construction Group. When compared with 2012 Net increase of the invoiced value is Rs. 584 Million.

Total value of completed projects for the year 2013 is Rs. 4339 Million and which include most remarkable projects as follows.

1. Construction of Sirimawo Bandaranayaka Specialized Children Hospital Stage II Peradeniya.
2. Court Complex at Negombo
3. 2 Nos Hostel at Tholangamuwa Central College.
4. A Building for faculty of Buddhist Studies
5. Head Office Building for Road passenger Authority

Manager Name

Value of completed Project (Rs. Millions)

DGM (Acting)	- Eng.	Mr. K.A. Shantha Kumara	145.61
Manager	- Eng.	Mrs. P.D. Karawita	652.60
Acting Manager (C)	- Eng.	Mr. A.P.K. Manamperi	1,016.13
Acting Manager	- Eng.	Mr. A.M.S.T.B. Alahakoon	486.02
Acting Manager	- Eng.	Mr. W.G.A. Gajasinghe	761.49
Acting Manager	- Eng.	Mr. Pinto	1,277.20
			<hr/>
			4339.05

A remarkable growth over completed project during the year 2013 is registered 68% increase. When compare with the previous year data.

Among these following major project were undertaken during the year 2013.

- Urban Regeneration Project city of Colombo, Construction of 384, Housing Units at Kalinga Mawatha.
- Construction of Courts Complex Galle.
- Construction of Para-Clinical Building Complex for Faculty of Medicine Stage II University of Peradeniya.
- Construction of Auditorium in Wayamba University of Sri Lanka, Kuliypitiya under the Deyata Kirula National Development Programme 2014.
- Proposed Refurbishment the Main Lobby, Members & Lift Shaft at Water Edge, No: 36, Ethul Kotte, Battaramulla.



Projects Completed in 2013

No.	Site No.	Name of the Project	Contract Sum (With Out VAT) Rs. MN.
1	1595	Construction of Sirimawo Bandaranayke Specialized Children's Hospital, Stage II, Peradeniya	427
2	1628	Proposed Construction of Courts Complex at Negambo	580
3	1643/I	Construction of Wall & Chain link fence at Safari Zoo, Ridiyagama, Hambanthota	160
4	1643/VII	Construction of Animal Hospital Complex at Safari Zoo, Ridiyagama, Hambanthota	47.88
5	1645/I	Improvements to New theater to and blood bank complex at district hospital Minuwangoda.	38.48
6	1705	Clinical Building Faculty of Medical & Allied Science, Rajarata University- Phase I & II, Teaching Hospital, Anuradhapura	783
7	1723/I	Proposed Building Complex	77.51
8	1723/II	Construction of New Hostel Building for Migrant Resource Centre of Sri Lanka Bureau of Foreign Employment at Tangalle.	142
9	1741	Proposed 2 No Hostels, 400 m athletic Running Track & Pavilion for Tholangamuwa Central College, Tholangamuwa	213.8
10	1746	Construction of a Building for the Faculty of Buddhist Studies for Buddhawaka Bhikku University at Anuradhapura.	239.4
11	1753/VII	Design & Construction of Rhino exhibit area at National Zoological Gardens Dehiwala.	21.84
12	1753/XV	Construction of Bird Aivary at national Zoological Gardens Dehiwala	36.74
13	1753/XVI	Construction of Elephant Exhibit at National zoological Gardens Dehiwala	46.23
14	1766	Construction of two storied building including Central Dispensary & Community Medical Center -Akaragama-Minuwangoda	22.67
15	1776	Construction of Overhead Water Tank at Minuwangoda	8.89
16	1809	Construction & Completion of Proposed Building Complex (Stage I) for faculty of Social Science & Humanities, Rajarata University - Mihinthale	126.7
17	1829	Proposed Lift for Disabled persons for existing Courts Complex at Horana.	14.28
18	1832	Construction of Prison Complex at Pallekele (Phase 2-(A-1)	59.2
19	1844	Construction of Ayurvedic Panchakarma Building (Stage I) at Ayurveda Hospital, Wadduwa, Molligoda.	30.17
20	1847	Proposed Building Complex for Buddhasravaka Bhikshu University at A'pura -Hostels -Stage I	99.56
21	1866	Construction of Boundary Wall & Balance work at Foreign Employment Beureau at Mathugama	40
22	1901	Construction of Hostel Building (1 No), Lecture Room Block 3 (2 No), & Lecture Hall (2 No's) - Stage I for Deyata Kirula, Ampara	298.1
23	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
24	1916	Renovation Of Auditorium, Deyata kirula , Ampara	63.3
25	1648	Construction of Proposed Head Office Building WPPRPTA-Battaramulla	568.2
26	1966	Balance Work of Proposed Building Complex (Stage I) for faculty of Social Science & Humanities of Rajarata University of Sri Lanka-Mihinthale	28.6
27	1990	Reconstruction & Refurbishment of Waters Edge at Battaramulla	116.3
28	1812	Construction of Summer House with Toilet at Botanical Garden at Mirijjewila-Hambantota.	8.76
		Total	4339.41

Projects Awarded in Year 2013

No.	Site No.	Name of the Project	Contract Sum (With Out VAT) Rs. MN.
1	1753/21	Construction of Boundary wall at Rear of Animal Hospital /Wild Horse/ Greater kudu (Approximate Length 57.6m) for National Zoological Gardens,Dehiwala	3.17
2	1753/23	Construction of Boundary wall (Approximate length 222ft) for Department of National Zoological Gardens at Dehiwela	4.22
3	1879/1	Construction and Completion of Building for food preparation facility at Safari Park, Hambanthota	37.4
4	1879/2	Construction and Completion of Toilet Block at Safari Park, Hambanthota	16.61
5	1879/3	Construction and Completion of Chain Link Fence (Inner wall in Lion Zone) at Safari Park, Hambanthota	48.62
6	1942	Construction of Deer Enclosure (Phase i) at Pinnawela Zoological Gardens.	33
7	1948	Construction of a six storied building for national Agricultural Information and Communication centre, Department of Agriculture, Gannoruwa, Kandy	313
8	1950	Repairs of the Building Complex with Class room and Old Hostal at Vishaka Vidyalaya, Colombo 04	52.8
9	1957	Structural Repair work of Prime Minister's Office ("Srimathiya ") at Colombo	2.11
10	1960	Urban Regeneration Project -City of Colombo, Construction of 384 Housing units at Kalinga Mawatha	1010.32
11	1962	Landscaping works for entrance area at new Prison Complex at Pallekelle.	12.9
12	1963	Proposed building for Clinical Research and Service Laboratory, Faculty of Medicine.	34.62
13	1964	Construction of Ayurvedic Panchakarma Building (Stage II) at Ayurveda Hospital.Wadduwa	24.24
14	1966	Balance work of proposed complex (Stage 1) for faculty of social science & Humanties of Rajarata University of Sri Lanka at Mihinthale	28.6
15	1967	Design & Construction of the four storied para clinical building, Stage ii for the faculty of Medicine, University of Peradeniya.	543.64
16	1968	Construction of two storied accommodation building at Kandy - President's House Premises	16.46
17	1974	Construction and Completion of Toilet Block - 2 at Safari Park, Hambanthota	16.61
18	1975	Jungle Clearing & Vegetation Management of Lion Zone at Safari Park, Hambanthota for Department of National Zoological Gardens	18.18
19	1976	Construction & Completion of Gate Keepers Room I at Safari Park Hambanthota	1.37
20	1977	Construction & Completion of Gate Keepers Room ii at Safari Park Hambanthota	1.37
21	1978	Construction of Proposed three storied Building for University Collage at Kuliypitiya.	112.31
22	1979	Construction of Proposed three storied Building for University Collage at Katunayake.	112.31
23	1980	Construction of Proposed three storied Building for University Collage at Ratmalana.	112.31
24	1981	Construction of Proposed three storied Building for University Collage at Anuradhapura.	112.31
25	1982	Construction of Proposed three storied Building for University Collage at Katubedda.	112.31
26	1983	Construction of Proposed three storied Building for University Collage at Baddegama.	112.31
27	1984	Construction of Proposed three storied Building for University Collage at Jaffna.	112.31
28	1985	Construction of Proposed three storied Building for University Collage at Thalalla.	112.31

Projects Awarded in Year 2013

No.	Site No.	Name of the Project	Contract Sum (With Out VAT) Rs. MN.
29	1986	Construction of Proposed three storied Building for University Collage at Borella.	112.31
30	1988	Specialized work in auditorium and ceiling work for psychiatry ward and staircase of clinical building complex of Rajarata University of Sri Lanka.	8.91
32	1990	Proposed Refurbishment the Main Lobby, Members Lounge, Jetty Bar, Karaoke Lounge and lift shaft at water's Edge, No 316, Ethul Kotte Road, Battaramulla.	116.25
33	1991	Construction and Completion of Bus stop for Department of National Zoological Gardens, safari park at Hambanthota.	3.15
34	1992	Construction and Completion of Car park stage I for Department of National Zoological Gardens, safari park at Hambanthota.	29.23
37	1993	Construction & Completion of Sewer Treatment Plant and associated works including related Preliminary works.	46.96
39	1998	Access Road to Faculty of Buddhist Studies.	1.36
40	1997	Painting works of two storied building of student Hostel.	1.29
43	2019	Construction of Lecture Hall Complex for the faculty of management Studies and commerce - Block A University of Jaffna.	147.26
44	2020	Construction of Lecture Hall Complex for the faculty of management Studies and commerce - Block D & E Univer	94.17
45	2021	Construction of Neno Technology Laboratory in Wayamba University of Sri Lanka , Kuliypitiya under the Dayata Kirula National Development Programme 2014.	30
46	2035	Construction of Auditorium in Wayamba University of Sri Lanka , Kuliypitiya under the Dayata Kirula National Development Programme 2014.	250
47	2037	Extra Electrical supply for computer laboratory in faculty of Buddist studies at Buddhasrawake Bikkshu University Anuradhapura.	1.02
48	2038	Construction of MOH office at Wennapuwa	11.99
49	2039	Construction of MOH office at Haldaduwana,	9.99
50	2040	Construction of MOH office at Ulhitiyawa	9.99
51	2041	Construction of MOH office at Nattandiya,	9.99
52	2042	Construction of MOH office at Yogiyana	9.99
53	2043	Construction of MOH office at Muhudukatuwa,	11.99
54	2044	Construction of Faculty Building stage iii (Final Stage) for Faculty of Livestock, Fisheries and Nutrition Makandura	133.79
55	2046	Construction of MOH Building at Elaulla, Deraniyagala.	9.99
56	2047	Construction of MOH Building at Kalugala, Aranayake	11.28
57	2048	Construction of MOH Building at Galathara, Aranayake	9.99
58	2049	Construction of MOH Building at Galbokka, Aranayake	9.99
59	2050	Construction of MOH Building at Newsmioor, Yatiyanthota.	9.99
60	2051	Construction of Cemetery at Deraniyagala	18.68

Projects Awarded in Year 2013

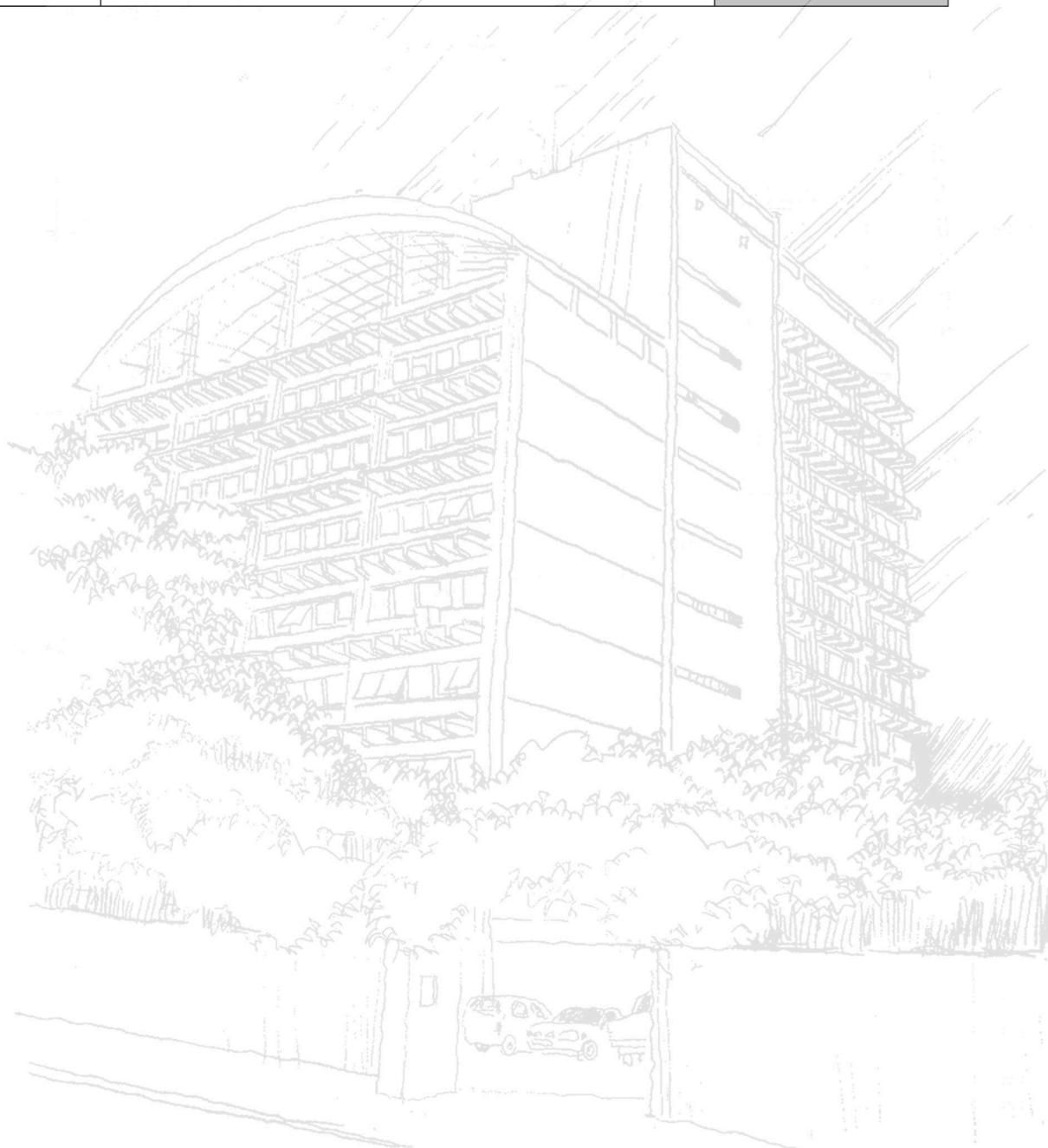
No.	Site No.	Name of the Project	Contract Sum (With Out VAT) Rs. MN.
61	2063	Construction & Completion of double gate entry & exit points at lion zone at safari park, Hambanthota	10.65
62	2067	Construction of MOH office at Aluthnuwara, Mawanella	9.99
63	2068	Construction of MOH office at Randiwela, Mawanella	9.99
64	2069	Construction of MOH office at Molligoda, Mawanella	9.99
65	2070	Construction of MOH office at Dippitiya, Aranayaka	11.99
66	2071	Construction of "Sathi Pola" at Dippitiya, Aranayaka	13.03
67	2073	Construction of Ayurvedic Panchakarma Building (Stage iii), Ayurveda Hospital, Wadduwa, Molligoda	9.78
68	2075	Construction of "Sathi Pola" at Marawila	42.28
69	2076	Construction of "Sathi Pola" at Wennapuwa	54.99
70	2077	Construction of bus stand at Wennapuwa	41.93
71	2080	Supply and fixed Solar power Electrical lamp post at Botanical Garden at Mirrijjawela, Hambanthota.	10.02
72	2090	Construction of Courts Complex at Galle	734.96
73	2093	Construction of MOH office at Kooragala, Mawanella	9.99
74	2094	Construction of "Sathi Pola" at Bulathkohupitiya	34.39
75	2095	Construction of MOH office at Kehelpannala, Mawanella	11.07
76	2096	Construction of MOH office at kendawa, Yatiyanthota	9.99
77	2098	Fopur storied builing for Chief Electrical Engineers' office Gampaha	84.27
78	2104	Construction of Cemetery at Yatiyanthota	21.47
79	2105	Construction of pond under development Osu Uyana (Stage ii) at Ayurveda hospital, Meegoda	4.35
80	2106	Construction of gates and fence under development Osu Uyana (Stage ii) at Ayurveda hospital, Meegoda	1.82
81	2107	Design and Construction of office building Botanical Garden at Hakgala.	27.29
		Total	5391.52

Projects started in 2013

No.	Site No.	Name of the Project	Contract Sum (With Out VAT) Rs. MN.
1	1753/21	Construction of Boundary wall at Rear of Animal Hospital /Wild Horse/ Greater kudu (Approximate Length 57.6m) for National Zoological Gardens,Dehiwala	3.17
2	1753/23	Construction of Boundary wall (Approximate length 222ft) for Department of National Zoological Gardens at Dehiwela	4.22
3	1879/1	Construction and Completion of Building for food preparation facility at Safari Park, Hambanthota	37.4
4	1879/2	Construction and Completion of Toilet Block at Safari Park, Hambanthota	16.61
5	1879/3	Construction and Completion of Chain Link Fence (Inner wall in Lion Zone) at Safari Park, Hambanthota	48.62
6	1942	Construction of Deer Enclosure (Phase i) at Pinnawela Zoological Gardens.	33
7	1948	Construction of a six storied building for national Agricultural Information and Communication centre, Department of Agriculture, Gannoruwa, Kandy	313
8	1950	Repairs of the Building Complex with Class room and Old Hostal at Vishaka Vidyalaya, Colombo 04	52.8
9	1957	Structural Repair work of Prime Minister's Office ("Srimathiya ") at Colombo	2.11
10	1960	Urban Regeneration Project -City of Colombo, Construction of 384 Housing units at Kalinga Mawatha	1010.32
11	1962	Landscaping works for entrance area at new Prison Complex at Pallekelle.	12.9
12	1963	Proposed building for Clinical Research and Service Laboratory, Faculty of Medicine.	34.62
13	1964	Construction of Ayurvedic Panchakarma Building (Stage II) at Ayurveda Hospital.Wadduwa	24.24
14	1966	Balance work of proposed complex (Stage 1) for faculty of social science & Humanities of Rajarata University of Sri Lanka at Mihinthale	28.6
15	1967	Design & Construction of the four storied para clinical building, Stage ii for the faculty of Medicine, University of Peradeniya.	543.64
16	1968	Construction of two storied accommodation building at Kandy - President's House Premises	16.46
17	1974	Construction and Completion of Toilet Block - 2 at Safari Park, Hambanthota	16.61
18	1975	Jungle Clearing & Vegetation Management of Lion Zone at Safari Park, Hambanthota for Department of National Zoological Gardens	18.18
19	1976	Construction & Completion of Gate Keepers Room I at Safari Park Hambanthota	1.37
20	1977	Construction & Completion of Gate Keepers Room ii at Safari Park Hambanthota	1.37
21	1978	Construction of Proposed three storied Building for University Collage at Kuliyaipitiya.	112.31
22	1980	Construction of Proposed three storied Building for University Collage at Ratmalana.	112.31
23	1981	Construction of Proposed three storied Building for University Collage at Anuradhapura.	112.31
24	1982	Construction of Proposed three storied Building for University Collage at Katubedda.	112.31
25	1983	Construction of Proposed three storied Building for University Collage at Baddegama.	112.31
26	1984	Construction of Proposed three storied Building for University Collage at Jaffna.	112.31
27	1985	Construction of Proposed three storied Building for University Collage at Thalalla.	112.31
28	1990	Proposed Refurbishment the Main Lobby, Members Lounge, Jetty Bar, Karaoke Lounge and lift shaft at water's Edge, No 316, Ethul Kotte Road, Battaramulla.	116.25
29	1991	Construction and Completion of Bus stop for Department of National Zoological Gardens, safari park at Hambanthota.	3.15
30	1992	Construction and Completion of Car park stage I for Department of National Zoological Gardens, safari park at Hambanthota.	29.23

Projects started in 2013

No.	Site No.	Name of the Project	Contract Sum (With Out VAT) Rs. MN.
31	1993	Construction & Completion of Sewer Treatment Plant and associated works including related Preliminary works.	46.96
32	1997	Painting works of two storied building of student Hostel.	1.29
33	2019	Construction of Lecture Hall Complex for the faculty of management Studies and commerce - Block A University of Jaffna.	147.26
34	2020	Construction of Lecture Hall Complex for the faculty of management Studies and commerce - Block D & E University of Jaffna.	94.17
35	2021	Construction of Neno Technology Laboratory in Wayamba University of Sri Lanka , Kuliypitiya under the Dayata Kirula National Development Programme 2014.	30
36	2035	Construction of Auditorium in Wayamba University of Sri Lanka , Kuliypitiya under the Dayata Kirula National Development Programme 2014.	250
		Total	3723.72





Mechanical & Electrical Group

Key members of the Management

- | | |
|------------------------------|---|
| 01.Mr.M.D.B.Abeyrathna | - Deputy General Manager |
| 02.Mr.H.S.N.J.Hewasiliyan | -Work Manager(Ekala workshop) |
| 03.Mr.M.S. Ahaliyagoda | - Work Manager(Dolomite site) |
| 04.Mr Sanjaya Darmasena | -Work Manager(Rathmalana workshop) |
| 05.Mr. E.M.D. Ekanayaka | -Asst.Work Manager(Peliyagoda workshop) |
| 06.Mr.T.W.M.Thennakoon | - Asst.Work Manager(Ekala workshop) |
| 07.Mr.S.A.de Wijethunga | -Site manager (Sugathadasa Stadium) |
| 08.Mr.W.A.D.P.Wickramasinghe | -Site Manager (Custom Site) |
| 09.Mr.D.B.Semasinghe | - Site Manager (Fire Service) |
| 10.Mr.Imantha Jayarathna | - Site Manager (Aluminium work) |
| 11.Mr.Pradeep Rathnayaka | -Mechanical Engineer |
| 11.Ms. S.A.N.Chyami | -Electrical Engineer |
| 12.Ms.H.M.A.I.Herath | - Electrical Engineer |
| 13.Mr.E.K.C.S.Maduranga | - Mechanical Engineer |
| 14.Mrs.T.S.Apsara Rohan | -Accountant |



Progress review of M & E Division

The Annual Turnover and the Profit of the Mechanical and Electrical Group during the Year 2013 is 494 Million and Rs.14.6 respectively, Which was mainly contributed by the Other Projects, including Maintenance agreement related to Inland Revenue Building, Sugathadasa Stadium complex and Customs Building.

On the other hand, the value of the awarded projects in 2012 which including Construction of Temporary Toll Plaza at Kottawa for Sothern Transport Development Projects, Proposed Clinical Building for the Faculty of Medicine – 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 , Lime Powder and Skim coat
- * Maintenance of Building facilities
- * Pipe laying projects
- * Fire Works
- * Aluminum Works

M & E Group - Projects Completed in 2013

No.	Site No.	Project Description	Client	Estimated Value With Out VAT Rs. Mn.
1	1804	Clinical Ward complex at University of Rajarata	Rajarata University of Sri Lanka, Mihintale	174.3
2	1764	Repairs to fixed roof of Tank 34 at Kolonnawa Installation	Ceylon Petroleum Terminals Ltd.	8.83
3	1886	Supply Installation Testing commissioning & maintenance of fire detection & protection system for passenger transport authority at Battaramulla	SEC (Construction Division)	8.54
4	ME/1889/09 12	Fire Protection System for Proposed Sirimavo Bandaranayke Specialized Children's Hospital Stage 2 at Peradeniya	SEC Construction (Main client - Ministry of Health)	3.666
5	ME/1902/10 12	Fire Protection System for Proposed Building Complex for Sri Lanka Bureau of Foreign Employment at Tangalle	SEC Construction	3.75
6	ME/1907/11 12	Metal Ceiling & proposed Head office building for the western province, Provincial Road Passenger. Transport Authority at battaramulla	Road Passenger Transport authority	17.898
7	1846	Repairs of collapsed sewer line at Galle Road Wellawatta	Colombo Municipal Council	26.621
8	1930	Installation of Fire Protection & Detection system of Hardy University Ampara	SEC Construction	1.200
9	ME/1900/10 12	Laying of uPVC Pipes,Fitting,Specials & DI/CI Calves at Sampaltheevu	National Water Supply & Drainage Board	28.48
10	Me/1958/05 13	Dewundara Dewalaya Fixing of copper roof tile.	Basnayaka Nilame , Dewundara Dewalaya	0.50
11	2030	Installation of Electrical Network for BOI Office at Colombo 1	Board of Investment of Sri Lanka	3.34
12	2034	Outdoor Gymnasium at Soysapura Housing Scheme	Ministry of Construction Engineering Services, Housing & Common Amenities	1.5
Total				278.62

Project Started in 2013

No.	Site No.	Project Description	Client	Estimated Value With Out VAT Rs. Mn.
1	1850	Balance work of Inland Revenue Building Car Park	Inland Revenue Department	110.00
2	ME/1889/0912	Fire Protection System for Proposed Sirimavo Bandaranayaka Specialized Children's Hospital Stage 2 at Peradeniya	SEC Construction (Main client - Ministry of Health)	3.666
3	1846	Repairs of collapsed sewer line at Galle Road Wellawatta	Colombo Municipal Council	26.621
4	ME/1904/1012	Laying of DI pipes uPVC pipes fittings, specials & accessories for transmission main from Galavilawatta reservoir to Diyagama Mahinda Rajapaksha sport complex	National Water Supply & Drainage Board	31.091
5	1930	Installation of Fire Protection & Detection system of Hardy University Ampara	National Water Supply & Drainage Board	1.200
6	1917	Replacing of Cast Iron pipe lines in Ananda Rajakaruna Mawatha & Serpentine Road.	National Water Supply & Drainage Board	21.868
7	ME/1900/1012	Laying of uPVC Pipes, Fitting, Specials & DI/CI Calves at Sampaltheevu	National Water Supply & Drainage Board	28.48
8	ME/1940/0313	Repair and repaint the canopy roof of Galviharaya at Polonnaruwa	Central Cultural Fund	3.47
9	ME/1943/0313	Supply Installation Testing commissioning of fire protection system for Housing project at Agulana	SEC Construction	18.80
10	ME/1953/0413	Construction of a steel Protective roof above the Ancient Thiwanka Image House at Polonnaruwa	Department of Archaeology	47.77
11	ME/1956/0413	Remedial work of Castlereigh Dam (Electro Mechanical work)	Ministry of Irrigation & Water Resources Management	48.02
12	Me/1958/0513	Dewndara Dewalaya Fixing of copper roof tile.	Basnayaka Nilame, Dewndara dewalaya	0.50
13	6028	Maradaghamula Fire Project	SEC Construction Component Group	11.621
14	2002	Gunasinghepura Housing Scheme	National Housing Development Authority	119.196
15	2003	Samagipura Housing Scheme	National Housing Development Authority	98.45
16	2004	Aramaya Place Housing Scheme	National Housing Development Authority	16.208
17	2005	Armor Street Housing Scheme	National Housing Development Authority	29.384
18	2006	Abdul Hameed Housing Scheme	National Housing Development Authority	11.76
19	2007	Mihindu Mawatha Housing Scheme	National Housing Development Authority	20.955

Cont .. 25

Project Started in 2013

No.	Site No.	Project Description	Client	Estimated Value With Out VAT Rs. Mn.
20	2008	Samapura Housing Scheme	National Housing Development Authority	41.256
21	2009	Siridhamma Mawatha Housing Scheme	National Housing Development Authority	11.724
22	2010	Aduruppu Street Housing Scheme	National Housing Development Authority	20.42
23	1969	Godagama Interchange	Road Development Authority	18.955
24	2030	Installation of Electrical Network for BOI Office at Colombo 1	Board of Investment of Sri Lanka	3.34
25	2034	Outdoor Gymnasium at Soysapura Housing Scheme	Ministry of Construction Engineering Services, Housing & Common Amenities	1.5
26	2045	Relocation of Temporary toll gate at Kottawa to Godagama Interchange (Electrical work)	Road Development Authority	3.5
27	2066	Kothalawala Interchange	Road Development Authority	95.907
Total				845.66

Construction Component Group

Key members of the Management

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



Progress review of CC Group

Total turnover of the Construction Components Group for the year 2013 was Rs.1,788Mn. which was Rs.116Mn. higher than the budgeted amount and Rs.532Mn. increased compare to year 2012. For this achievement main contribution was given by construction projects amounting to Rs.967Mn.and rest were done by precast yards (Ekala, Ratmalana, Dematagoda, Dankotuwa and Welikanda).

Net operating profit of the group was Rs.113Mn. which was Rs.49Mn. increase compared with last year of Rs.64Mn. Most of the precast yards were able to generate profit except Bricks & Carpentry yard Dankotuwa which was ended up with loss of Rs.3Mn.This site is doing supportive service to other precast yards and construction projects.

During the year the largest paddy storage warehouse was constructed within a short time period maintaining high quality and Group has undertaken to do more than sixteen Maternity Clinic Building projects at low cost, being contributed to improve health service of the general public.

Overall profitability of the group is satisfactory level and all the employees were worked together as a team to get this success. Group, Could maintain overall profit satisfactory level while keeping employees satisfaction.

C C Group - Projects Completed in 2013

Client	Name of the Project	Amount (Rs. Mn.)
Ministry of Economic Development	Construction of paddy storage Warehouse at Maradagahamula	375
Ministry of Health	Maternity Clinic Building Dompe	39.80
Ministry of Health	Maternity Clinic Building Ranmutugala	15.65
Ministry of Health	Maternity Clinic Building Sinharamulla	14.36
Road Development Authority	Removal of damage high roof and new Construction the stores building Ceylon Fertilizer Company at Hunupitiya	14.18
Total		458.99

C C Group - Ongoing Projects in 2013

Client	Name of the project	Amount (Rs. Mn)
University of Kelaniya	Proposed six storied building Complex of the Faculty of Social Science University of Kelaniya	70
University of Kelaniya	Proposed five storied building for Modern languages University of Kelaniya	60
Road development Authority	Widening & Improvements to structures on Veyangoda Ruwanwella Road	70
SL. Army	Construction of 156'-0"42'-6" size two storied Headquarters building.	55.15
Jagath Investment (Pvt) Ltd	Proposed Buddha Statue for Batumullakanda Viharaya at Mathugama.	70.07
Total		325.22

Consultancy Division

Key members of the Management

Mr.M.D.Pathmasiri	- Deputy General Manager
Mr.D.T.Rajasekaran	- Chief Engineer (Designs)
Mr.Hysinth Ranasinghe	- Chief Architect
Mr.D.M.A.Glappaththi	- Chief Quantity Surveyor
Mr.Susiri Wickramasinghe	- Chief Engineer (Electrical)
Ms. Rangika Alwis	- Senior Architect
Mr.W.P.S.Sudarshana	- Senior Architect
Mr.Vernon Fernando	- Senior Engineer
Ms.N.J.Jayakody	- Senior Engineer
Ms.Udeni Thalagalaarachchi	- Senior Quantity Surveyor

Major Activities

Building, Civil Engineering & Infrastructure Consultancy Works.





Progress review of Consultancy Division

The Consultancy Division has shown a steady increase in its Turnover during the year 2013. Division recorded a turnover (Gross) of Rs. 406.3 during the year 2013 compared to Rs.289.9 millions in 2012.

Net Operating profit of Rs.94.6 million was recorded against Rs. 124.8 million in 2012.

Major Consultancy Projects undertaken in Year 2013 are Treasury Building, and Construction of 888 Housing Units at Kolambage Mawatha (Phase I), Urban Regeneration Project - City of Colombo.

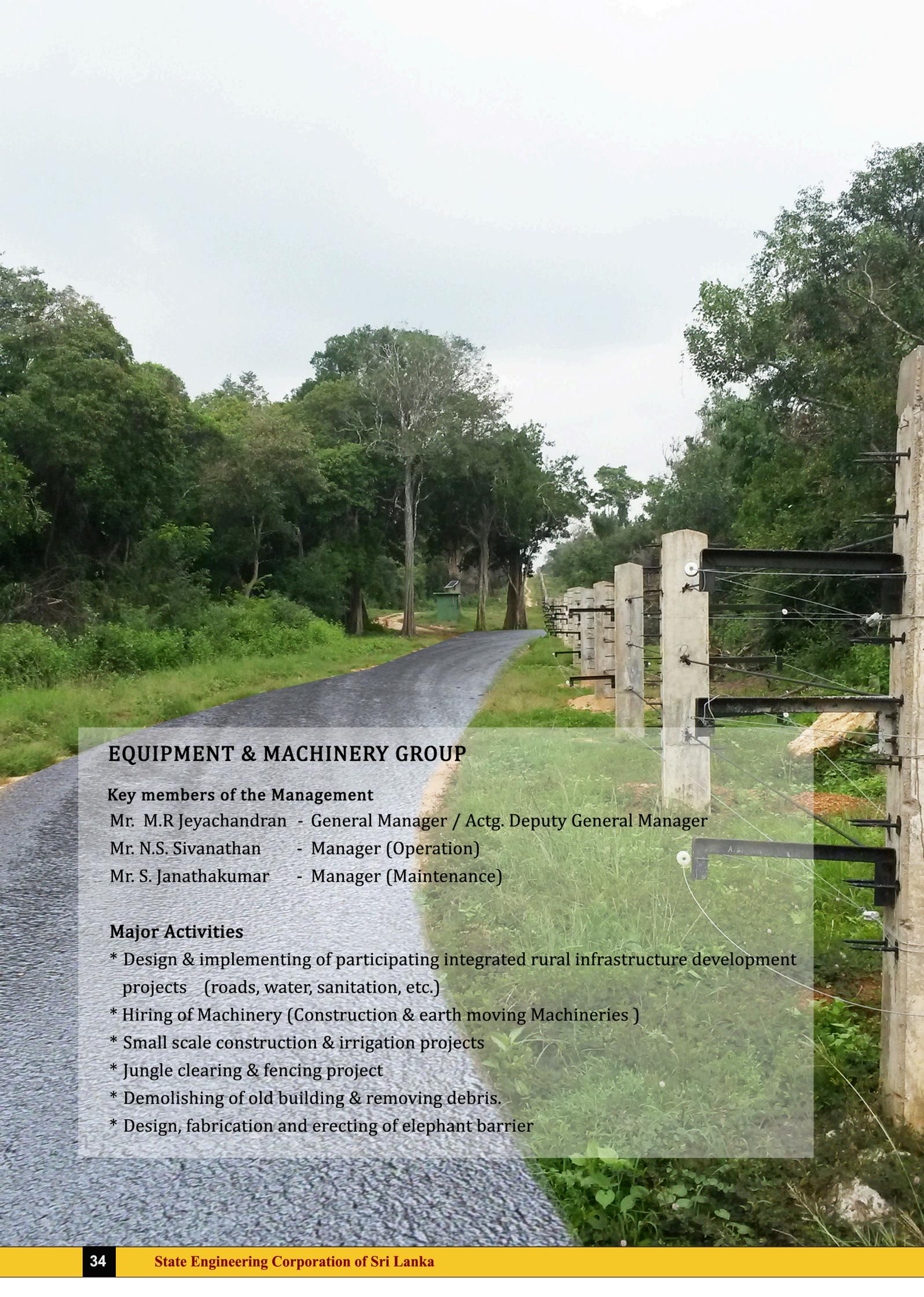
Most of the Consultancy Projects Undertaken was for the Provision of Consortium Consultancy Services including Architectural, Structural Services, Electrical and Specialist Services such as Air Conditioning and Fire Fighting and Quantity Surveying. However there were several projects for which only Engineering Services including Structural, Electrical & Services Engineering sought by Clients such as

Projects Completed in 2013

No.	Project No.	Project Description	Estimated cost of Construction	Total Consultancy Fee (Rs. Millions)
1	2007-44	Faculty of Business Studies and Finance - Stage I Kuliypitiya	105.31	6.32
2	2008-05A	Proposed Buddhist Studies Faculty Building for Buddhasravaka Bhikshu University, Anuradhapura	192.00	11.55
3	2008-05-C	Proposed Hostel stage 1 for Buddhasravaka Bhikshu University, Anuradhapura	86.25	5.18
4	2008-94(ii)	Proposed Building for Foreign Employment Building at Tangalle (stage 1)-balance work	76.51	3.82
5	2011-46	Bachelor staff quarters for Academic staff at Makandura	27.42	1.65
6	2010-05	Proposed Three Storied Building for the Divisional Secretariat - Matara	164.55	8.34
7	D/M/1272	Examination Hall/Auditorium, Faculty of Humanities & Social Science at Wallamadama	46.47	1.86
8	2006-28	Construction of Married Quarters Complex at 'Guwanpura '(Phase II) - Sri Lanka Air Force	1181	59.07
9	2011-44	Proposed Hostel Stage IV at Wayamba University Kuliypitiya	51.54	3.09
10	2007-23	Head office Building for Western Province Provincial Road Passenger Transport Authority - Battaramulla	526.06	21.04
11	2011-126	Proposed Vice Chancellor's Lodge, Rajarata University of Sri Lanka	24.42	1.45
12	2006-13	Main Entrance Building Block For Mirijawila Botanical Garden	20.82	1.24
13	2012-14	Refurbishment of Local Bird Aviary for Zoological Garden at Dehiwala	36.74	1.84
14	2010-28	Rhino Enclose for Zoological Garden at Dehiwala	25.28	1.26
Total			2,564.37	127.71

Consultancy Division - Projects Started in 2013

No.	Project No.	Project Description	Estimated cost of Construction (Rs. Million)	Total Consultancy Fee (Rs. Million)
1	2012-01	Proposed Hostel Stage V for Wayamba University of Sri Lanka, Makandura Premises	71.56	4.29
2	2012-02	Proposed Hostel Stage VI for Wayamba University of Sri Lanka, Makandura Premises	60.33	3.62
3	2007-09	Construction for Proposed 12 Storied Building Accommodating 120 Houses at Mayura Place stage 11, Colombo 06.	206.85	11.38
4	2013-18	Construction of 266 Housing Units at Pradeepa Mawatha, Urban Regeneration Project - City of Colombo	699.58	10.84
5	2013-09	Proposed National Agriculture Information and Communication Centre at Gannoruwa	313.00	
6	2013-14	Construction of 888 Housing Units at Kolambage Mawatha (Phase I), Urban Regeneration Project - City of Colombo (Supervision)	2220.00	35.96
7	2012-47	Proposed Kalinga Mawatha Housing Scheme for CMC at Kirulapona- 384 Housing Units	1010.31	30.30
8	2013-39	Resident Supervision for Construction of Relocation Housing of the Slave Island Re-development Project - Stage II (Station Passage) at Justice Akbar Mawatha, Colombo 02	1100.00	17.60
9	2011-32	Construction of a Hostel Complex at Saliyapura for Female Students in the Faculty of Medicine & Allied Sciences of Rajarata University of Sri Lanka	98.04	7.50
10		Urban Regeneration Project – City of Colombo Design Review of 1777 Housing Units at Kolambage Mawatha	4442.00	66.63
Total			10,221.67	188.12



EQUIPMENT & MACHINERY GROUP

Key members of the Management

- Mr. M.R Jeyachandran - General Manager / Actg. Deputy General Manager
Mr. N.S. Sivanathan - Manager (Operation)
Mr. S. Janathakumar - Manager (Maintenance)

Major Activities

- * Design & implementing of participating integrated rural infrastructure development projects (roads, water, sanitation, etc.)
- * Hiring of Machinery (Construction & earth moving Machineries)
- * Small scale construction & irrigation projects
- * Jungle clearing & fencing project
- * Demolishing of old building & removing debris.
- * Design, fabrication and erecting of elephant barrier

Review of Progress

- Human & physical capitals of the division were identified and rearrange to maximize the utility towards the sustainable growth. Continuous capacity improvement and development programs were introduced to cater the potential demands of brother divisions and the industry in line with the parental organization's (SEC) vision, mission and objectives
- Income from the machine hiring only is not sufficient to manage the overheads & operational cost of the division. So the business activities were diversified for the potential demand areas, such as civil construction, irrigation and water infrastructure development projects. So the strategy was successful and could manage to run the division at the breakeven point. In future, strategic capabilities will be improved to enhance the core competencies for the going concern of the division.
- The following civil construction projects were able to increase the considerable amount of revenue of the division.
 1. Maligawatta Revamping project - Rs. 269.00 Mn.
 2. Horowpathana Elephant Barrier with Electric Fence - Rs. 164.81 Mn.
 3. Gurunagar Housing Scheme Project - Rs. 89.26 Mn.
- When reviewing the progress, it was observed that total turnover during the year, 2013 & monthly average income are as follows:

	Total Income 2013	Monthly Average In. 2013
Project	Rs. 230,101,272.74	Rs. 19,175,106.06
Hiring	Rs. 137,948,961.99	Rs. 11,495,746.83
Workshop	Rs. 29,420,970.73	Rs. 2,451,747.56



E & M Group - Projects Completed in 2013

No.	Site No.	Client	Project Description	Project Cost Rs. Million
1	1882	Department of Wildlife Conservation	Renovation of Thantirimale Entrance to Tekkama Gravelling & Structure	21.93
2	1883	Department of Railway	Earth Filling at 3 rd line Connection Point Between KLA/CTO connection Points (200m)	2.51
3	1885	Department of Wildlife Conservation	Reconstruction of Asamodaganwewa at Randenigala Sanctuary	2.31
4	2033	Department of Wildlife Conservation	Removing Offensive Plants at Lunugamvehera and Udawalawa Jungle	3.09
		Total		29.84

E & M Group - Projects Started in 2013

No.	Site No.	Client	Project Description	Project Cost Rs. Million
1	1937	Director Engineering services Army Head Quarters Colombo 03	Construction of Concrete Warehouse for SFHQ (Jaffna)	22.25
2	1938	Director Engineering services Army Head Quarters Colombo 03	Construction of Concrete Warehouse for SFHQ (Wanni) Gajasinghepura	22.25
3	1939	Director Engineering services Army Head Quarters Colombo 03	Construction of Concrete Warehouse for SFHQ (Nandikadal) Mullaithive	22.25
4	1949	National Housing Development Authority	Renovation of Gurunagar Housing Scheme	89.26
5	1995	Department of Wildlife Conservation	Construction of Causeway at Horowpothana -Stage III	10.32
6	2032	Department of Labor	Renovation of Toilet Area at Labour Secretariat Building at Narahenpita	49.40
7	2033	Department of Wildlife Conservation	Removing Offensive Plants at Lunugamvehera and Udawalawa Jungle	3.09
8	2054	District Secretary Kurunagala	Dewagiri Clinical Centre	10.50
9	2056	District Secretary Kurunagala	Kumbukgate Clinical Centre	10.50
10	2057	District Secretary Kurunagala	Ranawana Clinical Centre	10.50
11	2058	District Secretary Kurunagala	Pillawa Clinical Centre	9.76

Contd.....

E & M Group - Projects Started in 2013

12	2059	District Secretary Kurunagala	Delwita Clinical Centre	10.50
13	2060	District Secretary Kurunagala	Ridigama Clinical Centre	10.51
14	2061	District Secretary Kurunagala	Ogodapola Clinical Centre	10.02
15	2062	District Secretary Kurunagala	Buluwala Clinical Centre	10.50
16	2099	District Secretary Kurunagala	Doratiyawa Crematorium	10.50
17	2101	District Secretary Kurunagala	Ganewatta Crematorium	11.87
18	2102	District Secretary Kurunagala	Sathipola Ridigama	41.99
19	2103	District Secretary Kurunagala	Ridigama Crematorium	11.87
20	2110	District Secretary Kurunagala	Ibbagamuwa Town Hall	85.56
21	2111	District Secretary Kurunagala	Mawathagama Sathipola	84.20
22	2112	District Secretary Kurunagala	Ridigama Car Park	22.44
23	2113	District Secretary Kurunagala	Mawathagama Bus stand	31.25
24	2114	District Secretary Kurunagala	Ibbagamuwa Sathipola	49.94
25	2141	Department of Labour	Renovation of Roof at Labour Secretariat Building at Narahenpita for Labour Secretariat	37.37
		Total		688.62

Special Operation Division

Key Members of the Management

- Mr. U. R. Hettiarachchi - Deputy General Manager
Mrs. G. J. Peter - Engineer (Civil)
Mr. L. R. Abhayarathna - Engineer (Civil)
Mr. D. G. S. Senadheera - Engineer (Civil)
Mr. T. D. K. Chinthaka - Engineer (Civil)
Mr. D. D. D. T. Stephan - Engineer (Civil)
Mr. L. P. Palihakkara - Engineer (Mechanical)
Ms. A. Shammuganathan - Quantity Surveyor
Ms. K. A. G. Diana - Accountant

Major Activities

- Provincial Road Carpeting Works and Construction & Rehabilitation of Road Structures.

Progress review of Special Operation Division

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 179 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, 936.17 Mn.

The total turnover of the division during the year 2013 was Rs 1,879 Mn. Net operating profit of the division, is Rs. 183.5 Mn. By the end of year 2013 SOD Division had completed 554 km carpeting work of over 119 roads.

The asphalt & crusher plants were established as permanent sites in Galpatha and commenced for Production in the August 2013.



Asphalt Plant & Crusher Plant Project - Galpatha



Asphalt Plant & Crusher Plant Project - Galpatha

SOD Group - Ongoing Projects in 2013

District Name	No. of Projects	Actual length (Km)	Contract value (Rs. Mn.)	Physical Progress
Galle Provincial Road Carpeting Project Galle	102	346.29	6,474.37	82%
Rathnapura Provincial Road Carpeting Project Rathnapura	52	236.54	5,259.34	77%
Matale Provincial Road Carpeting Project Matale	25	126.97	2202.46	89%
TOTAL	179	709.79	13,936.17	83%



Human Resources & Administration Division

At the end of 2013, the total number of staff of the Corporation was 3106, comprising 2012 members of permanent staff, 1080 on contract basis and 14 casual employees

The staff of the HR & Admin. Division was as follows :

Deputy General Manager (HR&A)

Manager (Training & Development)

Asst. Personnel Manager

Legal Officer

Asst. Legal Officer

Chief Security Officer

Administrative Officer

Secretarial Assistant

Management Assistant

Book Binder/Record Keeper

Messenger

Lift Operator

Office Assistant

Skilled & Unskilled employees

Accordingly, there is a staff of 67 employees in the HR & Admin. Division



02. Comparison of staff on permanent and contract basis in relation to the last two years.

Designation	2013		2012		2011	
	Perm.	Cont.	Perm.	Cont.	Perm.	Cont.
Chairman/Vice Chairman		2	-	2	-	2
Working Director		1		1		1
General Manager		1		1	1	
Deputy General Manager (Construction)	-	-	1	-	1	-
Deputy General Manager (Const.Comp.)	1		1	-	1	-
Deputy General Mgr. (Mech&Elect.)		1	-	1	-	1
Deputy General Manager (Consultancy)	1		-	-	1	-
Deputy General Manager (HR&A)	-	1	-	1	-	1
Deputy General Manager (Finance)	-	-	-	1	1	-
Deputy General Manager (SOD)	-	1	-	1	-	1
Deputy General Manager (E&M)	-	-	1	-		
Senior Consultant (Research & Dev.)	-	-	-	-	1	-
Manager (Construction)	1	-	1	-	1	-
Chief Engineer (Designs)	1	-	1	-	1	-
Chief Engineer (Electrical)	-	-	-	-	-	1
Chief Engineer (Mechanical)	-	-	1	-	-	1
Chief Estimator	-	-	-	-	-	-
Senior Engineer (Air conditioning)	-	-	-	1	-	1
Engineer (Information Technology)	-	-	-	-	-	-
Engineer (Civil/Mech/Elect.)	88	86	75	78	76	59
Architect	25	5	19	13	21	10
Quantity Surveyor	10	18	09	20	11	16
Accountant	05	05	06	05	03	05
Administrative Officer	22	-	22	03	03	03
Other executive officers	26	82	29	74	20	24
Senior Superintendent (C/M/E)	23	-	24	-	21	-
Superintendent (C/M/E)	30	170	37	141	26	141
Draughtsman/Asst. Quantity Surveyor	54	144	48	108	50	64
Foreman	44	56	45	42	37	31
Clerk & Parallel Grades	263	184	248	157	194	183
Security Employees	135	20	142	23	109	25
Semi Skilled Employees	84	47	90	28	76	11
Skilled Employees	654	100	666	69	459	62
Unskilled Employees	545	156	624	141	580	81
Sub Total	2012	1080	2090	911	1694	724
Grand Total	3092		3001		2418	

03. Actions were taken to renovate the Human Resources & Administration Division
04. All the Management Assistants were given computers to give Division's services efficiently.
05. Full details of employee bio-data were entered in to the computer system.
06. Action was taken to give a special New Year allowance of Rs.5000.00 as in the previous year.
07. Action was taken to give an allowance of Rs.15, 000.00 to Engineers, Architects and Quantity Surveyors on the basis of attendance while action was taken to pay Rs.4000.00 the other permanent employees and Rs.2000.00 to contract employees

08. In this year also a distress loan of Rs.100, 000.00 was given to 25 employees per month.
09. Corporation employees were also allowed to be in service until 60 years of age according to Public Administration Circular No.2013/01
10. Relevant tests for granting designations have been held for the employees who are lack of qualifications and it has been suggested to grant them relevant designations in the year 2014.
11. 420 employees have been directed to training workshops and courses.
12. Action has been taken to grant a bonus of Rs.10, 000.00 to Corporation employees.
13. Grade promotions were given to 348 E&M Division employees following the Corporation grade promotion procedures
14. A committee was appointed to consider the E&M Division employees' grievances who were not given designations when they were amalgamated to the Corporation. Accordingly the decision of the Committee was submitted to the Board of Directors and the Ministry and with the relevant approvals action was taken to grant designations to 17 No. of such employees.
15. E&M Division employees were allowed to join the Corporation Corporative Thrift & Credit society.
16. Identity cards were provided to the E&M Division amalgamated employees
17. Given the maximum cooperation of the HR & Admin. Division to obtain the 14001 & 9001 ISO Standard Certificates
18. There is a Welfare Society started in the Corporation and there are 900 members at present. The book named "Sirith Maldama" was distributed by the society among the employees who observed Sil to mark the Vesak Festival.
19. Action was taken to hold a Sri Lanka Broadcasting Corporation musical Programme "Lipigonuwe Sonduru Minisa" with the participation of the employees, in the Corporation and it was broadcasted by the Broadcasting Corporation.
20. The No. of employees in the Corporation as at 31st December 2013 were as follows:

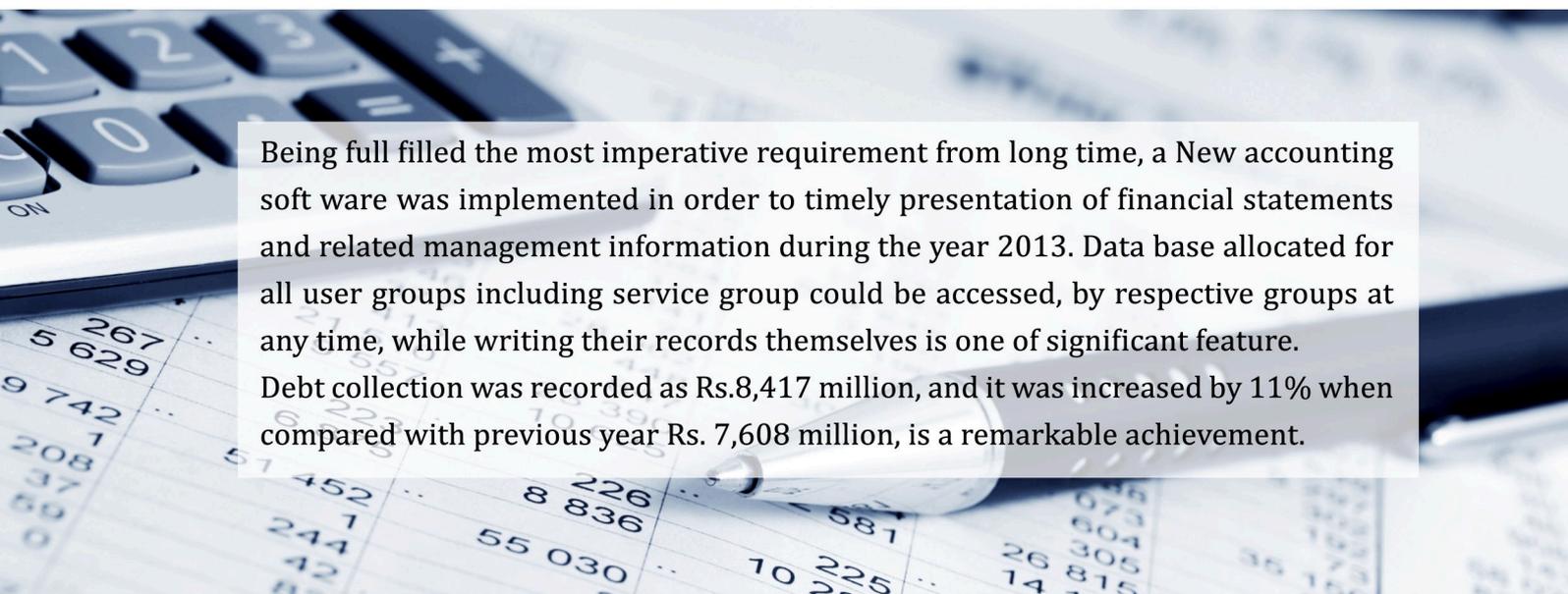
Permanent	-	2012
Contract	-	1080
Casual	-	14
Total	-	3106

Accordingly, there is a staff of 67 employees in the HR & Admin. Division

Finance Division

Key Members of the Management

Mr. M.K.Jayantha Up to March	- Deputy General Manager (Finance)
Mr. P.M.A.Karunasinghe	- Manager (Finance)
Mrs. B.L.K.Dayani	- Accountant (Payment)
Mrs. S.A.M.A.B.J.K.Senaratna	- Accountant (Financial Accountant)
Mrs. Nilupa Dilsara	- Accountant (Salaries /Wages)
Mr. Bandula Yodheeswara	- Accountant (Construction)
Mr. K.B.G.H.N. Kariyawasam	- Accountant (Construction Component)
Ms. T.S.Apsara Rohan	- Accountant (Mechanical & Electrical)
Mr. M.M.Anoratna	- Accountant (Consultancy)
Ms. K.W.M.L.D.Keerthiratna	- Accountant
Ms. Manel De Silva	- Accountant (Equipment & Machinery)
Ms. Gumunadi Dayana	- Accountant (Special Operations)



Being full filled the most imperative requirement from long time, a New accounting soft ware was implemented in order to timely presentation of financial statements and related management information during the year 2013. Data base allocated for all user groups including service group could be accessed, by respective groups at any time, while writing their records themselves is one of significant feature. Debt collection was recorded as Rs.8,417 million, and it was increased by 11% when compared with previous year Rs. 7,608 million, is a remarkable achievement.

Internal Audit Section

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 2013 has been forwarded to the Auditor General for his consent.

During the year 2013, 53 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 2013 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 (195 Nos), employees' gratuity payables (19 Nos), no claimed certificates (175 Nos) and sub-contractors final payments (187 Nos).

Internal audit officers had attended to 26 condemn board meetings and 196 bid openings.



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கணக்காய்வாளர் தலைமை அதுபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } ඊළුව/වි/එස්ඊසී/1/13/8
 எனது இல. }
 My No. }

ඔබේ අංකය }
 உமது இல. }
 Your No. }

දිනය } 2015 සැප්තැම්බර් 8 දින.
 திகதி }
 Date }

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ශ්‍රී ලංකා රාජ්‍ය ඉංජිනේරු සංස්ථාව.

ශ්‍රී ලංකා රාජ්‍ය ඉංජිනේරු සංස්ථාවේ 2013 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරන මුදල් පනතේ 14(2) (සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව.

 මාගේ සමාංක හා 2015 ජූලි 13 දිනැති ලිපියට යොමුවේ

02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.

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විගණකාධිපති (වැඩබලන)

- පිටපත -
1. ලේකම් - නිවාස හා සමෘද්ධි අමාත්‍යාංශය.
 2. ලේකම් - මුදල් අමාත්‍යාංශය.





විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அறிப்பி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. } EH/D/SEC/1/13/8
My No. }

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 13 July 2015
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 2013 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 2013 comprising the statement of financial position as at 31 December 2013 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 28 April 2015.

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 consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). 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 extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



2.2 Comments on Financial Statements

2.2.1 Accounting Policies

The following observations are made.

- (a) Even though it was stated that the expenditure of capital nature incurred on projects but uncompleted during the year had been identified as an uncompleted capital balance in terms of the **Accounting Policy No.3.2.2**, the C-city Building on which an expenditure of Rs.212.25 million had been incurred with 20 per cent progress of completed work as at the end of the year under review had been brought to account as property, plant and equipment.
- (b) Even though it was stated that the possibility of recovering loans from each debtor would be evaluated separately and the amount of impairment be decided for trade and other debtors in terms of the **Accounting Policy No.3.3.1.9**, contrary to that, a General Provision on Bad Debts amounting to Rs.500.68 million had been made for the entire debtors.
- (c) Even though it was stated that the valuation of stocks in terms of the **Accounting Policy No.3.2.4** is done at cost or the net realizable value whichever is less, in the valuation of finished stocks and raw material stocks as at 31 December 2013, the Corporation had valued the stocks based only on the cost without computing the net realizable value.

2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The debtors balance as at the end of the year under review had been understated by Rs.496,541,127 as a result of an unusual credit balance of Rs. 496,541,127 in the debtors balance as at that date.
- (b) Even though the balances 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 debit balance of the Inter-Departmental Current Account amounting to Rs.96,088,486 had been shown in the financial statements as at the end of the year under review.



- (c) Lands, 799 perches in extent owned by the National Housing Development Authority and not vested with the Corporation had been valued at Rs.79,615,000 and brought to account. It was further observed that these lands had been shown as an asset in the financial statements of the National Housing Development Authority as well.
- (d) Even though receipts of Government Grants amounting to Rs.702.31 million at the end of the year under review should be shown under equity in the financial statements, out of that value, a sum of Rs.555.18 million had been shown under non-current liabilities and the remaining Rs.147.13 million had been shown under current liabilities.
- (e) Unusual debit balances of Rs.393.03 in the Liability Accounts and unusual credit balances of Rs.67.74 million in the Assets Accounts of the Corporation as at the end of the year under review as well were observed. Thus the current liabilities and the current assets as at 31 December 2013 had been understated by those amounts respectively.
- (f) A sum of Rs.17.63 million spent in the year under review for publicity and other expenses of the C-City Project had been brought to account as publicity and promotion expenses of the Corporation instead of showing as an expenditure of that Project.
- (g) The written down value of fixed assets amounting to Rs.278.68 million had not been considered in the computation of Deferred Tax in the year 2012. As such the error of overstating the Deferred Tax Assets Account by Rs.33.44 million had not been rectified retrospectively in the year under review. Thus the profit of the previous year had been overstated by Rs.33.44 million and the profit of the year under review had been understated by the same amount.
- (h) Expenditure amounting to Rs.21.26 million paid in the year 2012 and included in a Sub-contract Expenditure Control Account had been computed as a current asset instead of being transferred to the income statement of that year and it had not been settled even in the year under review. As such the retained income as at 31 December 2013 had been understated by that same amount.
- (i) Despite being informed that Value Added Tax amounting to Rs.168.99 million recoverable from the Sri Lanka Cricket by the Corporation for a service supplied in the year 2010 could not be paid as the Sri Lanka Cricket is exempted from Value Added Tax, no action had been taken to obtain reimbursement of that amount from the Department of Inland Revenue or for making a provision for that.



- (j) The debit balance in the Nation Building Tax Account amounting to Rs.13.54 million shown in the financial statements as a balance recoverable from the year 2011 due to an error in accounting and remained so without being adjusted even by the end of the year under review.

2.2.3 Unusual Adjustments made in the Financial Statements

Machinery, plant and motor vehicles with a carrying amount of Rs.100.60 million as at 31 December 2012 had been revalued at Rs.477.10 million as at that date and those assets had been revalued once again at Rs.240.70 million on 01 January 2013.

2.2.4 Unexplained Differences and Unreconciled Control Accounts

Balances of 09 accounts shown in the financial statements had not been reconciled with the balances shown in the schedules related thereto and a difference of Rs.732.23 million was observed between the two balances.

2.2.5 Lack of Evidence for Audit

The documentary evidence indicated against each of the following items of account valued at Rs.242.82 million had not been furnished to audit.

	Item of Account -----	Value Rs. Millions -----	Evidence not made Available -----
(a)	Capital receipt from shifting the Precast Yard from Narahenpita to another place.	22.65	Files containing the source of receipt and Registers of Transfers
(b)	Balance of the Account No.9934 containing cash and cash equivalents.	1.88	Bank Statements, Bank Reconciliation Statements and Confirmation of Balances
(c)	Cash balances of the Sri Lanka State Engineering Corporation (Qatar) Ltd.	5.95	Bank Confirmations, Bank Statements,



				Bank Reconciliation Statements, Credit Advice Notes
(d)	Retention Money (Machinery Division)	19.77	Schedules, Age Analyses	
(e)	Mobilization Advances – Machinery Division	20.33	---do---	
(f)	Temporary difference for Deferred Tax (Property, plant and equipment)	172.24	Schedules, Computations	
		----- 242.82 =====		

2.2.6 Accounts Receivable and Payable

- (a) Out of the balance of trade debtors as at the end of the year under review amounting to Rs.4,655.6 million, over 95 per cent remained receivable from Government Institutions. Out of that, a sum of Rs.1,959.8 million represented balances older than 03 years.
- (b) A sum of Rs.1,133.82 million receivable from the Sri Lanka Cricket since the year 2011 for 04 projects had not been recovered even up to 31 December 2014. According to the financial statements of the Sri Lanka Cricket as at 31 December 2013, the value payable to the Corporation for the aforesaid projects amounted to Rs.568.62 million. As such, a difference of Rs.565.20 million was observed between the amount receivable and the amount payable.
- (c) Even though a sum of Rs.20.56 million payable to the Urban Development Authority and a sum of Rs.5.36 million recoverable from the Urban Development Authority had been brought forward continuously by the Corporation since the year 2000, no effective action whatsoever had been taken for the payment or the recovery of those amounts.



- (d) Even though the amount of Rs.805,938 recoverable from the cashier of the Seruwila work site in respect of the cash fraud committed by him had been shown in the accounts from the year 2008 up to date, no proper action had been taken to recover it even by the end of the year under review.
- (e) Mobilization advances amounting to Rs.1,088 million obtained in the year 2010 and previous years had remained unchanged even by the end of the year under review.
- (f) Out of the sum of Rs.125.46 million allocated for Accrued Expenses of the Consultancy Division by the end of the year 2012, the balance unsettled even by the end of the year under review amounted to Rs.124.89 million.
- (g) The sum of Rs.637.27 million shown as Tax Payable from the year 2011 had not been settled even by the end of the year under review.
- (h) The balance of Rs.9.61 million payable since the year 2011 to the sub- contractors of 58 work sites had not been settled even by the end of the year under review.
- (i) Action had not been taken to submit invoices and recover the money even by the end of the year under review for 18 projects of the Constructions Division for which an accumulated cost of Rs.131.8 million had been incurred since the year 2010.



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

The following non-compliances were observed.

Reference to Laws, Rules and Regulations and Management Decisions	Non-compliance
(a) Section 14(1) of the Finance Act, No.38 of 1971	The Corporation had not presented a draft of the Annual Report along with the annual financial statements to the Auditor General.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 134 (3)	Copies of internal audit reports had not been forwarded to the Auditor General.
(ii) Financial Regulation 396	Action had not been taken in terms of the Financial Regulation in respect of 19 cheques to the value of Rs.12,666,531 expired over 6 months after issuing.
(c) Public Enterprises Circular No. PED/PEN/2011/01 of 11 February 2011	
• Paragraph No.01	Advertising and Promotion Expenses amounting to Rs.21.36 million had been incurred by the Corporation in the year under review contrary to its objectives.
• Paragraph No.02	The Corporation did not have an annual advertising programme approved by the Board of Directors for the year under review.
(d) Management Services Circular	The bonus for the employees of the Corporation had been overpaid by



- No.01/2013(i) of 09 December 2013 Rs.15,950,500 contrary to the provisions of the Circular.
- (e)Section 1 of the Management Services Circular No.39 of 26 May 2009 A payment of Rs.158.67 million had been made as allowances for employees holding posts in the service categories such as Engineer, Architect and Quantity Surveyor for the year under review without the approval of the Department of Management Services and the recommendation of the Salaries and Cadre Commission.
- (f) (i) Paragraph 4.2.1 of the Procurement Agency Circular No.08 of 25 January 2006 The Corporation had not prepared a Procurement Plan for the year under review.
- (g) Management Services Circular No.28 (II) of 01 August 2006 and the Letter of the Director General of the Department of Management Services No. DMS/E3/43/4/265/1 of 25 November 2009 Despite having been informed that creating posts or filling vacancies should not be done without the approval of the Department of Management Services, 32 posts had been created and 197 employees had been recruited for those posts.
- (h) Letter No. DMS/E3/43/4/265/1 of 14 February 2011 of the Department of Management Services Even though the approved, permanent and untrained number of employees for the year under review was 460, the actual cadre employed as at 31 December in the year under review was 706.
- (i) Letter No. BD/356/303/23 N of 28 April 2004 of the Department of National Budget The cash balance of Rs.20,278,812 remained after paying compensation from the money granted by the General Treasury under the Scheme of Voluntary Retirement had not been returned even up to 31 December of the year under review.



3. Financial and Operating Review

3.1 Financial Results

The operations of the Corporation during the year under review had resulted in a pre-tax net profit of Rs.148.57 million as compared with the corresponding pre-tax net profit of Rs.225.91 million for the preceding year, thus indicating a deterioration of Rs.77.34 million in the net profit as compared with the preceding year.

The deterioration of the operating profits of the Special Operations Division and the Consultancy Division had indicated a deterioration of Rs.216 million and Rs.30 million respectively as compared with the year under review with the preceding year, and the operating loss of Rs.45 million of the Machinery Division had mainly affected the deterioration of the net profit.

3.2 Analytical Review

The following observations are made.

- (i) The net operating profits of the Consultancy, Special Operations and Machinery Divisions of the Corporation, for the year under review as compared with the preceding year had deteriorated by 24 per cent, 54 per cent and 1,205 per cent respectively.
- (ii) The after tax net profit of the Corporation for all the years had decreased continuously except in the year 2011. The decrease of after tax net profit was 40 per cent in the year under review as compared with the preceding year.
- (iii) The expenditure incurred by the Corporation on salaries, allowances, contract labour and other expenses relating thereto amounted to Rs.2,136.75 million and it represented 27 per cent of the turnover.
- (iv) The net profit and the total comprehensive income had deteriorated by 42 per cent and 102 per cent as a percentage of the total turnover respectively in the year under review as compared with the preceding year.



- (v) The financial liabilities had increased by 8 per cent as a percentage of the financial assets in the year under review as compared with the preceding year and total liabilities had increased by 15 per cent and 3 per cent as a percentage of liabilities and total assets respectively.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The operating profit for the year 2012 amounting to Rs.41.33 million of the Ekala, Welikanda and Ratmalana work sites belonging to the Construction Components Division had deteriorated to Rs.7.06 million by 83 per cent in the year under review. The increase of other expenses except the sales cost of the work sites had affected this position.
- (b) The Brick and Carpentry Products Yard at Dankotuwa belonging to the Construction Components Division had incurred a loss of Rs.3.15 million in the year under review and out of the past 16 years, losses had been incurred in 15 years. That accumulated loss amounted to Rs.28.9 million. The increase of the sales cost over the percentage of increase in the income of the work site had affected this position.
- (c) The operating profit for the year 2012 amounting to Rs.15.40 million of the 03 work sites in Peliyagoda, Ratmalana and Colombo belonging to the Mechanical and Electrical Division had deteriorated to Rs.9.87 million by 55 per cent. The increase of other expenses except the sales cost of the aforesaid work sites had mainly affected this position.
- (d) In the review of the operating activities of the Matale Dolomite Processing Yard belonging to the Mechanical and Electrical Division, out of the past 16 years, except the year 2006, all other years had run at a loss. The loss of Rs.0.85 million in the year 2012 had increased up to Rs.13.78 million by 1,521 per cent in the year under review. The accumulated loss during the entire period had been Rs.52.2 million. The increase of other expenses and the sales cost and the decrease of the turnover of the work site had mainly affected this position.



- (e) The profit of the Consultancy Services Division of the Corporation in the year 2012 amounting to Rs. 124.54 million had deteriorated to Rs.94.6 million by 24 per cent in the year under review.
- (f) Regional Offices and 15 work sites including the Head Office of the Machinery Division and the Main Stores at Kolonnawa had sustained an accumulated loss of Rs.98.16 million in the year under review.
- (g) Even though the Regional Offices at Horana, Dambulla, Ampara, Kalmunai and Thamankaduwa as well as the work site at Mahiyangana had not earned any income whatsoever in the year under review, an expenditure amounting to Rs.27.89 million had been incurred for these work sites in the year under review.

4.2 **Operating Inefficiencies**

- (a) Even though the Bank Overdraft Facility which can be obtained by the Corporation on Bank Bonds within the year under review had been limited to Rs.473.7 million, there had been instances in which the facility of Bank Overdrafts had been obtained up to Rs.555.75 million. Out of it, a sum of Rs.150 million had been obtained as a Temporary Bank Overdraft at an interest rate of 30 per cent. As such, the total Bank Overdraft interest paid by the Corporation for Bank Overdrafts in the year under review amounted to Rs.77.66 million.
- (b) The loans on discounting bills amounting to Rs.50 million obtained in the preceding years by the Corporation on the unfavourable condition of liquidity prevailing in the Corporation had been increased up to Rs.100 million at an interest rate of 19 per cent during the year under review and the total interest paid in that connection in the year under review amounted to Rs.21.78 million.
- (c) The legal ownership had not been obtained up to the end of the year under review for lands of about 30 acres in extent on which the Head Office and 08 Work Sites of the Corporation are maintained.



4.3 Management of Projects – Project for Asphalt and Crusher Machines Work Site

The following observations are made.

- (a) The Corporation had not paid attention on matters such as failure in carrying out a feasibility study, identifying the objectives, goals and targets of the project, non - deployment of a qualified staff, Cost Management and Safety of Machinery and Maintenance and Development in the management and implementation of the Project for Asphalt and Crusher Machines Work Site of the Special Operations Division established with an investment of Rs.372 million in the year 2012. As such it had been unsuccessful by the end of the year under review.
- (b) The loss of the aforesaid work site had been Rs.0.58 million and Rs.4.85 million in the year under review and the preceding years respectively.
- (c) The crusher machine, generator and vehicles for transport of tar valued at Rs.203 million had not been made use of from 18 July 2012.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) Even though a total of Rs.5,885,178 had been paid on 16 June 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, this insurance cover had not been operative in the year under review.
- (b) Machinery imported from China at an import value of Rs.1,339.3 million in the year 2012 had been valued by licensed Valuation Officers for a value of Rs.735.6 million in the year under review. It was not possible to be satisfied in audit with regard to the reasonableness of the initial valuation in view of the decrease in value by 45 per cent within a short period of one year from the purchase.



4.5 Uneconomic Transactions

The following observations are made.

- (a) The Corporation had taken an interest from the year 2008 itself in earning income by carrying out construction works in foreign countries and had spent a sum of Rs.13 million in that connection. Nevertheless, the Corporation had failed to commence construction works in a foreign country, obtain contracts or earn any income whatsoever even by the end of the year under review.
- (b) The Corporation had not taken action even up to the end of the year under review to recover the sum of Rs.5,958,715 deposited in a Bank Account in Doha in the year 2009 for the transactions of Sri Lanka State Engineering (Qatar) Corporation Ltd., established for commencement of construction works in foreign countries.
- (c) The Corporation had to pay a sum of Rs.19.62 million as liquidated damages as a result of non- completion of contracts of constructions within the specified period in the year under review.
- (d) 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.16.93 million had been paid to them in the year under review. However, the turnover of production sites at places such as Matale and Dankotuwa had not increased even in the year under review and they had been running at a loss throughout. Even though a sum of Rs.35.74 million had been spent as business promotion expenditure in the year under review, no new projects whatsoever had been commenced.

4.6 Losses and Damage

A loss of Rs.186.96 million had been sustained on 34 projects as at the end of the year under review due to incurring of costs exceeding the contract value of the projects.



4.7 **Contract Administration**

In the issue of invoices by the Construction Division, there were instances of preparing and presenting the client with invoices in which a higher value exceeding the cost incurred had been included as well as invoices presented with a value very much less than the cost incurred. This situation had resulted in overstating the value of receivables from the clients and the value of payable to the clients included in the Current Assets and Current Liabilities.

4.8 **Resources of the Corporation given to other Government Institutions**

The following observations are made.

- (a) The Corporation had released 36 motor vehicles to the Ministry of Construction and Engineering Services contrary to provisions in Section 9.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003. A sum of Rs.28.73 million had been spent as fuel expenses and hire charges for the motor vehicles and a sum of Rs.8.23 million as well had been paid as salaries and overtime to 21 drivers released to the Ministry.

- (b) Sums of Rs.2 million and Rs.0.91 million had been paid respectively as salaries to three Coordinating Secretaries to the Minister of the Line Ministry and five employees connected to the Jana Sevana Programme under the Line Ministry. Further, 12 employees of the Corporation had been released to the Line Ministry and a sum of Rs. 4 million had been paid to them as salaries.

4.9 **Human Resources Management**

The cadre approved by the Department of Management Services had been 2,883 and the actual cadre as at 31 December of the year under review had been 3,102. As such, an excess of 219 employees was observed. The following observations are made in this connection.



- (i) Six hundred and eleven vacant positions had existed in the permanent cadre of the Corporation as at 31 December of the year under review. The number of employees recruited on contract basis without approval had been 816 and the number of casual employees had been 14. As such, the entire cadre had exceeded by 219 employees.
- (ii) Action had not been taken from the year 2008 even up to the end of the year under review to recruit 64 officers relating to 13 posts in the Top Management Level of the Corporation and it had directly affected the performance of the Corporation.
- (iii) Ninety six officers had been recruited on contract basis for 14 posts representing the Top Management of the Corporation from the year 2006 and the employee turnover of those officers had been high.

5. **Accountability and Good Governance**

5.1 **Presentation of Financial Statements**

Even though the draft annual financial statements should be presented to the Auditor General within 60 days of the close of the year of accounts in terms of Circular No. PED/12 of 02 June 2002 of the Department of Public Enterprises, the financial statements for the year under review had been presented to the Auditor General only on 10 December 2014 that is after a delay of 285 days.

5.2 **Corporate Plan**

The Corporate Plan prepared for the period from 2012 to 2015 in terms of the Circular No. PED 47 of 18 December 2007 of the Department of Public Enterprises and Chapter 5 of the Guidelines on Good Governance of the Department of Public Enterprises had not been updated relating to the period from 2013 to 2016.



5.3 Action Plan

- (i) The Corporation had failed to execute 08 activities which should be executed by the Corporation in the year under review, included in the Action Plan presented in respect of the year under review and included in the Corporate Plan prepared for the period from 2012 to 2015.
- (ii) Even though the targets and activities to be reached by the officers in charge of each duty relating to the annual activities included in the Action Plan had been indicated, the relevant targets had not been shown as quantitative values.

5.4 Budgetary Control

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

5.5 Annual Reports

The Corporation had not tabled the Annual Report for the year 2012 in Parliament even by 08 April 2015.



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 from time to time. Special attention is needed in respect of the following areas of control.

- (a) Contract Administration
- (b) Advances Control
- (c) Inventory Control
- (d) Accounting
- (e) Human Resources Management
- (f) Tax Management
- (g) Procurement Process

W.P.C. Wickramaratne

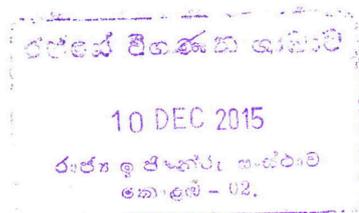
Acting Auditor General

Financial Statements

STATE ENGINEERING CORPORATION OF SRI LANKA STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Note	2013 (Rs.)	2012 (Rs.)
Revenue	4	7,965,731,512	7,951,205,894
Cost of Sales		(7,443,181,836)	(7,297,286,157)
Gross Profit		522,549,676	653,919,737
Other Income	5	121,717,774	25,910,734
Administrative Expenses		(424,630,131)	(439,624,663)
Net Finance Income/ (Expense)	6	(71,064,488)	(14,297,253)
Profit before Tax	7	148,572,831	225,908,555
Income Tax Expense	8	(25,846,798)	(21,786,988)
Profit for the period		122,726,033	204,121,567
Other comprehensive income			
Actuarial Gain/ (Losses) on Defined Benefit Plans		(65,484,761)	-
Fair Value Change of Available for sale Financial Instruments		2,980,800	(16,192,800)
Surplus on Revaluation of property, Plant and Equipments		(244,205,495)	7,728,678,484
Other comprehensive income for the year, net of tax		(306,709,456)	7,712,485,684
Total comprehensive income for the year		(183,983,423)	7,916,607,251

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.
(Figures in brackets indicate deductions.)



STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF FINANCIAL POSITION
AS AT, 31ST DECEMBER 2013

		31.12.2013 (Rs.)	31.12.2012 (Rs.) Restated
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	9	8,570,830,535	7,968,690,678
Intangible Assets	10	1,954,687	-
Investments in shares	11	3,588,000	607,200
Deferred Taxation	12	14,228,850	35,158,534
Other Financial Assets Including Derivatives	15	21,963,460	7,384,148
		<u>8,612,565,532</u>	<u>8,011,840,560</u>
Current Assets			
Inventories	13	611,510,727	532,802,115
Trade and other Receivables	14	8,107,950,064	7,822,151,725
Other Financial Assets Including Derivatives	15	1,501,476,689	1,284,488,065
Cash and Cash Equivalents	16	210,094,116	218,190,299
		<u>10,431,031,596</u>	<u>9,857,632,204</u>
Total Assets		<u><u>19,043,597,128</u></u>	<u><u>17,869,472,764</u></u>
EQUITY AND LIABILITIES			
Stated Capital	17	70,000,000	70,000,000
Capital Accretion Reserve		27,738,806	27,738,806
Revaluation Reserve		7,484,472,989	7,728,678,484
E&M Capital		(167,291,865)	(167,291,865)
General Reserve		3,602,690	3,602,690
Available for Sale Reserves		2,388,000	(592,800)
Retained Earnings		1,147,626,766	1,090,385,494
Total Equity		<u>8,568,537,386</u>	<u>8,752,520,809</u>
Non-Current Liabilities			
Interest Bearing Borrowings	18	30,800,000	33,443,857
Employee Benefit	19	175,236,245	105,922,244
Other Financial Liabilities including derivatives	20	555,179,682	-
		<u>761,215,927</u>	<u>139,366,101</u>
Current Liabilities			
Interest Bearing Borrowings	18	103,522,745	56,692,189
Trade and other Payables	21	6,542,625,250	5,123,705,343
Other Financial Liabilities including derivatives	20	2,546,689,329	3,172,939,909
Income Tax Payable	22	30,668,602	28,945,287
Bank Overdraft	16	490,337,889	595,303,126
		<u>9,713,843,816</u>	<u>8,977,585,854</u>
Total Equity, Liabilities		<u><u>19,043,597,128</u></u>	<u><u>17,869,472,764</u></u>

Directors certificate in terms of Public Enterprises Circular No PED 45. The Accounting Statements, the Accounting policies and Explanatory Notes Form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and Signed on their behalf.

(Sgd.)



Chairman

(Sgd.)



Director

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Stated Capital (Rs.)	Capital Accretion Reserve (Rs.)	Revaluation Reserve (Rs.)	General Reserve (Rs.)	E&M Capital (Rs.)	Available For Sale Reserve (Rs.)	Retained Earnings (Rs.)	Total (Rs.)
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
Profit for the year	-	-	-	-	-	-	204,121,567	204,121,567
Total other comprehensive income for the period	-	-	7,728,678,484	-	-	(16,192,800)	-	7,712,485,684
Total Comprehensive income for the period	70,000,000	27,738,806	7,728,678,484	3,635,162	(152,287,728)	(592,800)	1,029,618,391	8,706,790,315
Transfer of Treasury Grants	-	-	-	-	(15,004,137)	-	-	(15,004,137)
Stock Adjustments	-	-	-	-	-	-	(38,609,803)	(38,609,803)
Balance as at 31st December 2012 (As previously Reported)	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
Adjustment on Actuarial Valuation	-	-	-	-	-	-	99,376,906	99,376,906
Balance as at 31st December 2012 As Restated	70,000,000	27,738,806	7,728,678,484	3,602,690	(167,291,865)	(592,800)	1,090,385,494	8,752,520,809
Profit for the year	-	-	-	-	-	-	122,726,033	122,726,033
Total other comprehensive income for the period	-	-	(244,205,495)	-	-	2,980,800	(65,484,761)	(306,709,456)
Total Comprehensive income for the period	-	-	(244,205,495)	-	-	2,980,800	57,241,272	(183,983,423)
Balance as at 31st December 2013	70,000,000	27,738,806	7,484,472,989	3,602,690	(167,291,865)	2,388,000	1,147,626,766	8,568,537,385

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.
(Figures in brackets indicate deductions)

**STATE ENGINEERING CORPORATION OF SRI LANKA
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2013**

	2013 (Rs.)	2012 (Rs.)
Cash Flow from Operating Activities		
Profit Before Tax	148,572,831	225,908,555
Adjustments for,		
Depreciation of Property, Plant and Equipment	131,318,279	66,472,758
Amortization of Intangible assets	488,674	-
Provision for Retirement Benefit Obligations	19,405,505	62,754,760
Provision/(reversal) for Bad and Doubtful Debts	(18,056,353)	24,134,787
Provision for/(Reversal) of Obsolete Stocks	(31,308,373)	8,972,476
Provision for/(Reversal) of Other provision	(22,541,194)	
Prior year adjustments	-	(15,869,110)
Amortization of Grant	(33,343,438)	
Provision for accrued expenses	-	141,623,360
Interest Income	(16,311,857)	(3,415,480)
Interest Expenses	87,376,345	17,712,733
Operating Profit Before Working Capital Changes	265,600,419	528,294,839
(Increase)/Decrease in Inventory	(47,400,238)	21,394,983
(Increase)/Decrease in Trade and Other Receivables	(267,741,986)	(2,306,926,587)
(Increase)/Decrease in Other Current Financial Asset	(230,308,259)	-
(Increase)/Decrease in Other Current Financial Liabilities	(773,381,360)	-
Increase/(Decrease) Trade and Other Payables	1,420,643,223	1,329,458,150
Cash Generated from/(used in) Operating Activities	367,411,798	(427,778,615)
Interest Paid	(69,832,578)	(17,712,733)
Gratuity Paid	(15,576,265)	(14,360,673)
Income Tax Paid	(418,799)	-
Net Cash Generated from/(used in) Operating Activities	281,584,157	(459,852,021)
Cash Flow from Investing Activities		
Purchases of Property, Plant and Equipment	(242,009,731)	(81,277,735)
Proceeds from Disposal of Property, Plant and Equipment	-	33,256,007
Short Term Investment	(1,259,677)	-
Interest Received	16,311,857	4,670,607
Acquisition of Intangible Assets	(2,443,361)	-
Net Cash Generated from/(used in) Investing Activities	(229,400,913)	(43,351,121)
Cash Flow from Financing Activities		
Loan obtained	50,000,000	-
Repayment of Leases	(5,314,190)	(7,644,858)
Net Cash Generated from/(used in) Financing Activities	44,685,810	(7,644,858)
Net Increase/(Decrease) in Cash and Cash Equivalents during the period	96,869,055	(510,848,000)
Cash and Cah Equivalents at the beginning of the period	18 (377,112,827)	133,735,173
Cash and Cash Equivalents at the end of the period	(280,243,773)	(377,112,827)

The Accounting Policies and Explanatory Notes form an integral part of these Financial Statements.
(Figures in brackets indicate deductions.)

STATE ENGINEERING CORPORATION OF SRI LANKA
STATEMENT OF FINANCIAL POSITION
AS AT, 31ST DECEMBER 2013

1. GENERAL

1.1. Reporting Entity

State Engineering Corporation of Sri Lanka was established under the State Industrial Corporation Act No.49 of 1957 on the 01st January 1962 and function under the Ministry of Construction & Engineering Service. The registered office of the State Engineering Corporation of Sri Lanka is located at No. 130, W.A.D. Ramanayake Mawatha, Colombo 02.

1.2. Principal Activities and Nature of Operations

State Engineering Corporation is primarily involved in the business of Construction Activities 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.

2. Summary of Significant Accounting Policies

2.1. Statement of Compliance

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

The Financial Statements were authorized for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 29th August 2014.

2.2. Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

- Financial assets and financial liabilities that have been measured at fair value
- Employee benefit liability recognized based on Project Unit Credit Method (LKAS 19)
- Property, Plant and Equipments and Motor Vehicles are stated at revalued amounts

The Directors have made an assessment of the Corporation's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.3. Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the Corporation's functional currency and all values are rounded to the nearest rupees.

2.4. Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these financial statements unless otherwise stated.

3.1. Foreign Currency

3.1.1. Foreign Currency Transactions

In preparing the Financial Statements of the Corporation, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

3.2. Assets and the bases of their Valuation

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realized in cash, during the normal operating cycle of the Corporation's business, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Corporation intends to hold beyond a period of one year from the reporting date.

3.2.1. Property, Plant & Equipment

3.2.1.1. Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (Major components) of property, plant and equipment.

3.2.1.2. Owned Assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integrated to the functionality of the related equipment is capitalized as part of equipment.

3.2.1.3. Leased Assets

Leases in terms of which the Corporation assumes substantially all the risk and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured and capitalized at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. 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. Other leases are operating leases which are not recognized in the Corporation's Statement of Financial Position.

3.2.1.4. Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3.2.1.5. Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognized within other income in profit or loss.

3.2.1.6. Revaluation

Revaluation is performed on freehold Land and Building by professionally qualified valuers using the open market value at least once in every three years. The valuation surplus is recognized on the net carrying value of the asset and is transferred to a revaluation reserve after restating the asset at the revalued amount. The revaluation reserve is transferred to retained earnings at the point of derecognition.

3.2.1.7. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Buildings	40	2.5%
Plant & Machinery	05	20%
Furniture and fixtures	10	10%
Motor vehicles	05	20%
Office Equipments	05	20%
Computers	05	20%

Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.2.2. Capital Work in Progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as Capital Work-in-Progress, whilst the capital assets which have been completed during the year and available to use have been transferred to Property, Plant and Equipment.

3.2.3. Intangible Assets

An Intangible Assets is recognized if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortization and accumulated impairment losses.

3.2.3.1. Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets.

3.2.3.2. Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

3.2.3.3. Amortisation

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Asset Category	Useful Life (Years)	Depreciation Rate (%)
Computer Software	05	20%

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.2.4. Inventories

Inventories are stated at the lower of cost and net realizable value, after making due allowance for obsolete and slow moving items. The cost of inventories is comprised all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the normal course of business less estimated cost of realization and/or cost of conversion from their existing state to saleable condition.

Inventory movement is reviewed at the end of reporting period by an expert to assess the recoverability of inventory and the items that are identified as irrecoverable are written off during the year.

3.2.5. Work in Progress

Contractual costs incurred for future work are recognized as an asset when it is probable that they will be recovered and such costs are classified as work in progress. Variation and claims are recognized in contract revenue only when it is probable that the customer will approve the variation or claim and the amount of revenue can be reliably measured. Until recognize in revenue cost incurred for variation and claims are classified as work in progress.

3.2.6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits, short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows

3.2.7. 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 value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets 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 pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognized in the Statement of Comprehensive Income in those expenses categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, 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 Statement of Comprehensive Income.

3.3. Financial Instruments

3.3.1 Financial Assets

3.3.1.1 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. Purchase or sale 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 financial assets include cash and cash equivalent, short term deposits, trade and other receivables, loans and quoted equity instruments.

3.3.1.2 Subsequent Measurement

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

3.3.1.3 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. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the income statement.

The Corporation evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent 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 intent 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

3.3.1.4 Held to maturity financial assets

If the Corporation has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, Held to Maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

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 Effective Interest Rate (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.

3.3.1.5 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

3.3.1.6 Available For Sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

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 intention 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 profit or loss 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.

3.3.1.7 Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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 'passthrough' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 passthrough 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.

3.3.1.8 Impairment of Financial Assets

The corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group 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 group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group 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.

3.3.1.9 Financial Assets Carried at Amortised Cost

For financial assets carried at amortized cost, the Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

3.3.2 Financial Liabilities

3.3.2.1 Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs

The Corporation financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

3.3.2.2 Subsequent Measurement

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

3.3.2.3 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognized in the profit or loss. The Corporation has not designated any financial liabilities upon initial recognition as at fair value through profit or loss

3.3.2.4 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 derecognised 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 is an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

3.3.2.5 Derecognition

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

3.3.2.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expense will not be offset in the Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation.

3.3.2.7 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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note no 23.

3.4. Post Employment Benefits

3.4.1. Defined Benefit Plan

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date, using the projected unit credit (PUC) method. The gratuity liability is not externally funded, nor actuarially valued. The gratuity liability is valued using the Projected Unit Credit (PUC) method considering the assumptions required to arrive at the present value of defined benefit obligation.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payment to an employee arises only after the completion of 5 years of continued service.

3.4.2. Defined Contribution Plans – Employees' Provident Fund and Employee Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and will have no legal or constructive obligation to pay further amounts. All employees who are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are covered by relevant contributions funds in line with the relevant statutes. Employer's contributions to the defined contribution plans are recognized as an expense in profit or loss when incurred.

3.5. Provision, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, where 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 and a reliable estimate can be made of the amount of the obligation.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable

3.6. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments. Where the Corporation receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

3.7. Statement of Comprehensive Income

3.7.1. Revenue

Revenue represents the amounts derived from the provision of services and sale of goods, which fall within the Corporation ordinary activities net of trade discounts and turnover related taxes.

3.7.1.1. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue and the 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 sales taxes, and after eliminating sales within the Corporation. The following specific criteria are used for the purpose of recognition of revenue.

3.7.1.1.1. Construction Contract

When the outcome of a contract can be estimated reliably, revenue is recognized by reference to the Stage of Completion of the Contracting activity as at the reporting date (Percentage-of-Completion Method). When the outcome of a contract cannot be estimated reliably, revenue is recognized to the

extent of cost incurred that are likely to be recoverable. When it is probable that total cost will exceed total revenue, the expected loss is recognized as an expense immediately.

The Stage of Completion is measured by reference to the proportion that, costs incurred for work performed to date bear to the estimated total costs.

3.7.1.1.2. Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the Consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from the sale of goods is 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.

3.7.1.1.3. Rendering of services

Revenue from services rendered is recognized in the Statement of Comprehensive Income once all significant performance obligations have been provided.

3.7.1.1.4. Other Income

Profits or losses from disposal of property, plant and equipments recognized having deducted from proceeds on disposal, the carrying value of the assets and the related expenses.

Foreign currency gains and losses are reported on a net basis.

Income from scrap sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

3.7.1.1.5. Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

3.7.2. Expenditure Recognition

3.7.2.1. Construction Contracts

Contract Expenses are recognized as incurred unless they create an asset to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

3.7.2.2. Other Expenses

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 revenue in arriving at the profit for the year. For the purpose of presentation of Statement of comprehensive income the directors are of the opinion that function of expenses method presents fairly the elements of the Corporation performance, hence such presentation method is adopted.

3.7.2.3. Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of Property, Plant and Equipments which are capitalized as part of the cost of those assets during the period of construction or development.

3.7.3. Taxation

3.7.3.1. Current Taxes

Current Income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditures reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

The relevant details are disclosed in the respective notes to the Financial Statements.

3.7.3.2. Deferred Taxation

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.

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.

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.

3.8. Related Party Transaction

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged or not.

The relevant details are disclosed in the respective notes to the Financial Statements.

3.9. Event Occurring After The Reporting Period

Events after the reporting period are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the financial statements are authorized for issue.

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

3.10. Segmental Reporting

The Segment is a distinguishable component of the Corporation that is engaged either in providing related products or services (business segment), or in providing Products or Services within a particular Economic Environment (Geographical Segment), which is subject to risks and returns that are different from those of the Segments. Segment Information is presented in respect of the Corporation's Business and Geographical Segments. The Corporation's Primary Format for segment reporting is based on business Segments.

The Business segments are determined based on the Corporation's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The activities of the Corporation are located mainly in Sri Lanka. Consequently, the economic environment in which the Corporation operated is not subject to risks and rewards that are significantly different on a geographical basis. Hence disclosure by geographical region is not provided.

The relevant details are disclosed in the respective notes to the Financial Statements

3.11. Cash Flow

Interest received and dividends received are classified as investing cash flows, while dividend paid and interest paid, is classified as financing cash flows for the purpose of presentation of Statement of Cash Flows which has been prepared using the 'Indirect Method'.

1.1. 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.

1.2. New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these financial statements. These includes;

These include following standards which will be effective from 1st January 2014;

SLFRS 10 – Consolidated Financial Statement

SLFRS 11 – Joint Agreements

SLFRS 12 – Disclosure of Interest in other Entities

SLFRS 13 – Fair Value Management; and

SLFRS 09 – “Financial Instruments” which will be effective from 01 January 2015.

The Corporation is currently in the process of evaluating the potential effect of these standards on its financial statements and the impacts of the adoption of these standards have not been quantified as at the balance sheet date.

**STATE ENGINEERING CORPORATION OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER,2013**

	2013 (Rs.)	2012 (Rs.)
4 REVENUE		
Buildings and other Construction	4,724,063,712	3,726,360,937
Road Construction	1,666,673,367	3,106,436,621
Mechanical and Electrical income	208,509,962	48,794,219
Consultancy and Architectural Services	269,568,710	253,874,743
Sale of Construction related Material	887,834,526	710,373,313
Hiring Income	209,081,235	105,366,061
	<u>7,965,731,512</u>	<u>7,951,205,894</u>
5 OTHER INCOME		
Disposal of Scrap items	4,187,410	14,894,975
Rent income	8,152,330	8,480,307
Reversal of Stock over provision	31,308,373	-
Reversal of Bad debt Provision over provision	18,056,353	-
Reversal of other provision	22,541,194	-
Amortization of Grants	33,343,438	-
Registration fee income	2,879,410	1,897,963
Miscellaneous Income	1,249,266	637,489
	<u>121,717,774</u>	<u>25,910,734</u>
6 NET FINANCE INCOME /(EXPENSE)		
Interest Income on Fixed Deposits	15,239,465	2,443,385
Interest on Saving Deposits	358,028	-
Interest Income on Repurchase Agreements	535,680	880,562
Interest income on Staff Loan	178,684	91,533
	<u>16,311,857</u>	<u>3,415,480</u>
Finance Cost		
Interest on loans	19,247,039	3,067,273
Interest on Finance Lease Obligations	1,659,734	1,894,276
Interest on Bank Overdrafts	66,469,572	12,751,184
	<u>87,376,345</u>	<u>17,712,733</u>
Net Finance Income /(Expense)	<u>(71,064,488)</u>	<u>(14,297,253)</u>

STATE ENGINEERING CORPORATION OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2013

	2013 (Rs)	2012 (Rs)
7 PROFIT BEFORE TAX		
<i>Is stated after charging all expenses including the following,</i>		
Directors' Emoluments	1,040,463	1,050,868
Professional Charges	4,075,279	3,425,710
Legal expenses	380,900	3,540,815
Donations	2,576,004	3,928,800
Depreciation on Property Plant & Equipment	131,318,279	66,472,758
Amortization of Intangible Assets	488,674	-
Written off or Provision for/ (Reversal of)		
- Bad and Doubtful Debts		
- Obsolete and Slow Moving Stocks	(31,308,373)	8,927,476
- Bad and Doubtful Debts	(18,056,353)	24,134,787
Staff Related Cost		
- Salaries ,Wages and other expenses	1,589,533,108	1,340,700,997
- Defined Benefit Plan Cost - Gratuity	19,405,505	62,754,760
- Defined Contribution EPF	131,884,792	125,208,240
ETF	17,073,386	17,985,439
8 INCOME TAX EXPENSE		
On the Current years Profit (Note 8.2)	4,917,114	19,918,670
Under/ (over) Provision in previous year	-	-
Deferred Taxation (Note 12)	20,929,684	1,868,318
Tax expense on Total Comprehensive Income	<u>25,846,798</u>	<u>21,786,988</u>

8.1 Taxation on Profits

Under the provisions of the Inland Revenue Act No.10 of 2006 and amendments thereto, the Company is liable for income tax at the concessionary rate of 12% on construction income and 28% on other income

	2013 (Rs)	2012 (Rs)
8.2 Reconciliation between current tax expense and the accounting profit		
Accounting Profit before tax	148,572,831	225,908,555
Trading profit	122,859,378	205,062,648
Other income	25,713,453	20,845,907
Disallowable Expenses for Taxation	164,644,561	180,647,990
Allowable Expenses for Taxation	(421,855,779)	(268,362,170)
Statutory Profit/(Loss) from Business	<u>(108,638,387)</u>	<u>138,194,375</u>
Taxable Income	<u>(108,638,387)</u>	<u>138,194,375</u>
Tax Loss Brought Forward	-	-
Tax loss incurred During the year	(108,638,387)	-
Tax loss claimed during the year	-	-
Tax Loss Carried Forward	<u>(108,638,387)</u>	<u>-</u>
Tax at the Rate of 12% (2012 - 12%)	-	14,081,816
Tax at the Rate of 28% (2012 - 28%)	4,917,114	5,836,854
Provision for Taxation on Current Year Profit	<u>4,917,114</u>	<u>19,918,670</u>

STATE ENGINEERING CORPORATION OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2013

9. PROPERTY, PLANT AND EQUIPMENT

COST	FREEHOLD						LEASEHOLD						Total Rs.
	Land Rs.	Building Rs.	Plant, Machinery & Equipments Rs.	Computers Rs.	Motor Vehicles Rs.	Office Equipments Rs.	Furniture & Fittings Rs.	Machinery & Equipments Rs.	Motor Vehicles Rs.	Capital work in Progress Rs.			
Balance as at 01st January 2012	81,309,390	22,072,569	646,369,280	50,293,110	87,247,247	42,713,710	29,943,448	8,400,000	13,992,286	7,891,609	-	990,232,649	
Additions during the year	6,790,611,617	13,700,330	12,680,843	6,404,800	-	4,786,645	2,949,224	-	-	40,755,891	-	81,277,733	
Revaluation Adjustments	(33,256,007)	404,793,301	(295,202,858)	-	126,690,553	-	-	-	-	-	-	7,026,892,613	
Balance as at 31st December 2012	6,838,665,000	440,566,200	363,847,265	56,697,910	213,937,800	47,500,355	32,892,672	8,400,000	13,992,286	48,647,500	-	8,065,146,988	
Additions during the year	-	40,692,386	710,902,038	15,750,422	39,344,000	3,589,157	3,780,053	-	-	163,605,575	-	977,663,631	
Revaluation Adjustments	-	-	(138,508,169)	-	(102,240,001)	-	-	(6,000,000)	(4,492,286)	-	-	(251,240,456)	
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	(33,256,007)	
Balance as at 31st December 2013	6,838,665,000	481,258,586	936,241,134	72,448,332	151,041,799	51,089,512	36,672,725	2,400,000	9,500,000	212,253,075	-	8,791,570,163	

ACCUMULATED DEPRECIATION

Balance as at 01st January 2012	-	49,831,762	513,527,431	31,542,661	85,148,486	29,194,523	15,880,824	2,407,233	4,236,504	-	-	731,769,424
Charge for the year	-	2,304,638	46,134,531	6,547,294	751,793	4,405,698	1,850,349	1,679,998	2,798,457	-	-	66,472,758
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjustments	-	(52,136,400)	(559,661,962)	-	(85,900,279)	-	-	(4,087,231)	-	-	-	(701,785,872)
Balance as at 31st December 2012	-	11,014,155	76,884,084	8,349,745	23,230,447	5,259,067	2,102,324	1,680,000	2,798,457	-	-	131,318,279
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2013	-	11,014,155	76,884,084	46,439,700	23,230,447	38,859,288	19,833,497	1,680,000	2,798,457	-	-	220,739,628

IMPAIRMENT

Balance as at 01st January 2012	-	-	-	-	-	-	-	-	-	-	-	-
Charge/(Reversal) for the year	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2012	-											
Charge/(Reversal) for the year	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December 2013	-											

CARRYING AMOUNT

As at 31st December 2013	6,838,665,000	470,244,431	859,357,050	26,008,632	127,811,352	12,230,224	16,839,228	720,000	6,701,543	212,253,075	-	8,570,830,535
As at 31st December 2012	6,838,665,000	440,566,200	363,847,265	18,607,955	213,937,800	13,900,134	15,161,499	8,400,000	6,957,325	48,647,500	-	7,968,690,678

STATE ENGINEERING CORPORATION OF SRI LANKA
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AS AT,31ST DECEMBER 2013.

		31.12.2013 (Rs.)	31.12.2012 (Rs.)
10. INTANGIBLE ASSETS			
Cost			
Balance at the beginning of the year		-	-
Additions during the year		2,443,361	-
Balance at the end of the year		<u>2,443,361</u>	<u>-</u>
Amortisation			
Balance at the beginning of the year		-	-
Charge during the year		(488,674)	-
Balance at the end of the year		<u>(488,674)</u>	<u>-</u>
Carrying Amount		<u>1,954,687</u>	<u>-</u>
11. INVESTMENT IN SHARES	No of Shares	31.12.2013 (Rs.)	31.12.2012 (Rs.)
HDFC Bank	120,000	1,200,000	1,200,000
Adjustment for fair value of investments		2,388,000	
Carrying amount		<u>3,588,000</u>	<u>1,200,000</u>
12. DEFERRED TAXATION		31.12.2013 (Rs.)	31.12.2012 (Rs.)
12.1 Movement in deferred tax			
Balance at the beginning of the year		35,158,534	37,026,852
(Provision) /Reversal during the year		(20,929,684)	(1,868,318)
Balance at the end of the year		<u>14,228,850</u>	<u>35,158,534</u>
12.2 Composition of deferred tax		2013	2012
		Temporary difference (Rs.)	Temporary difference (Rs.)
		Tax effect on temporary difference (Rs.)	Tax effect on temporary difference (Rs.)
Temporary Difference on PPE	(172,237,625)	(20,668,515)	292,987,783
Temporary difference on Gratuity Provision	175,236,245	21,028,349	-
Temporary Difference on Stock Provision	6,936,742	832,409	-
Temporary Difference on Tax Losses	108,638,387	13,036,607	-
	<u>118,573,749</u>	<u>14,228,850</u>	<u>292,987,783</u>
			<u>35,158,534</u>
12.3 Movement in tax effect of temporary differences		Recognised in income statement (Rs.)	Recognised in income statement (Rs.)
	As at 31st December 2013 (Rs.)	As at 31st December 2012 (Rs.)	As at 31st December 2011 (Rs.)
Deferred tax on PPE	(20,668,515)	(55,827,049)	35,158,534
Deferred tax on Gratuity Provision	21,028,349	21,028,349	(1,868,318)
Deferred tax on Stock general Provision	832,409	832,409	-
Temporary Difference on Tax Losses	13,036,607	13,036,607	-
	<u>14,228,850</u>	<u>(20,929,684)</u>	<u>(1,868,318)</u>
		<u>35,158,534</u>	<u>37,026,852</u>

Since the Corporation's income is liable for income tax ,the deferred tax is arrived at by applying the income tax rates 12% applicable for the local income received in local currency.

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	31.12.2013	31.12.2012
	(Rs.)	(Rs.)
13. INVENTORIES		
Raw Materials	379,035,935	362,619,582
Finished Goods	239,411,534	205,513,308
Work in Progress	-	2,914,341
	<u>618,447,469</u>	<u>571,047,231</u>
Less:Provision for Impairment (Note:13.1)	<u>(6,936,742)</u>	<u>(38,245,115)</u>
	<u>611,510,727</u>	<u>532,802,116</u>
13.1 Movement in Provision for Impairment		
Balance at the beginning of the year	38,245,115	29,317,639
Povision/(Reversal) made during the year	<u>(31,308,373)</u>	<u>8,927,476</u>
Balance at the end of the year	<u>6,936,742</u>	<u>38,245,115</u>
14. TRADE AND OTHER RECEIVABLES		
Trade Receivables	4,655,632,013	6,045,257,969
Less: GST/VAT	<u>(923,798,672)</u>	<u>(819,184,201)</u>
Provision for impairment (14.1)	<u>(500,679,542)</u>	<u>(518,735,895)</u>
	<u>3,231,153,799</u>	<u>4,707,337,873</u>
Amount Due from Customers	3,065,776,032	1,585,807,328
Deposits , Prepayments and advances	1,621,709,694	1,333,065,366
Withholding Tax receivables	7,242,289	63,207,866
Other Receivables	<u>182,068,250</u>	<u>132,733,292</u>
	<u>8,107,950,064</u>	<u>7,822,151,725</u>
14.1 Movement in Provision for Impairment		
Balance at the beginning of the year	518,735,895	494,601,108
Povision/(Reversal) made during the year	<u>(18,056,353)</u>	<u>24,134,787</u>
Balance at the end of the year	<u>500,679,542</u>	<u>518,735,895</u>
15. Other Financial Assets Including Derivatives		
Non Current		
Loans given to employees	<u>21,963,460</u>	<u>7,384,148</u>
	<u>21,963,460</u>	<u>7,384,148</u>
Current		
Retention Receivable	1,475,017,518	1,265,611,589
Loans given to employees	13,376,169	7,053,151
Short term investments	<u>13,083,002</u>	<u>11,823,325</u>
	<u>1,501,476,689</u>	<u>1,284,488,065</u>
	<u>1,523,440,149</u>	<u>1,291,872,213</u>

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	31.12.2013 (Rs.)	31.12.2012 (Rs.)
15.1. Loans given to employees		
Balance at the beginning of the year	14,437,299	7,599,247
Loans Granted during the year	43,645,525	14,747,981
Loans Recovered during the year	(22,743,195)	(7,909,929)
Balance at the end of the year	35,339,629	14,437,299
Non Current	21,963,460	7,384,148
Current	13,376,169	7,053,151
The Corporation Provides Loans to employees and charged interest 7,500/= per 100,000/=irrespective of loan repayment period.		
16. CASH AND CASH EQUIVALENTS	31.12.2013 (Rs.)	31.12.2012 (Rs.)
16.1 Favourable Balances		
Fixed Deposits	144,596,561	137,310,817
Repurchase Agreement	-	-
Saving/Call Deposits	10,747,024	4,896,894
Cash at Bank	39,554,894	73,351,478
Cash in Hand	15,195,637	2,631,110
	210,094,116	218,190,299
16.2 Unfavorable Balances		
Bank Overdraft	(490,337,889)	(595,303,126)
<i>Cash and Cash Equivalents for the purpose of the Cash Flow Statement</i>	(280,243,773)	(377,112,827)
17. STATED CAPITAL		
Issued and Fully paid		
At the beginning of the year	70,000,000	70,000,000
Issue during the year	-	-
At the end of the year	70,000,000	70,000,000
18. INTEREST BEARING BORROWINGS		
Payable after one year		
Treasury Loan	30,800,000	30,800,000
Finance Lease Obligations (Note No. 18.2)	-	2,643,857
	30,800,000	33,443,857
Payable within one year		
Bill Discounting	100,000,000	50,000,000
Finance Lease Obligations (Note No. 18.2)	3,522,745	6,692,189
	103,522,745	56,692,189

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AS AT,31ST DECEMBER 2013

	31.12.2013 (Rs.)	31.12.2012 (Rs.)
18.1 Details of Securities and Repayment		
Lender	- Peoples Bank	
Approved Facility	- Bill Discounting Facility upto 100M	
Facility Obtained	- 100M	
Securities Pledged	- Paliagoda Land	
Interest Rate	-19% P.A	
Repayments	-120 days	
18.2 Finance Lease Obligations	31.12.2013 (Rs.)	31.12.2012 (Rs.)
Balance at the beginning of the year	10,636,953	15,086,657
Less: Payments made during the year	<u>(6,973,924)</u>	<u>(4,449,704)</u>
Gross Lease Obligation at the end of the year	3,663,029	10,636,953
Less: Interest in Suspense	<u>(140,284)</u>	<u>(1,300,907)</u>
Net Finance Lease Obligations	3,522,745	9,336,046
Payable within one year	<u>3,522,745</u>	<u>6,692,189</u>
Payable after one year	<u>-</u>	<u>2,643,857</u>
19. EMPLOYEE BENEFIT		Restated
Balance at the beginning of the year	105,922,244	156,905,063
Provision made in profit and Loss Account (Note No. 19.3)	19,405,505	62,754,760
Payments made during the year	<u>(15,576,265)</u>	<u>(14,360,673)</u>
Actuarial (gain) / loss recognized in Other Comprehensive Income	65,484,761	-
Balance at the end of the year (As previously Reported)	-	<u>205,299,150</u>
Adjustment on Actuarial Valuation (Note 29)	-	<u>(99,376,906)</u>
Balance at the end of the year (Restated)	175,236,245	105,922,244
An independent actuarial valuation of the retirement benefit obligation was carried out as at 31st December 2012 and 2013 by professional actuaries-M/S Piyal Goonathilaka.		
The valuation method used by the Actuaries to value the Retirement Benefit Obligation is the "Projected Unit Credit Method". The method recommended by the LKAS 19 - 'Employee Benefits'		
The Key Assumptions used by Actuary include the following	31.12.2013 (Rs.)	31.12.2012 (Rs.)
Discount Rate	9.5%	11.50%
Expected annual Rate of Salary Increment	1.30%	1.30%
Staff Turnover Factor (Ranging based on Age Group)	0.16%- 2.85%	0.16%- 2.85%
Retiring Age (Years)	60 years	60 years
Plan is not pre-Funded		
The Corporation will Continue as a Going Concern		
19.1 The amount recognised in the Balance Sheet are as follows		
Present value of unfunded obligations	-	-
Present value of funded obligations	175,236,245	105,922,244
Total present value of obligations	175,236,245	105,922,244
Fair value of plan assets	-	-
Present value of net obligations	175,236,245	105,922,244
Unrecognised net actuarial gains/ (losses)	-	-
Recognised liability for defined benefit obligations	175,236,245	105,922,244

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	2013 (Rs.)	2012 (Rs.) Restated
19.2 Movement in the present value of defined benefit obligations		
Liability for defined benefit obligations as at 1st January	105,922,244	88,442,985
Actuarial (gains)/ losses	65,484,761	18,696,809
Benefit paid by the plan	(15,576,265)	(15,848,273)
Current service costs	7,224,447	6,228,640
Interest Cost	12,181,058	8,402,083
Liability for defined benefit obligations as at 31st December	<u>175,236,245</u>	<u>105,922,244</u>
19.3 Expense recognised in Profit or Loss - for the year ended,		
Current service costs	7,224,447	6,228,640
Interest on obligation	12,181,058	8,402,083
Actuarial Loss/(Gain) recognized during the year	65,484,761	18,696,809
	<u>84,890,266</u>	<u>33,327,532</u>
20. Other Financial Liabilities Including Derivatives		
Non Current		
Deferred Income	555,179,682	-
	<u>555,179,682</u>	
Current		
Deferred Income	147,130,780	-
Mobilisation Advance	2,399,558,549	3,172,939,909
	<u>2,546,689,329</u>	<u>3,172,939,909</u>
20.1 Deferred Income		
Balance at the beginning of the year	-	-
Grant Received during the year	735,653,900	-
Amortization during the year	(33,343,438)	-
Balance at the end of the year	<u>702,310,462</u>	<u>-</u>
Payable within one year	<u>147,130,780</u>	<u>-</u>
Payable after one year	<u>555,179,682</u>	<u>-</u>
21. TRADE AND OTHER PAYABLES		
Trade Payables	588,507,045	523,753,317
Subcontract Payables	1,293,675,665	1,032,127,559
labour contract advances Payable	47,327,666	51,787,592
Accrued Expenses and Other Provisions	1,333,726,687	1,263,105,853
Amount Due to Customer	3,052,583,200	2,048,345,092
VAT Payable	179,435,668	146,473,957
ESC Payable	19,903,480	19,903,480
Other taxes Payable	27,465,839	38,208,493
	<u>6,542,625,250</u>	<u>5,123,705,343</u>
22. INCOME TAX PAYABLE		
Balance at the beginning of the year	28,945,287	69,587,112
Provision for Income Tax on current year's profits	4,917,114	19,918,670
Under/(Over) provision of Income Tax in respect of prior year	-	-
Tax paid during the year - Income Tax	(2,775,000)	-
- Withholding Tax	-	(60,560,495)
- Other	(418,799)	-
Balance at the end of the year	<u>30,668,602</u>	<u>28,945,287</u>

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	2013 (Rs.)	2012 (Rs.)
23. FINANCIAL INSTRUMENTS		
23.1 Financial Instruments - Statement of Financial Position (SOFP)		
The Financial Instruments recognise in the Statement of Financial Position are as follows:		
Financial Assets	Note	
Fair value through profit and loss		
SOFP Line Item:		
Other financial assets including derivatives - Non Current	-	-
Other financial assets including derivatives - Current	-	-
Total	<u>-</u>	<u>-</u>
Held-to-maturity		
SOFP Line Item:		
Cash and cash equivalents	16 <u>144,596,561</u>	137,310,817
Total	<u>144,596,561</u>	<u>137,310,817</u>
Loans and receivables		
SOFP Line Item:		
Other financial assets including derivatives - Non Current	15 <u>21,963,460</u>	7,384,148
Trade and other receivables	14 <u>8,107,950,064</u>	7,822,151,725
Cash and cash equivalents	16 <u>65,497,555</u>	80,879,482
Other financial assets including derivatives - Current	15 <u>1,488,393,687</u>	1,272,664,740
Total	<u>9,683,804,765</u>	<u>9,183,080,095</u>
Available-for-sale		
SOFP Line Item:		
Other Investments	11 <u>3,588,000</u>	1,200,000
Total	<u>3,588,000</u>	<u>1,200,000</u>
	<u>9,831,989,326</u>	<u>9,321,590,912</u>
Financial Liabilities		
Fair value through profit and loss		
SOFP Line Item:		
Other financial liabilities including derivatives - Non Current	-	-
Other financial liabilities including derivatives - Current	-	-
Total	<u>-</u>	<u>-</u>
Other Financial Liabilities		
SOFP Line Item:		
Interest Bearing borrowings- Non Current	18 <u>30,800,000</u>	33,443,857
Other financial liabilities including derivatives - Non Current	20 <u>555,179,682</u>	-
Interest Bearing borrowings- Current	18 <u>103,522,745</u>	56,692,189
Trade and other Payables	21 <u>6,542,625,250</u>	5,123,705,343
Other financial liabilities including derivatives - Current	20 <u>2,546,689,329</u>	3,172,939,909
Income Tax payable	22 <u>30,668,602</u>	28,945,287
Bank Overdrafts	16 <u>490,337,889</u>	595,303,126
Total	<u>10,299,823,498</u>	<u>9,011,029,711</u>
	<u>10,299,823,498</u>	<u>9,011,029,711</u>

**STATE ENGINEERING CORPORATION OF SRI LANKA
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23 FINANCIAL INSTRUMENTS, continued..

23.2 Financial Risk Management

The company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk (including currency risk and interest rate risk)

23.2.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

23.2.1.1 Trade Receivables

Customer credit risk is managed by each business unit subject to the Corporation's established policy, procedures and control relating to customer credit risk management

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The Corporation evaluates the concentration of risk with respect to trade receivables as low, as most of its customers are government organization.

	Note	31.12.2013 (Rs.)	31.12.2012 (Rs.)
Trade Receivables		<u>4,655,632,013</u>	<u>6,045,257,969</u>
		<u>4,655,632,013</u>	<u>6,045,257,969</u>

The aging of Trade & Other Receivables at the reporting date was;

	Gross 31.12.2013	Impairment 31.12.2013	Gross 31.12.2012	Impairment 31.12.2012
Past due 0-365 days	2,086,539,552	-	2,722,093,483	-
More than one year	<u>2,569,092,461</u>	<u>500,679,542</u>	<u>3,323,164,486</u>	-
	<u>4,655,632,013</u>	<u>500,679,542</u>	<u>6,045,257,969</u>	-

Based on historic default rates, the Corporation believes that, apart from the above, no impairment allowance is necessary in respect of Trade Receivables

23.2.1.2 Cash and Cash Equivalents

Credit risk from balances with banks and financial institutions is managed by the Finance department in accordance with Corporation Finance management policy

The Corporation held Short term Deposits and Cash and cash equivalents of Rs.223,117,118/- at 31st December 2013 (2012 - Rs. 230,013,554/-) which represents its maximum credit exposure on these assets

**STATE ENGINEERING CORPORATION
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23 FINANCIAL INSTRUMENTS,(Cont..)

23.2.1.2 Cash and Cash Equivalents (Cont..)

As at 31 December 2013, Rs.39,554,894/- (2012-Rs.73,351,478/-) of the Favourable balance of bank and financial institution was rated "A+" or better for the corporation

Fitch rating Company	2013		2012	
	(Rs.)	%	(Rs.)	%
AAA	-	-	-	-
AA+	27,792,877	70%	62,350,378	85%
AA	-	-	-	-
AA-	3,923,126	10%	3,162,209	4%
A	-	-	-	-
BBB+	-	-	-	-
	<u>31,716,003</u>	<u>80%</u>	<u>65,512,587</u>	<u>89%</u>
Others	7,838,891	20%	7,838,891	11%
	<u>39,554,894</u>	<u>100%</u>	<u>73,351,478</u>	<u>100%</u>

23.2.2 Liquidity Risk

Liquidity risk is the risk that the corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable losses or risking damage to the corporation's reputation.

To measure and mitigate liquidity risk, Corporation closely monitor its net operating cash flow, maintained a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

As at 31 December 2013	Carrying amount	Less than one year	More than one year
Non-derivative financial liabilities			
Interest bearing borrowings	134,322,745	103,522,745	30,800,000
Income tax payable	30,668,602	30,668,602	-
Bank Overdrafts	490,337,889	490,337,889	-
Total	<u>655,329,237</u>	<u>624,529,237</u>	<u>30,800,000</u>

23.2.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

- I. Interest rate risk
- II. Currency risk
- III. Commodity price risk
- IV. Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**STATE ENGINEERING CORPORATION
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23 FINANCIAL INSTRUMENTS,(Cont..)

Interest Rate Risk

At the reporting date the interest rate profile of the corporation's interest bearing financial instruments was;

	31.12.2013	31.12.2012
	(Rs.)	(Rs.)
Fixed rate instruments		
Financial assets	14%	14%
Financial liabilities	18.50%	20.50%
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

Currency risk

The Corporation is exposed to currency risk on sales, purchases, borrowings and investments that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

This risk is minimised by hedging naturally by a matching sales and purchases or matching assets and liabilities of the same currency and amounts. Where feasible, contracts are executed on a basket of currencies, minimising the potential risks.

The principal exchange rates used by the Corporation for conversion of foreign currency balances and transactions, for the year ended 31.12.2013 are as follows

		Closing Rate	
	Average	buying	Selling
US Dollars	129.1	129.44	132.34

23.2.4 Capital management

The primary objective of the Corporation's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Corporation manages its capital structure and makes adjustments to it, in the light of changes in economic conditions.

	2013	2012
Debt to Equity Ratio	122%	107%
Debt Ratio	55%	51%

**STATE ENGINEERING CORPORATION
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24. CONTINGENT LIABILITIES

24.1 On behalf of State Engineering Corporation, banks have given Bank Guarantees to the Corporation's customers amounting to Rs.711.6 Mn /- as at 31st December 2013.

Bank	Letter of Credit (Rs.)	Performance , Advance & Bid bonds (Rs.)	Total (Rs.)
Peoples Bank	30,803,000	680,830,984	711,633,984
	<u>30,803,000</u>	<u>680,830,984</u>	<u>711,633,984</u>

25. CAPITAL COMMITMENTS

There was no contracted capital expenditure approved by the Board of Directors at the end 31st December 2013.

26. RELATED PARTY DISCLOSURES

26.1 TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

According to Sri Lanka Accounting Standards 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 Chief Executive Officer of the Corporation who are in the very next level to the Board of Directors have been classified as Key Management Personnel of the Corporation

(i) Loans to the Directors

No loans have been granted to the Directors of the Corporation

(ii) Key Management Personnel Compensation

	2013 Rs.	2012 Rs.
Directors Remuneration	<u>1,040,463</u>	2,050,171
	<u>1,040,463</u>	<u>2,050,171</u>

26.2 Transactions with Related Companies

	Relationship	2013 Rs.	2012 Rs.
Ocean view Development	Affiliate	<u>4,464,345</u>	3,741,375
		<u>4,464,345</u>	<u>3,741,375</u>

26.3 Other Transactions with Key Management Personnel

There were no other transactions with key Managerial Personnel other than those disclosed in Note 26 to these Financial Statements.

**STATE ENGINEERING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2013**

27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the date of the Balance Sheet, no circumstances have arisen which would require adjustment to or disclosure in the Financial Statements,

28. COMPARATIVE INFORMATION

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to year presentation in the Financial statements

29. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the Actuarial Valuation of Retirement Benefit obligation of the corporation. Accordingly Financial Statements have been restated. The effect of the restatement is summarized below.

As at	31.12.2012 (Rs.)
Statement of Financial Position	
Retirement Benefit Obligation	
Retirement Benefit Obligation as previously Reported	205,299,150
Adjustment on Actuarial Valuation	<u>(99,376,906)</u>
Retirement Benefit Obligation as Restated	<u>105,922,244</u>
Changes in Equity	
Retained Earnings	
Retained Earnings as previously Reported	991,008,588
Adjustment on Actuarial Valuation	<u>99,376,906</u>
Retained Earnings as Restated	<u>1,090,385,494</u>

STATE ENGINEERING CORPORATION OF SRI LANKA
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AS AT 31ST DECEMBER, 2013

30. SEGMENT INFORMATION

	Construction		Construction Component		Special operation		Mechanical & Engineering		Equipments and Machinery		Consultancy		Total	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Segment Gross Revenue	3,551,630,867	2,967,899,618	1,788,281,935	1,255,986,883	1,879,640,502	3,106,436,621	494,172,318	284,493,849	434,834,595	470,034,088	406,379,200	289,914,669	8,554,939,417	8,374,765,728
Less: Inter segment Revenue	(113,968,921)	(122,239,674)	(116,172,709)	(94,941,815)	-	-	(276,665,801)	(128,404,055)	(43,644,572)	(46,555,295)	(38,755,902)	(31,418,995)	(589,207,905)	(423,559,834)
Segment Net Revenue	3,437,661,946	2,845,659,944	1,672,109,226	1,161,045,068	1,879,640,502	3,106,436,621	217,506,517	156,089,794	391,190,023	423,478,793	367,623,298	258,495,674	7,965,731,512	7,951,205,894
Segment Cost of Sales	(3,150,798,377)	(2,695,000,842)	(1,530,708,275)	(1,059,434,465)	(1,677,986,256)	(2,664,332,382)	(169,098,252)	(127,318,020)	(400,874,303)	(409,743,952)	(273,022,078)	(133,957,539)	(7,202,487,541)	(7,089,787,200)
Segment Operation Profit	286,863,569	150,659,102	141,400,951	101,610,603	201,654,246	442,104,239	48,408,265	28,771,774	(9,684,280)	13,734,841	94,601,220	124,538,135	763,243,971	861,418,694
Add: Segmental other income	14,790,975	13,114,015	3,414,079	5,533,306	17,511	-	4,028,406	3,954,195	46,697	17,865,062	-	-	22,297,668	40,486,578
Less: Segment Overhead	(141,043,265)	(103,304,823)	(30,980,668)	(43,091,842)	(18,080,147)	(42,529,523)	(37,835,735)	(31,484,434)	(35,052,149)	(27,574,914)	-	-	(262,991,963)	(381,943,075)
Segment operating Profit	160,611,279	60,468,294	113,834,362	64,052,067	183,591,610	399,574,716	14,600,936	1,241,535	(44,689,732)	4,044,989	94,601,220	124,538,135	522,549,676	653,919,736
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	121,717,774	25,910,734
Administrative Expenses	-	-	-	-	-	-	-	-	-	-	-	-	(424,630,131)	(439,624,663)
Operating Profit	-	-	-	-	-	-	-	-	-	-	-	-	219,637,320	240,205,808
Net Finance Income	-	-	-	-	-	-	-	-	-	-	-	-	(71,064,488)	(14,297,253)
Profit before tax	-	-	-	-	-	-	-	-	-	-	-	-	148,572,832	225,908,555
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-	-	(4,917,114)	(19,918,670)
Deferred Tax Expenses	-	-	-	-	-	-	-	-	-	-	-	-	(20,929,684)	(1,868,318)
Profit for the Year	-	-	-	-	-	-	-	-	-	-	-	-	122,726,034	204,121,567

Audit Committee Report

➤ *Composition*

Mrs. Damitha Ratnayake (Non-Executive Director) - Committee Chairman
B. Sc (Business Admin.) PG Dip (Econ DVP)
Deputy Director
Department of Public Enterprises

Eng. Wimal Jayawardena (Non-Executive Director) - Committee Member
FIIE, GCGL, I Eng

Mr. Prashantha Dias (Non-Executive Director) - Committee Member
Advisor to Hon. Minister of Construction, Engineering Services, Housing & Common
Amenities
Director - Ocean View Development Company (Pvt) Ltd.

➤ *Role of the Committee*

The Audit Committee is a sub-committee of the Board of Directors, and is responsible to the Board.

The Committee is responsible for supporting the Board in ensuring that the Corporation's financial results, internal controls and risk management are effectively managed in line with best practices and in compliance with accounting standards of the Institute of Chartered Accountants of Sri Lanka and other relevant laws and regulations.

➤ *Audit Committee Meetings*

Three meetings were held during the year 2013, and by invitation General Manager, Deputy General Manager (Finance) and Chief Internal Auditor attended for all the meetings. The Government Audit Superintendent and Chief Internal Auditor of the Ministry are also requested to be present for all the meetings.

Minutes of the meetings were presented to the Board of Directors, and important issues were brought up and discussed at the Board meetings.

➤ *Activities*

Main Activities performed by the Audit Committee during the year 2013:

- Corporated to achieve an organization-wide commitment to strong and effective governance, risk management and internal controls emanating from the tone at the top.
- Reviewed Corporation's policies relating to compliance with laws and regulations, ethics, conflicts of interest and the investigation of misconduct and fraud.
- Ensured that financial statements are understandable, transparent and reliable.
- Communicated with senior management regarding status, progress and new developments as well as problematic areas.
- Reviewed internal audit plans, reports and significant findings.
- Established a direct reporting relationship with the Government Auditors.

On behalf of the Audit Committee

Chairman of the Audit Committee

06 July 2016

