

# ANNUAL REPORT 2011



STATE ENGINEERING CORPORATION OF SRI LANKA



# Contents

Corporate Information	2
Vision and Mission Statement of the Corporation	3
Goals & Core Values	3
Board of Directors of the Corporation	4
Corporate Management	5
Senior Management Team	5
Chairman's Message	6
Progress Review of the Corporation	8
Construction Group Activities	12
Mechanical & Electrical Group Activities	18
Construction Components Group Activities	22
Consultancy Group Activities	26
Equipment & Machinery Group Activities	30
Special Operation Division Activities	34
Human Resources & Administration Division	36
Finance Division	39
Internal Audit Division	39
Financial Results	40
Report of the Auditor General	60

# Corporate Information

## **Name of Corporation**

State Engineering Corporation of Sri Lanka.

## **Legal Status**

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

## **Name of Ministry**

Construction, Engineering Services, Housing & Common Amenities.

## **Registered Office**

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

Tel: 011-2434691 Fax: 011-2421262

E-mail: [chairman@secsl.lk](mailto:chairman@secsl.lk) [www.secsl.lk](http://www.secsl.lk)



# Engineers to the nation

## Vision

To be the leading Engineering Enterprise

## Mission

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

## Goals

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

## Core Values

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

# Board of Directors - 2011



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



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



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



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



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



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



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



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

# Corporate Management

Mr. M.R. Jeyachandran	- General Manager
Mr. G.A.L.Nonis	- Acting Deputy General Manager - Construction
Mr. Jayampathy Thennakoon	- Deputy General Manager - Mech. & Electrical
Mr. A.A. Piyadasa	- Deputy General Manager - Const. Component
Mr. S.C. Subasinghe	- Deputy General Manager - Finance
Mr. S.P. Lokuhennadige	- Deputy General Manager - H.R & A
Mr. M. W. J. De Silva	- Deputy General Manager - Consultancy
Mr. P.M.S.S.K Pathiraja	- Deputy General Manager - Equipment & Machinery
Mr. U.R. Hettiarachchi	- Deputy General Manager - SOD

# Senior Management

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

# Chairman's Review

## 1.0 Status of the Construction sector

With the increased public investment on economic and social infrastructure development as well as private sector investment in construction activities in commercial and residential facilities, the growth of the construction sector is recorded to 14.2 percent in 2011 in comparison to 9.3 percent growth in 2010. Meanwhile, in 2011, country's public investment amounting to Rs.389 Bn of which 318Bn was on the construction of roads and bridges, ports, power plants, irrigation systems and water supply schemes. The private sector investments in the construction industry are mostly considered to the housing development projects. Further the construction sector contribution to the GDP was 7.1 percent in 2011 when comparing to 7.6 percent in 2010. The new strategies implemented in the construction sector attributes positive outcome in the market while boosting new development projects with opportunities. The country is at a time of striving hard to become a strong steady economic giant in the region and determine to become a financial hub in line with the massive development projects.

## 2.0 Status of the Key Position Plat form

A new Chairman was appointed in June 2011 and changes were made to the Board of Directors. Many of the key positions were filled during the final quarter. The total number of employees of SEC was 2446 and among them 1694 permanent, 721 contract basis and 28 casual employees.

## 3.0 Overall Performance

During the financial year 2011, State Engineering Corporation recorded a turnover (net turnover) of Rs.5,473 million and a net profit (before tax) of Rs.252 million. Further, the loss making institute, the National Equipment & Machineries Organization was amalgamated to the SEC to improve and manage the machinery fleet of NEMO. Strategic development plan was executed to deduct the sever loss making regional offices and machinery fleet was utilized under the purview of Mechanical & Electrical Division.

NEMO was converted and reestablished within the SEC as Equipment & Machinery Division. In 2010 the NEMO recorded a Rs.91.2 Mn turnover with Rs.98Mn net loss. However with the proper management, in 2011 NEMO could generate Rs.121Mn net turnover with only Rs.2.7Mn net Profit. The machinery fleet was utilized efficiently and could generate Rs.121Mn in year 2011.

## 04.0 Divisions Performance

### I Construction Division

This year Construction Division being the largest division of State Engineering Corporation recorded an Rs.2,922Mn turnover with a Net operating Profit of Rs.193Mn. Comparing to the previous year profit there has been a considerable increase which is a 100% significant growth in the profit earnings.

### II Construction Component Division

Construction Components division recorded a total turnover (Net) of Rs.1000 Mn and the net profit of Rs.92Mn for the year 2011 against a net operating profit of Rs.77Mn in the previous financial year.

### III Consultancy Division

The Consultancy division experienced a drawback in the turnover as it recorded only a Rs.207 Mn which is comparing to previous financial year, is a significant fall. Also the numbers indicated that there has a decrease in the net operating profit which is Rs.82Mn as compared to year 2010.

### IV Mechanical & Electrical Division

Even though the M & E division continued to perform poor, there has been enormous efforts to stand on its own to a large extent with the revamping operations in Matale Dolemite sites and Machinery fleet management. The turnover has increased to Rs.569 Mn which was Rs.32 Mn in 2010. However the division closed the financial year 2011 with net operating profit of Rs.53 Mn.

## Acknowledgements

I extended my sincere gratitude to the Board of Directors for their effort in overseeing the management and operations of the corporation and ensuring the proper accountability by executing the legal requirements and policies at it's best practice. Further ,I also send my grateful thanks to General Manager, All Deputy General Managers, Managers for the support that had been given in all kinds of operations and perform in the maximum capacity while shoulder the responsibilities in a positive manner.

I also take this opportunity to pay my gratitude to Hon. Minister of Construction ,Engineering Services ,Housing and Common Amenities for his advises and frequent monitoring and evaluation of the operations of the Corporation while support at the best of his capacity in cabinet matters.

I also wish to thank Secretary to the Ministry of Construction Engineering Services Housing and Common Amenities and the Ministry staff for their support in relevant matters at their best of capabilities which allowed SEC to perform in line with the necessary guidance.

Finally, I wish to thank all the employees of the Corporation at any level for the support and contribution that had been given to perform in positive manner in the financial year 2011.

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

the growth of the construction sector is recorded to **14.2** percent in **2011** in comparison to **9.3** percent growth in **2010**. State Engineering Corporation recorded a turnover (net turnover) of **Rs.5,473 million** and a net profit (before tax) of **Rs.252 million**. In **2010** the **NEMO** recorded a **Rs.91.2 Mn** turnover with **Rs.98Mn** net loss. However with the proper management, in **2011 NEMO** could generate **Rs.121 Mn** net turnover with only **Rs.2.7 Mn** net loss.

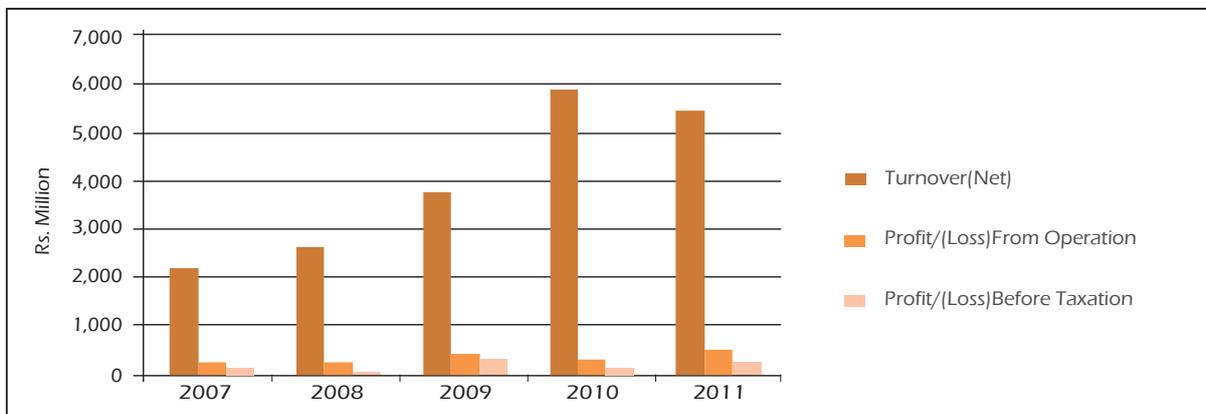


# Progress Review of the Corporation

## Turnover & Profit

During the financial year 2011, State Engineering Corporation recorded a turnover (net turnover) of Rs: 5,473 million and a net profit (before tax) of Rs: 252 million.

The turnover increased by of 58% over the previous year. Over the past 5 years, the corporation has achieved a turnover growth of 189% and a net profit growth of 65%.



## Comparative Turnover & Profit Figures 2007 - 2011

Table I - (Comparative Turnover & Profit Figures of the Corporation 2007-2011)

	2007	2008	2009	2010	2011
Turnover(Net)	2,219	2,652	3,794	5,921	5,473
Profit/(Loss) From Operation	243	240	431	320	527
Profit/(Loss) Before Taxation	127.86	59.5	313	133	252

All sections of the corporation have gained profits in their operation. It is a positive sign that both mechanical and electrical section that has been running at loss, have earned profit at present. Following are the details of operations in each section.

## Construction Group

Construction group has achieved Rs. 2,922 Min (Net) turnover during the financial year 2011.

### Turnover & Net Operating Profit / (Loss)

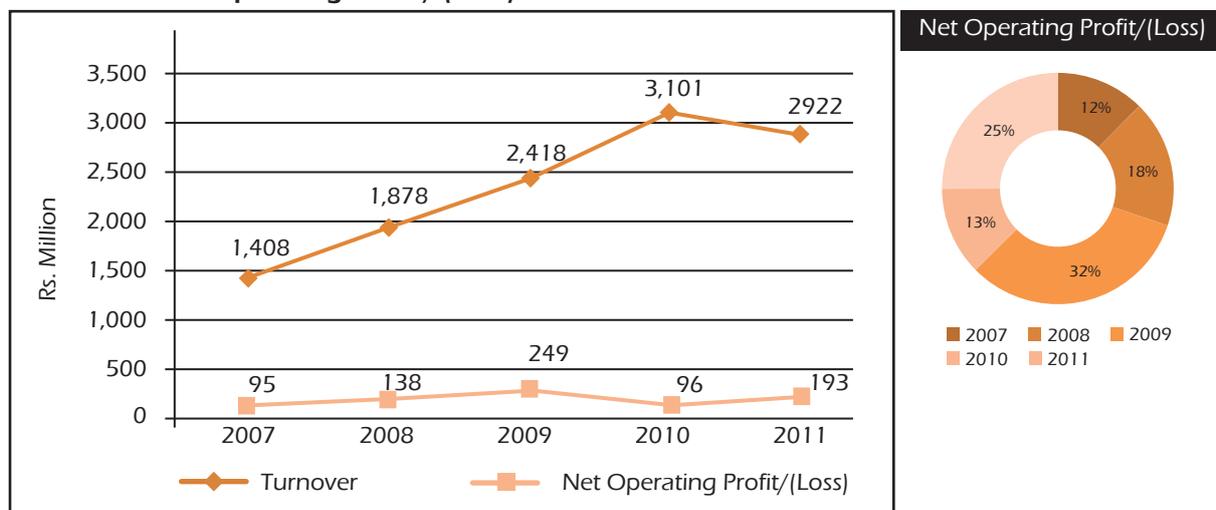


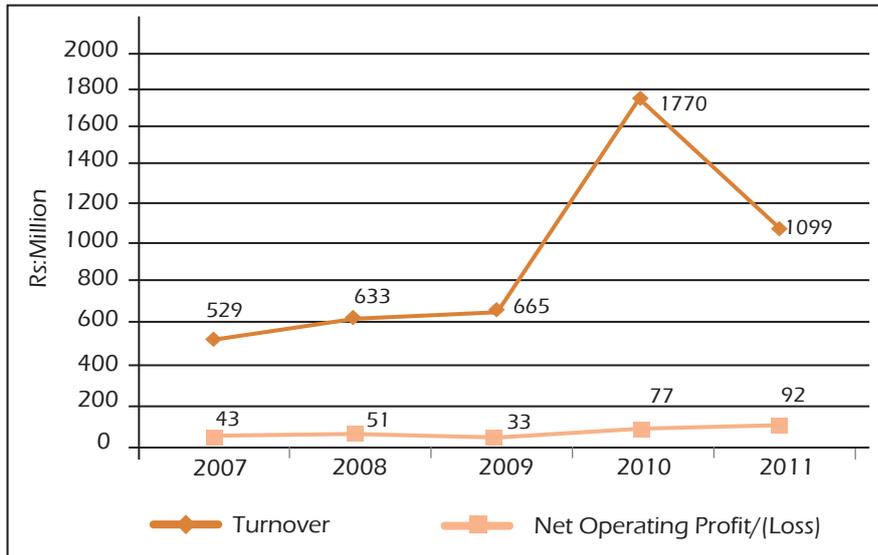
Table II - (Turnover & Net Operating Profit/(Loss) of Construction group)

## Construction Components Group

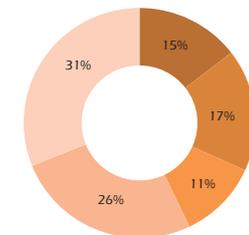
Construction Components group is recorded a total turnover (Net) of Rs.1099 million. During the year 2011 compared with Rs.1770 million in 2010. This group has

recorded a net operating profit of Rs.92 million for the year 2011 against a net operating profit of Rs.77 million. for the financial year 2010.

### Turnover & Net Operating Profit / (Loss)



### Net Operating Profit/(Loss)



2007 2008 2009  
2010 2011

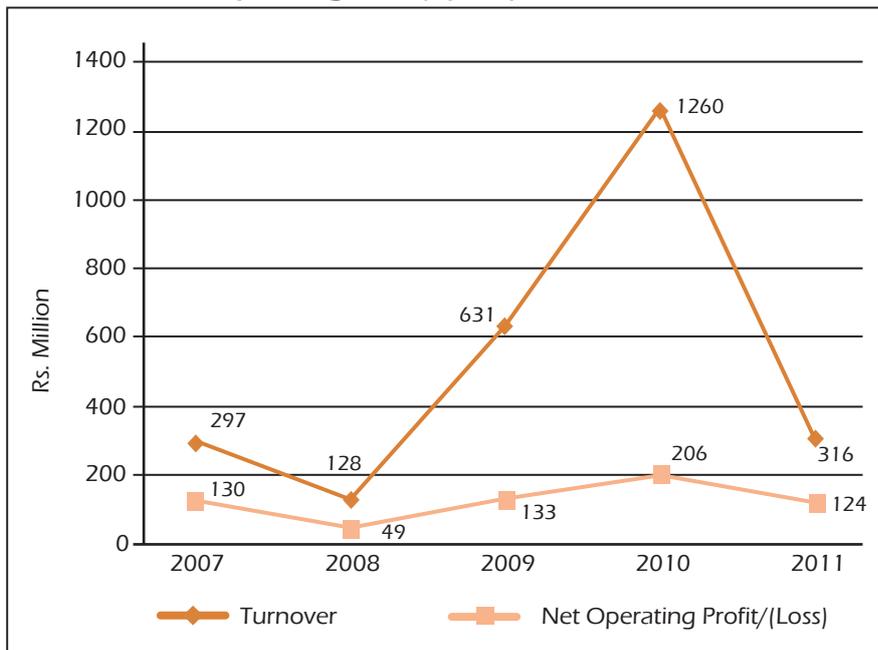
Table III - (Turnover & Net Operating Profit / (Loss) of Construction Components group)

## Consultancy Group

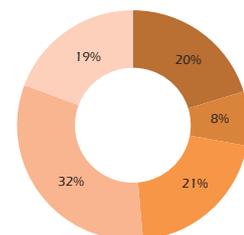
The Consultancy Division has reduced a Turnover (Net) Rs.316mn during the year. (as Compared with Rs.1260mn in 2010) The Division has decreased Net

Operating Profit Rs.124mn (as Compared with Rs.206mn in 2010)

### Turnover & Net Operating Profit / (Loss)



### Net Operating Profit/(Loss)



2007 2008 2009  
2010 2011

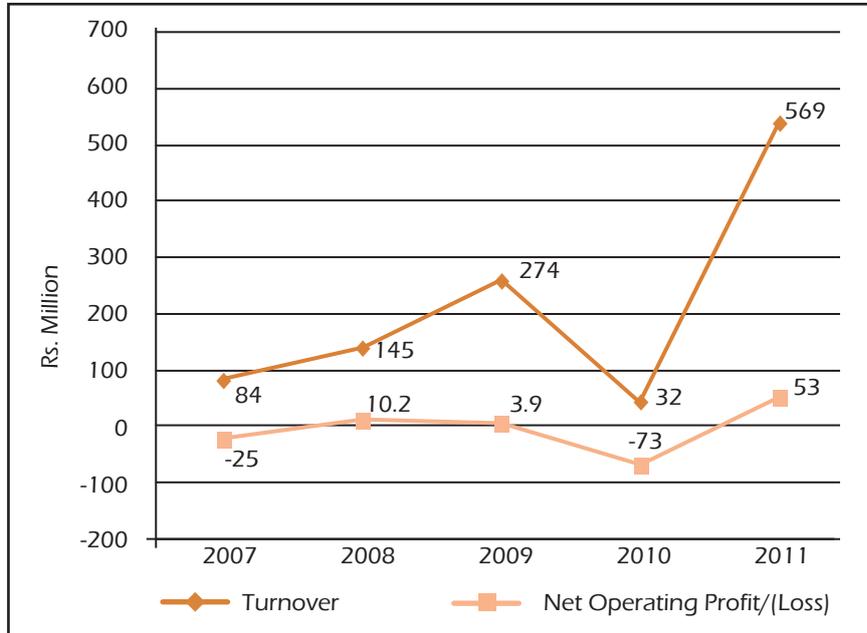
Table IV- (Turnover & Net Operating Profit/ (Loss) of Consultancy group)

## Mechanical & Electrical Group

The M & E group turnover (net) of Rs. 569 million has increased compared with Rs. 32 million in 2010. The divi-

sion net operating profit Rs. 53 million in 2011.

### Turnover & Net Operating Profit/ (Loss)



### Net Operating Profit/(Loss)

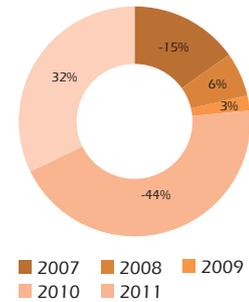


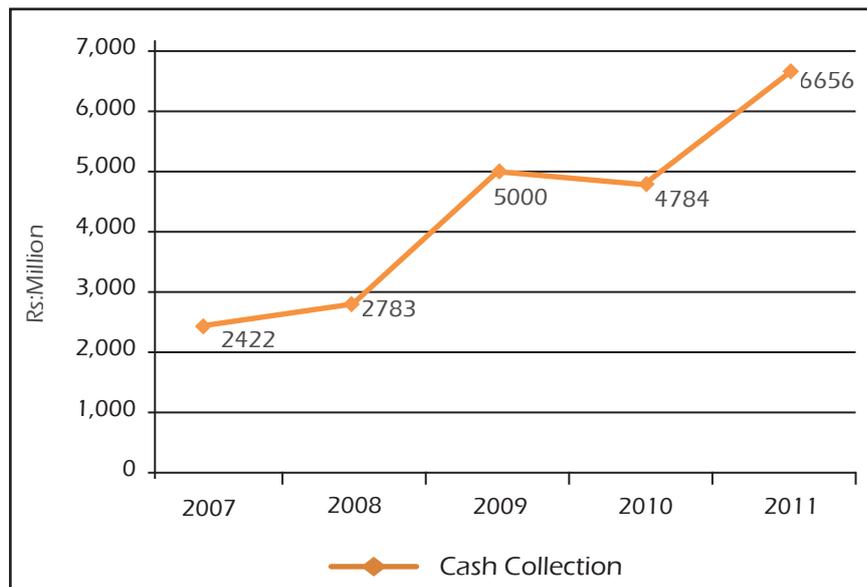
Table V (Turnover & Net Operating Profit / (Loss) of Mechanical & Electrical group)

## Financial Flows

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

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

### Collection of Finance Corporation



### Net Operating Profit/(Loss)

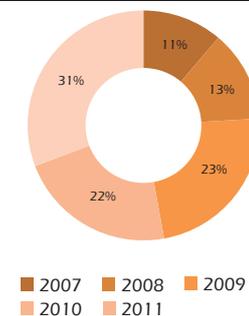


Table VI (Cash Collection of the Corporation)

## Assets

The total assets of the corporation grew by 60% over the previous year. The corporation increased its current assets to Rs:7,707 million from Rs: 5,448 million in the previous year.

### Growth of Assets

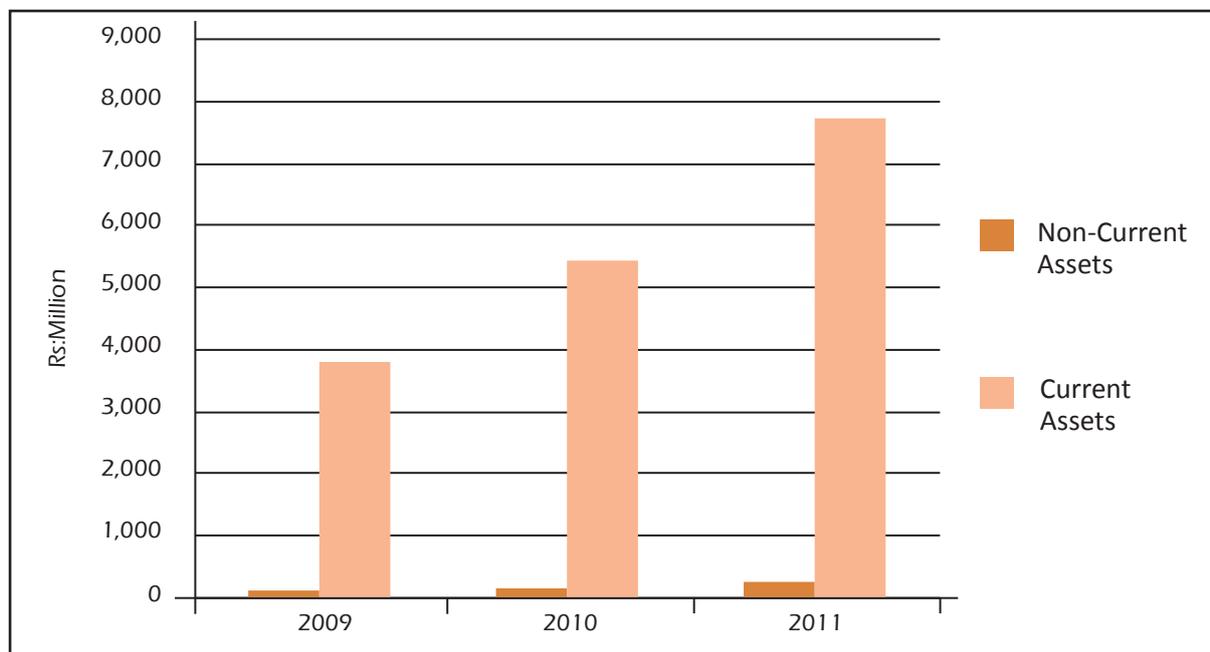


Table VII (Growth of Assets)

	2009	2010	2011
Non-Current Assets	120	162	259
Current Assets	3,808	5,448	7,708

## Other Revenues

Other income decreased from Rs.25.2 million to Rs. 12.1 million in the previous year. Rent income increased by 44%.

	2007 (Rs' million)	2008 (Rs' million)	2009 (Rs' million)	2010 (Rs' million)	2011 (Rs' million)
Rent	12,770.00	7,122.00	5,938.00	7,208.00	7,911.00
Sales of Fixed Assets (Unserviceable Assets)	495.00	410.00	12,006.00		
Advertisement	2,995.00	3,627.00	471.00		
Over head Bridge	680.00	671.00	569.00		
Other (Excluding Provision -2004)	8,260.00	644.00	7,835.00	6,816.00	14,276.00
	<b>25,200.00</b>	<b>12,474.00</b>	<b>26,819.00</b>	<b>14,025.00</b>	<b>22,187.00</b>

Table VIII (Increase of Other Income)



# Construction Group

## Key Members of the Management

- Mrs.G.A.L.Nonis - Deputy General Manager
- Mrs.P.D.Karawita - Manager
- Mr.A.P.K.Manamperi - Actg.Manager
- Mr.Ranjan Fernando - Chief Engineer (Actg.)
- Mr. K.A.Shantha Kumara - Actg.Manager
- Mr.A.M.S.T.B.Alahakoon - Actg.Manager
- Mr.W.G.A.Gajasinghe - Actg.Manager
- Mr.M.E.C.Pinto - Actg.Manager





## Major Activities

- Heavy and light Civil Construction work and Building Construction work.

## Review of Progress

The turnover and net operating Profit of the Construction Group during year 2011 were Rs.2.9 B and Rs.193 Million respectively.

During the year 2011 Construction group was able to keep its position as the major contributor towards the existence of SEC without housing and road sectors.

The contribution of Construction Group towards the turnover and net operating profit of the corporation were 53% and 37.5% which are the highest among other groups.

In the year 2011 construction group was able to complete the construction of international cricket stadium at Pallekele for ICC World Cup Tournament 2011 and many other projects such as construction of Tall Plazas at Kurudugahahathakma, Galanigama, Kahathuduwa, interchangers along the southern expressway which is the first expressway declared opened in November 2011, construction of Jathika Pola at Nugegoda and Construction of Civil Engineering Research Centre at University of Moratuwa.

**G.A.L.Nonis**  
Dy General Manager (Construction)



### **Construction of Toll Plaza & Toll Office Buildings for Southern Expressway**

Client - Southern Transport Development  
(Kottawa, Kahathuduwa, Galanigama,  
Dodangoda, Welipenne, Kurundugahahatakma,  
Nayapamula, Pinnaduwa)

Contract Sum - Rs. 355,693,088.00



## Projects Completed in 2011

No	Site No	Name of the Project	Contract Sum
1	Proposed Construction work at Safari Park at Hambantota		
	1643/11	Construction of Project Managers office at Hambantota	3,296,970.70
	1643/12	Construction of Labour Accommodation at Hambantota	1,648,602.82
2	Proposed Construction work at National Zoological Gardens Dehiwala.		
	1753/I	Construction of Two Unit of Staff Grade Quarters at National Zoological Gardens Dehiwala.	19,200,000.00
	1753/II	Construction of Water Sump at National Zoological Gardens Dehiwala.	7,000,000.00
	1753/IV	Design & Construction of Welfare canteen Refurbishment at National Zoological Gardens Dehiwala.	4,006,400.00
3	Proposed Construction work at National Zoological Gardens at Pinnawala		
	1630/I	Construction of Water Tank & Under Ground Sump for Dep. of National Zoological Gardens at Pinnawala	2,069,076.94
4	1577	Proposed Six Storeyed Office Complex for Ministry of Justice Hulftsdorf, Superior Courts Complex, Colombo 12	314,918,910.00
5	1580	Design & Construction Residential complex for Judges, High Court, Negambo,	137,676,277.00
6	1591	Improvement of Puttlam Marichchikade Road (0.00 to 1.5Km), Puttlam - Road Development Authority	106,005,327.56
7	1675	Construction Bus stand and commercial complex, Galle Road, Alutgama - Western Province, Provincial Road Passenger Transport Authority	59,776,395.53
8	1676	Construction Bus stand and commercial complex, Matugama - Western Province, Provincial Road Passenger Transport Authority	36,107,185.13
9	1677	Construction Bus stand and commercial complex, High Level Road, Homagama - Western Province, Provincial Road Passenger Transport Authority	56,710,500.00
10	1718	Construction of International Cricket Stadium including Score Boarded & External work at Kengalla, Pallekele	1,084,352,202.00
11	1745	Proposed Residential Training Center for Migrant Workers at Matugama for Sri Lanka Bureau of Foreign Employment-Matugama. (BLOCK IV)	24,998,399.00
12	1745/I	Proposed Residential Training Center for Migrant Workers at Matugama for Sri Lanka Bureau of Foreign Employment-Matugama. (BLOCK II.)	13,408,465.84
13	1751	Construction Bus stand at Gunasinghepura.	16,137,143.68
14	1757	Construction of "Pola" at Nugegoda	72,605,887.20
15	1761	Proposed Commercial Complex-Stage II at Radampola	21,517,875.51
16	1770	Construction & Completion of the Building Project for Civil Engineering Research Center (Balance work) at University of Moratuwa.	63,271,719.00
17	1780	Construction of Toll Plaza & Toll Office Buildings for Southern Expressway, Southern Transport Development Project. (at Kottawa, Kahatuduwa, Galanigama, Dodangoda, Welipenne, Kurundugahahatakma, Nayapamula, Pinnaduwa)	355,693,088.00
<b>Total</b>			<b>2,470,400,425.91</b>

## Projects Awarded in 2011

No	Site No	Name of the Project	Contract Sum
1	Proposed Construction work at Safari Park at Hambantota		
	1643/7	Construction of Animal Hospital at Safari Park at Ridiyagama	47,879,500.00
	1643/8	Design and Construction of Peripheral Service Road at Safari Park at Ridiyagama	10,471,243.86
	1643/10	Construction of Main road net work at Safari Park at Hambantota	114,990,200.00
	1643/11	Construction of Project Managers office at Hambantota	3,296,970.70
	1643/12	Construction of Labour Accommodation at Hambantota	1,648,602.82
	1823/1	Construction of Construction of three intake control rooms, intake 225m <sup>3</sup> capacity ground reservoir and installation of two intake pumps at Safari Park at Hambantota	15,020,721.45
2	Proposed Construction work at National Zoological Gardens Dehiwala.		
	1753//4	Construction of Welfare Canteen Refurbishment at National Zoological Gardens Dehiwala.	4,006,400.00
	1753/5	Refurbishment work on Main Restaurant at National Zoological Gardens Dehiwala.	13,823,832.00
	1753/6	Construction of Visitors Wet Toilet Block(Toilet Type A) at National Zoological Gardens Dehiwala.	9,130,000.00
	1753/7	Design & Construction of Rhino Exhibit Area at National Zoological Gardens Dehiwala.	14,288,350.00
	1753/8	Construction of Visitors Dry Toilet Block(Toilet Type B) at National Zoological Gardens Dehiwala.	11,020,000.00
	1753/9	Construction of Staff Toilet Block at National Zoological Gardens Dehiwala.	2,851,000.00
3	Proposed Construction work at National Zoological Gardens at Pinnawala		
	1713/5	Internal Electrical and Plumbing works at service Building	26,001,648.00
	1821	Construction of Toilet Type A-(WET) for National Zoological Gardens at Pinnawala (Elephant Orphanage )	10,756,053.00
	1821/I	Construction of Toilet Type B-(DRY) for National Zoological Gardens at Pinnawala (Elephant Orphanage )	13,109,943.00
	1821/II	Proposed Building for Workers Facilities for National Zoological Gardens at Pinnawala (Elephant Orphanage )	24,540,000.00
	1822	Construction of Leopard Exhibit Area	43,800,000.00
4	1677/1	Construction Bus stand and commercial complex, High Level Road,Homagama-Stage -II	39,119,295.65
5	1723/I	Proposed Building Complex (Stage II) for Sri Lanka Bureau Employment, Yayawatta, Godigamuwa, Tangalle	77,847,000.00
6	1723/II	Construction of New Hostel Building for Migrant Resource Centre of Sri Lanka Bureau of Foreign Employment at Tangalle.	141,978,375.00
7	1770	Construction & Completion of the Building Project for Civil Engineering Research Center (Balance work) at University of Moratuwa.	63,271,719.32
<b>Total</b>			<b>1,377,701,709.60</b>

## Projects Awarded in 2011

No	Site No	Name of the Project	Contract Sum
8	1771	Proposed Building for the Divisional Secretariat, Matara.	163,123,400.00
9	1776	Construction of Overhead Water Tank at Minuwangoda	8,890,211.50
10	1780	*Construction of Toll Plaza & Toll Office Buildings for Southern Expressway, Southern Transport Development Project.(Section A & B) (Kottawa, Kahatuduwa, Galanigama, Dodangoda, Welipenne, Kurundugaha hatakma, Nayapamula, Pinnaduwa, Imadwa, Weligama, Godagama)*	1,028,865,895.03
11	1796/II	Proposed Buddhashrawaka Bhikshu University -Internal Electrical Network -Stage I	4,841,241.00
12	1805	Renovation & Addition to Existing Sports Complex at Anuradhapura.	153,445,310.00
13	1808	Proposed Sports Complex at Kilinochchi	289,060,910.00
14	1809	Construction & Completion of Proposed Building Complex (Stage I) for faculty of Social Science & Humanities of Rajarata University of Sri Lanka-Mihinthale.	126,665,000.00
15	1812	Construction of Summer House with Toilet at Botanical Garden at Mirijjewila-Hambantota.	8,756,836.00
16	1814	Construction & Completion of the Building Project for Madanjeet Singh Center for South Asia Water Management (MCSAWM) Located at the premises of the University of Moratuwa.	37,863,755.91
17	1820	Proposed Entrance Hall, Visitors Hall & Toilet Units, Awissavella	36,012,000.00
18	1827	Construction of Four Storeyed Stores Complex for Sri Lanka Ayurvedic Drug Corporation	71,099,983.31
19	1829	Proposed Lift for Disabled persons for existing Courts Complex at Horana.	14,280,046.88
20	1830	Construction of Over head Tank ,Sump & Pump room at Buddhasrawaka Bhikshu University at Anuradhapura	13,287,188.41
21	1832	Construction of Prison Complex at Pallekele (Phase 2-(A-1))	59,199,713.71
22	1844	Construction of Ayurvedic Panchakarma Building (Stage I) at Ayurveda Hospital, Wadduwa, Molligoda.	30,714,553.10
23		Construction of Court Complex Building at Wattala	194,000,000.00
24		Landscape Improvements to ayurvedha Hospital Premises ,Borella	24,621,897.30
<b>Total</b>			<b>2,953,578,796.95</b>

\*\* All values are without VAT

## Project Started In 2011

No	Site No	Name of the Project	Contract Sum
1	Proposed Construction work at Safari Park at Hambantota		
	1643/8	Design and Construction of Peripheral Service Road at Safari Park at Ridiyagama	10,471,243.86
	1643/10	Construction of Main road net work at Safari Park at Hambantota	114,990,200.00
	1643/11	Construction of Project Managers office at Hambantota	3,296,970.70

2	Proposed Construction work at National Zoological Gardens Dehiwala.		
	1753/IV	Design & Construction of Welfare canteen Refurbishment at National Zoological Gardens Dehiwala.	4,006,400.00
	1753/V	Refurbishment Work on Main Restaurant at National Zoological Gardens Dehiwala.	13,823,832.00
	1753/VI	Design & Construction of Visitors wet toilet Blocks (Type -A) at National Zoological Gardens Dehiwala.	9,130,000.00
	1753/VII	Design & Construction of Rhino exhibit area at National Zoological Gardens Dehiwala.	14,288,350.00
3	Proposed Construction work at National Zoological Gardens at Pinnawala		
	1713/5	Internal Electrical and Plumbing works at service Building	26,001,648.00
	1821	Construction of Toilet Type A-(WET) for National Zoological Gardens at Pinnawala (Elephant Orphanage )	10,756,053.00
	1821/I	Construction of Toilet Type B-(DRY) for National Zoological Gardens at Pinnawala (Elephant Orphanage )	13,109,943.00
4	1677/1	Construction Bus stand and commercial complex, High Level Road, Homagama-Stage -II	39,119,295.65
5	1723/I	Proposed Building Complex (Stage II) for Sri Lanka Bureau Employment, Yayawatta, Godigamuwa, Tangalle	77,510,000.00
6	1766	Construction of two storeyed building including Central Dispensary & Community Medical Center -Akaragama-Minuwangoda	22,669,472.49
7	1770	Construction & Completion of the Building Project for Civil Engineering Research Center (Balance work) at University of Moratuwa.	63,271,719.32
8	1771	Proposed Building for the Divisional Secretariat, Matara.	163,123,400.00
9	1773	Construction & Completion of Balance work of Examination Hall Administration, Faculty of Humanities & Social Science, University of Ruhuna.	46,477,500.00
10	1776	Construction of Overhead Water Tank at Minuwangoda	8,890,211.50
11	1780	Construction of Toll Plaza & Toll Office Buildings for Southern Expressway, Southern Transport Development Project. (at Kottawa, Kahatuuduwa, Galanigama, Dodangoda, Welipenne, Kurundugahahatakma, Nayapamula, Pinnaduwa)	804,674,109.03
12	1796	Proposed Buddhashrawaka Bhikshu University -Construction of Boundary wall from Main Gate-Stage I	1,850,575.13
13	1796/I	Proposed Buddhashrawaka Bhikshu University -Construction of Internal Roads-Stage I	5,026,000.00
14	1796/II	Proposed Buddhashrawaka Bhikshu University -Internal Electrical Network -Stage I	4,841,241.00
15	1805	Renovation & Addition to Existing Sports Complex at Anuradhapura.	153,445,310.00
16	1808	Proposed Sports Complex at Kilinochchi	323,748,219.20
17	1809	Construction & Completion of Proposed Building Complex (Stage I) for faculty of Social Science & Humanities of Rajarata University of Sri Lanka-Mihinhale.	126,665,000.00
18	1812	Construction of Summer House with Toilet at Botanical Garden at Mirijjewila-Hambantota.	8,756,836.00
19	1814	Construction & Completion of the Building Project for Madanjeet Singh Center for South Asia Water Management (MCSAWM) Located at the premises of the University of Moratuwa.	36,924,005.91
20	1829	Proposed Lift for Disabled persons for existing Courts Complex at Horana.	14,280,046.88
21	1830	Construction of Over head Tank ,Sump & Pump room at Buddhasrawaka Bhikshu University at Anuradhapura	13,287,188.41
<b>Total</b>			<b>2,136,083,373.90</b>

\*\* All values are without VAT

# Mechanical & Electrical Group

## Key Members of the Management

Mr. Jayampathy Thennakoon	-	D.G.M.
D.I.P. Perera	-	Chief Engineer
Mr. S.H.S.M.J.Hewasiliyen	-	Works Manager (Peliyagoda)
Mr. M.S.Eheliyagoda	-	Works Manager (Dolomite-Mathale)
Mr. M.W.A.H.Wijayasuriya	-	Works Manager (Rathmalana)

## Major Activities

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

## Review of Progress

The Annual Turnover and the Profit of the Mechanical and Electrical Group during the Year 2011 Rs .569 Million and 53.4 It is an increase of Rs.537 Million in turnover compared with the last year turnover.

The Projects of Reconstruction of Peoples Bank Building constructed by M&E Group in the Year 2011 and this project directly related to increase of this turnover.

The Group generated a net operating profit of Rs.53.4 million in the Year. Which was mainly contributed by the Other Projects, including of Maintenance agreement related to Inland Revenue Building, Sugathadasa Stadium and Customs Building and other Ongoing Projects?

On the other hand, the value of the awarded projects in 2011 which including Construction of Temporary Toll Plaza at Kottawa for Sudden Transport Development Projects, Proposed Clinical Building for the Faculty of Medicine –The University of Rajarata ect.....



**Proposed Clinical Building For the Faculty of  
Medicine - Rajarata University**

Client - Rajarata University of Sri Lanka  
(Mihinthale)

Contract Sum - Rs. 206.92

## Projects Completed in 2011

No	Site No	Client	Project Description	Contract Sum (Rs.Million)
1	1765	National Housing Development Authority	Construction of Septic Tnks,Toilets and Barh rooms at 118 Paradise Road	4.5
2	1696	Construction of Box Bridge including concrete slab abument and wing walls, and the road to construct immediate approaches to the bridge	Re-construction of Box Bridges No: 159/3 on Colombo – Galle-Hambanthota - Wellawaya Road	11.28
3	1698	Rehabilitation of Electrical Wiring System of BOI Building at No. 14, Sri Baron Jayathilake Mawatha, Colombo 01	Rehabilitation of Electrical Wiring System of BOI Building	6.4
4	1712	Improvements of Storm water Drainage System at Saunder's Place to avoid flooding problem on People's Park & Surrounding Area.	Improvements of Storm water Drainage System at Saunder's Place	8.99
5	1736	Repair work of Antenna tower at Security forces Head Quarters, Palaly	Repair work of Antenna tower at Palaly	6.96
6	1762	Colombo Munciple Council	Repare to Collapsed Sewer Line at Galle Road,Wellawaththa	28.7
7	1760	Urbon Settlements Development Authority	Referbishment of Damaged canopies at Sahaspura	2
8	1769	Urbon Settlements Development Authority	Refurbishment Works of Sahaspura Housing Complex	1.6
9	1794	Army Head Quarters , Sri Lanka Army-Colombo	Dismantling and Removing of Antena Tower at Army Head Quarters -Colombo	0.74
10	1795	Sri Lanka Air Force	Revovel of Antena Tawer (Hi\eight 108') at Airforce Head Querters Colombo	0.6
11	1802	Road Development Authority	Construction of Temporary Toll Plaza at Kottawa for Sathern Transport Development Projects	17.56
12	1810	Colombo Munciple Council	Repair of Suwer line at Dewanampiyathissa Mawatha	0.87
<b>Total</b>				<b>90.2</b>

\*\* All values are without VAT

## Projects Awarding in 2011

No	Site No	Client	Project Description	Contract Sum (Rs.Million)
1	1764	Ceylon Petroleum Terminals Limited	Repair to Fixed Roof of Tank 34	8.83
2	1760	Urbon Settlements Development Authority	Referbishment of Damaged canopies at Sahaspura	2
3	1765	National Housing Development Authority	Construction of Septic Tnks,Toilets and Barh rooms at 118 Paradise Road	4.5
4	1769	Urbon Settlements Development Authority	Refurbishment Works of Sahaspura Housing Complex	1.6

5	1777	Legal Draftment Department	Proposed Auditorium for Legal Draftment	7.63
6	1794	Army Head Quarters ,Sri Lanka Army-Colombo	Dismantling and Removing of Antena Tower at Army Head Quarters -Colombo	0.74
7	1795	Sri Lanka Air Force	Revol of Antena Tawer (Hi\eight 108') at Airforce Head Querters Colombo	0.6
8	1802	RDA	Construction of Temporary Toll Plaza at Kot-tawa for Sathern Transport Development Projects	17.56
9	1803	Sugathadasa National Sports Complex	Electrical Works at Bogambara Stadium	9.5
10	1804	Rajarata Univercity of Sri Lanka -Mihinthale	Proposed Clinical Building For the Faculty of Medicine -Rajarata Univercity	174.3
11	1810	Colombo Municiple Council	Repair of Suwer line at Dewanampiyathissa Mawatha	0.87
12	1811	C M C	Repair of Collapsed Sewer Line at Chithra Lane	3.34
13	1839	Ministry of Justice	Construction of Roof Canopies at Six Storage Building	3.04
14	1840	National Water Supply and Dranage Board	Laying of Distribution Pipe Lines Oyamaduwa Water Supply Project	31.72
<b>Total</b>				<b>266.23</b>

\*\* All values are without VAT

## Projects Started in 2011

No	Site No	Client	Project Description	Contract Sum (Rs.Million)
1	1760	Urbon Settlements Development Authority	Referbishment of Damaged canopies at Sahaspura	2
2	1765	National Housing Development Authority	Construction of Septic Tnks,Toilets and Barh rooms at 118 Paradiice Road	4.5
3	1769	Urbon Settlements Development Authority	Refurbishment Works of Sahaspura Housing Complex	1.6
4	1777	Legal Draftment Department	Proposed Auditorium for Legal Draftment	7.63
5	1794	Army Head Quarters ,Sri Lanka Army-Colombo	Dismantling and Removing of Antena Tower at Army Head Quarters -Colombo	0.74
6	1795	Sri Lanka Air Force	Revol of Antena Tawer (Hi\eight 108') at Airforce Head Querters Colombo	0.6
7	1802	RDA	Construction of Temporary Toll Plaza at Kot-tawa for Sathern Transport Development Projects	17.56
8	1803	Sugathadasa National Sports Complex	Electrical Works at Bogambara Stadium	9.5
9	1804	Rajarata Univercity of Sri Lanka -Mihinthale	Proposed Climical Buildind Fot the Faculty of Medicine -Rajarata Univercity	206.92
10	1810	Colombo Municiple Council	Repair of Suwer line at Dewanampiyathissa Mawatha	0.87
11	1811	C M C	Repair of Collapsed Sewer Line at Chithra Lane	3.34
12	1839	Ministry of Justice	Construction of Roof Canopies at Six Storage Building	3.04
13	1840	National Water Supply and Dranage Board	Laying of Distribution Pipe Lines Oyamaduwa Water Supply Project	31.71
<b>Total</b>				<b>290.01</b>

\*\* All values are without VAT

# Construction Components 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)

## Major Activities

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



**Proposed 48 Wattle Five Storeyed Low Income Housing Scheme at Baseline Mawatha, Borella**

- Client - Urban Settlement Development Authority  
Contract Sum - Rs. 150.27

## Review of Progress

Total turnover of the Construction Components Group for the year 2011 was Rs.1,099Mn. For this achievement significant contribution was given from construction projects amounting to Rs.574Mn. At the same time specially precast yard at Ekala & Sleeper production yard Dematagoda also contributed mainly for this achievement.

Dematagoda precast yard was successfully completed 210,000 no of concrete sleepers and supplied for Sri Lanka Railways in this year. It helps us to obtained a new order for supply of 300,000 nos concrete sleepers to Sri Lanka Railways within three years time period.

Net operating profit of the group was Rs.92Mn. which was Rs.25.1Mn. increased compared with budgeted figure of Rs.66.7Mn. All precast yards were able to generated profit except Dankotuwa & Welikanda.

Although we started Precast Yard at Welikanda in year 2010 we did not invest funds needed to purchase necessary machineries. However we are planning to develop this yard and get more orders for the yard to run profitable in next year.

Some of the major projects completed by CC group in year 2011 are as follows. Refurbishment of International Cricket Stadium at Kettarama for Sri Lanka Cricket of Rs.1235Mn., Construction of three storied OR's Billet building and OR's Mess building for Ranaviru Apparels at Alawwa for Sri Lanka Army of Rs.46.08Mn., Three storied class room block for Tissa Vidyalaya at Kalutara of Rs.22Mn. and construction of four storied precast building for faculty of humanities at University of Kelaniya of Rs.25Mn. etc.

Projects undertaken during the year are as follows. Proposed housing project for relocation of undeserved settlements Agulana stage -1 for Urban Settlement Development Authority of Rs.425Mn., Proposed 48 watta five storied low income housing scheme stage - 2 at Baseline Mawatha, Borella for Urban Settlement Development Authority of Rs.125Mn., Construction of M.O.H. building - stage 2 at Arachchikattuwa for Provincial Director of Health Service North Central Province of Rs.30.5Mn. and Construction of a Technical Theme Park Peliyagoda for Institute for Construction Training and Development (ICTAD) of Rs.35.71Mn. etc.

Construction Components group has introduced low cost housing system using pre fabricated technology to the nation and successfully completed many projects maintaining high quality and durability.

Performance of the Construction Components Group from year 2005 to Year 2011 are attached for year reference.



## Projects Completed in 2011

No	Site No	Client	Project Description	Project Cost (Rs.Million)
1	1714	Sri Lanka Cricket	Refurbishment of the the R. Premadasa Stadium under Sri Lanka Cricket	1235
2	1699	University of Kelaniya	'Construction of four storeyed precast building for faculty of humanities at University of Kelaniya, Kelaniya	24.99
3	1678	Sri Lanka Railway	'Construction of four storeyed low cost houses for Sri Lanka Railway at Dematagaoda.	16.88
4	1733	Sri Lanka Army	'Construction of three storeyed OR's Billet building for Ranaviru Apparels at Alawwa.	31.43
5	1759	National Housing Development Authority	'Construction of proposed community center for Sri-Wickramapura housing scheme	7.03
6	1758	Buddhashrawaka Bhikku University, Anuradhapura	Construction of pre-cast boundary wall for Buddhashrawaka Bhikku University, Anuradhapura.	2.41
<b>Total</b>				<b>1317.74</b>

\*\* All values are without VAT

## On Going Projects (Awarded and not awarded) in 2011

No	Site No	Client	Project Description	Project Cost (Rs.Million)
1	1774	Urban Settlement Development Authority	Proposed 48 Watta five storeyed low income housing scheme stage II at Baseline Mawatha, Borella	150.27
2	1730	Road Development Authority	Construction of culverts on Somawathiya-Seruwavila Road - From (22+000) km to (32+100) km	40.48
3	1729	Road Development Authority	Construction of culverts on Somawathiya-Seruwavila Road - From (13+500) km to (22+000) km	38.13
4	1728	Road Development Authority	Construction of culverts on Somawathiya-Seruwavila Road - From (6+900) km to (13+500) km	35.43
5	1767	Ministry of Education	Proposed three storeyed class room block for Tissa Vidyalaya at Kaluthara.	21.96
6	1775	Ministry of Economic Development	Construction of MOH building at Dalupitiya and improvements and additions to MOH buildings at Mawaramandiya and Kirindiwela	18.82
7	1778	Road Development Authority	Design and Construction of Parapet Wall along the Boundary of Ceylon Fertilizer Company at Hunupitiya	5.31
8	1779	Ministry of Economic Development	Proposed Alternations & Additions for Existing MOH Building at Walgama	2.65
<b>Total</b>				<b>313.05</b>

\*\* All values are without VAT

# Consultancy Group

## Key Members of the Management

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

## Major Activities

Building and Civil Engineering Consultancy Works





## Review of Progress

The Turnover during the 2011 is Rs.316.5 million.

There is a Sharp drop of Turnover in 2011 Compared to 2010.

This is due to the fact that the Turnover in year 2010 reflected the IRD Project and therefore the Turnover was a higher figure.

Total Construction Cost of the IRD Project was taken in to Turnover of Consultancy Group in 2010.

The major Consultancy Projects in Year 2011 is the face lifting of People's Bank Head Office Building,

Proposed Artificial Hockey Turf for the Sports Complex at Reid Avenue Colombo 07,

Air Condition & Refrigeration Building for Ceylon German Technical Training Institute at Moratuwa,

Clinical Building at Anuradhapura for the University of Rajarata. And

International Cricket Stadium - Pallekale & Ketharama.

Most of the Consultancy Project 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 was Several Project for which only Engineering Services including Structural, Electrical & Services Engineering was sought by Clients Such as Urban Development Authority.



### Artificial Hockey Turf for the Sports Complex at Reid Avenue, Colombo – 07.

Client	-
Contract Sum	- Rs. Million 183
Consultancy Fee	- Rs. Million 10.98



## Projects Completed in 2011

No	Job No	Project Description	Estimated Cost of Construction (Rs.Million)	Total Consultancy Fee (Rs.Million)
1	2009-34	Refurbishment of the Training Centre at Nawam Mawatha	58.49	3.51
2	2010-55	Proposed MOH Building at Dalupitiya in Mahara Electorate in Gampaha District	8.40	0.50
3	2011-16	Additions & Alterations for MOH Clinic building at Mawaramandiya, Gampaha District	4,800	0.29
4	2011-17	Addition and Alterations for MOH Building at Kirindiwela at Dompe Pradeshiya Sabha	5.100	0.31
5	2011-14	Addition and Alterations for MOH Building at Walgama	2.200	0.13
6	2007-22	Health Centre (stage I)- makandura - Wayamba University	5.70	0.34
7	2008-82	Air Condition & Refrigeration Building Ceylon German Technical Training Institute at Moratuwa.	51.00	3.06
8	DM-1328	Construction and Completion of the Building Project for Civil Engineering research Centre (Balance Work) University of Moratuwa	63.27	3.80
9	DM-1089	Faculty Building for University of Kelaniya	17.70	1.06
10	2009-35	Construction of Proposed Residential Training Centre for Migrant workers class room block at Mathugama (building no 02)	13.40	0.80
11	2009-35	Construction of Proposed Residential Training Centre for Migrant workers-work shop building at Mathugama - Building No 04	23.60	1.42
12	2008-94	Proposed Building for Foreign Employment Building at Tangalle (stage I) - Sri Lanka Bureau of Foreign Employment	72.30	3.60
13	2010-28	Staff quarters Dehiwala zoo	12.00	0.72
14	2010-28	Welfare canteen at dehiwala zoo	4.20	0.25
15	2008-23	Proposed Artificial Hockey Turf for the Sports Complex at Reid Avenue, Colombo - 07.	183.00	10.98
16	2010-20	Face Lifting of People's Bank Head Office Building	356.54	21.39
<b>Total</b>			<b>970.30</b>	<b>57.48</b>

## Projects Started in 2011

No	Job No	Project Description	Estimated Cost of Construction (Rs.Million)	Total Consultancy Fee (Rs.Million)
1	2011-08	National zoological gardens at Pinnawala -Internal access road and peripheral service road	66.15	1.32
2	2011-29	proposed dormitory and dining hall for training centre at Tangalle for SLBFE -(Hostal)	108.13	5.41
3	(2011-45)	Bachelor staff quarters for Academic staff at Kuliypitiya	27.00	1.62
4	(2011-46)	Bachelor staff quarters for Academic staff at Makandura	27.42	1.65
5	2011-15	proposed 3 storied building for Babusalam Maha Vidyalaya at Meerigama , Pasyala	32.81	1.70
6	2011-75	Hostel at Dehiwala for University of visual and performing art	97.95	3.92
7	2011-33	Computer Science and Computer Unit Building -Stage II University of Ruhuna	144.10	8.65
8	2011-59	proposed extension phase II for faculty of architectural-department of town and country planing (Lump Sump)	97.67	5.00
9	2011-121	Urban Regeneration Project-City of Colombo,Resident Supervision and Project Management work in Construction of 720 Housing Unites in Estate 54 and 432 Housing Unites in Estate 66 at Baseline Mawatha,Colombo 08	2,884.52	40.32
10	2011-142	Urban Regeneration Project-City of Colombo,Resident Supervision and Project Management work in Construction of 872 Housing Unites at No 119, Ferguson Road , Mattakkuliya,Colombo 15	2,180.00	30.52
11	[2011-111]	Construcion & Completion of Proposed Extension to Treasury Building at Colombo 01	1,335.42	63.59
12	2011-32	Girl's Hostels - Faculty of Medicines University of Rajarata	169.99	10.20
13	2011-31	Boy's Hostels - Faculty of Medicines University of Rajarata	165.35	9.92
14	[2011-125]	Ayurveda Drugs 4 storeis building for Ayurvedic drugs corporation Nawinna	71.10	1.78
15	[2011-107]	New administration building for Horana export processing zone	52.08	3.12
16	[2011-57]	Housing project Angulana (stage II)	484.83	16.97
<b>Total</b>			<b>7,944.52</b>	<b>205.68</b>

# Equipment & Machinery Group

## Key Members of the Management

Mr. P.M.S.S.K.Pathiraja - Deputy General Manager

Mr.N.S.Sivanathan - Manager (Operation)

Mr.S.Janathkumara - Manager (Maintenance)

Mr.A.C.Ammanuel - Engineer (Project)

Mr. Jayadasa - Actg Manager (P&A)

## Major Activities

- Hiring of Machinery
- Small scale civil construction work
- Water pipe line Rehabilitating small irrigation projects
- Jungle cleaning Drains Construction
- Demonstrating Building & removing debris





## Review of Progress

- A considerable number of employees have been released to other parallel DGM Divisions and their salaries paid by own accounts. It was accumulated to an amount of Rs. 13 Mn. Approximately
- Several machines were repaired under the funds ( Rs.89 Mn) released from General Treasury on the request of Hon Minister Wimal Wewrawansa. This machine fleet entered into the working group and simultaneously caused to increase the monthly income.
- Several Civil construction projects were undertaken and most of them, the existing employees deployed and ensured a good profit margin by circulating the post of the constructions among the own employees.

Was able to capture a big allocations for civil constructions where the unit had continuous work for several undermentioned projects.

1. Maligawatta Revamping project - Rs 269 Mn.
2. Small scale jobs in Dept of Wild Life- Rs. 1 10 Mn.

- It was proved that the unit itself unable to service only upon hiring machinery and has to expand serve its operation to earth moving, pipe laying and Civil Engineering projects.
- The employees achieved a satisfied revenue in order to cover their Salaries and Wages and other expenses as follows.

Monthly Salary  
Over Time Payments  
Holiday Payments  
Subsistence Payments  
Bonus Payments  
Staff Promotions.



## Projects Started in 2011

No	Site No	Client	Project Description	Project Cost (Rs.Million)
1	1800	NHDA	Maligawatte Revamping Housing Scheme	169

\*\* All values are without VAT

## Projects Completed in 2011

No	Site No	Client	Project Description	Project Cost (Rs.Million)
1		Department of Wildlife Conservation	Maduruoya N.P.Godakumbura Causeways project	1.45
2		Department of Wildlife Conservation	Udawalawa N.P.Causeways project	2.62
3		Department of Wildlife Conservation	Kahallepallekele N.P. Mahattayawewa project	0.91
4		Department of Wildlife Conservation	Ritigala Dematawewa project	2.07
5		Department of Wildlife Conservation	Ritigala Karabawawa Project	6.89
6		NHDA	Kilinochchi NHDA project	4.98
7		Department of Wildlife Conservation	Lunugamvehera project	1.85
8		Department of Wildlife Conservation	Lahugala project	0.90
9		Department of Wildlife Conservation	Horton Plains	1.80
10		Department of Wildlife Conservation	Muwanpalsa Wewa	1.50
11		Department of Wildlife Conservation	Meegalawa Electric Fence	6.08
12		Department of Wildlife Conservation	Edaraetamulla wild life Circuit Bunglow	0.96
13		Department of Wildlife Conservation	Kumana Bagura	1.03
14		Department of Wildlife Conservation	Kumana - Main Road 10Km.	1.16
15		Department of Wildlife Conservation	Kumana - Main Road 23Km.	10.37
16		Department of Wildlife Conservation	Yala National Park -Supply of Water	0.33
17		NHDA	Soysapura	8.00

18	Department of Wildlife Conservation	Kahallepallekele Tholubu Ela Amuna	0.76
19	Department of Wildlife Conservation	Kahallepallekele Kithule Wewa	2.34
20	Department of Wildlife Conservation	Name Board -Sri Jayawardanapura & Buttala	0.29
21	Department of Wildlife Conservation	Dahiyagala Power Fence -36Km.	2.56
22	Department of Wildlife Conservation	Waragolla Bulathwelkandura Electric Fence	3.12
23	Department of Wildlife Conservation	Maduruoya-Galkada, Kotabakiniya, Kande-ganwila Rd.,	7.92
24	Department of Wildlife Conservation	Thabbowa N.P.- Passi Wewa	2.66
25	Department of Wildlife Conservation	Thabbowa N.P.- Kongas Wewa	2.72
26	Department of Wildlife Conservation	Uma Oya,Theripehe Victoria Power Fence (29Km.)	2.62
27	Department of Wildlife Conservation	Lungamwehera N.P. Removing for Lantana	1.34
<b>Total</b>			<b>79.23</b>

\*\* All values are without VAT

# Special Operation Division

## Key Members of the Management

- Mr. U.R. Hettiarachchi - Deputy General Manager
- Mr. L.R. Abhayarathne - Project Engineer
- Mr. R.M.M. Prasanna - Project Engineer
- Mr. T.D.K. Chinthaka - Project Engineer
- Mr. M.D. Siriwardhana - Quantity Surveyor
- Mr. M.S. Samarathunga - Quantity Surveyor
- Mr. C. Kulathunaga - Draughtsman
- Ms. D. Nelumdeniya - Draughtsman





### **Review of Progress**

A newly established Special operation division (SOD) in June 2011, is currently engaged in provincial road carpeting in three main districts; Rathnapura, Galle & Mathale. Over 180 provincial roads were awarded to this Division under the “Mahinda Chinthana Idiri Dekma” from the Ministry of Economic Development and the contract value is approximately Rs. 8,080 M.n.

In addition the division has received about 100 machineries which consists of two crusher & asphalt plants, Asphalt pavers, backhoe loaders, wheel loaders, motor graders, road rollers, angle broomers, etc. The two asphalt & crusher plants are to be established as permanent sites in Kaluthara & Galle districts. The asphalt production & crusher production will further contribute to the group’s turn-over & the Galle & Rathnapura road construction work will highly benefit from this.

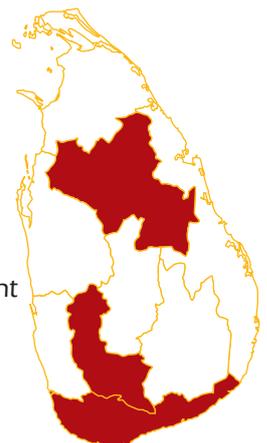
When reviewing the progress it was observed that the total turn-over during the half year of 2011 is Rs.622 M.n. and the profit of Special Operation division Rs. 60.4 M.n.



### **Provincial Road Carpeting Projects**

Client - Ministry of Economic Development

Contract Sum - Rs. 8,080 M.n.



## Provincial Road Carpeting Projects

No	Project Description	No of Roads	Length (km)	Contract Sum (Rs.Million)
1	Galle Provincial Road Carpeting Project	103	310	4083
2	Rathnapura Provincial Road Carpeting Project	57	257.30	3104
3	Matale Provincial Road Carpeting Project	23	127.10	1660
	<b>Total</b>	<b>286</b>	<b>694.4</b>	<b>8847</b>

# Human Resources & Administration Division

## Key Members of the Management

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

The staff of the Establishment was 2446 in the year 2011 out of which 1694 were Permanent Employees and 721 were Employees on Contract Basis. There were 28 Casual Employees.

02. The following table shows the distribution of the Corporation staff compared with the previous year. It does not contain Casual Employees.

Description	2011		2010		2009	
	Permanent	Contract	Permanent	Contract	Permanent	Contract
1 Chairman/Asst. Chairman	-	2	-	2	-	1
2 Working Director	-	1	-	1	-	1
3 General Manager	1	-	1	-	1	-
4 DGM (Construction)	1	-	1	-	1	-
5 DGM (Construction Components)	1	-	1	-	1	-
6 DGM (Mechanical and Electrical)	-	1	-	1	-	1
7 DGM (Consultancy)	1	-	1	-	1	-

8	DGM (HR and Administration)	-	1	-	1	-	1
9	DGM (Finance)	1	-	1	-	-	1
10	DGM (Special Operations Unit)	-	1	-	-	-	-
11	Senior Consultant (Research and Development)	1	-	-	-	-	-
12	Manager (Construction)	1	-	1	-	1	-
13	Chief Engineer (Planning)	1	-	1	-	1	-
14	Chief Engineer (Electrical)	-	1	-	1	-	1
15	Chief Engineer (Mechanical)	-	1	-	1	-	1
16	Chief Valuer	-	-	-	-	-	1
17	Senior Engineer (Air Conditioning)	-	1	-	-	-	-
18	Engineer (Information Technology)	-	-	-	1	-	1
19	Engineer (Civil Mechanical Electrical)	76	59	48	97	53	67
20	Architect	21	10	13	15	14	10
21	Quantity Surveyor	11	16	04	25	04	15
22	Accountant	03	05	03	05	03	05
23	Administrative Officer	03	03	03	02	05	03
24	Other Executive Officer	20	24	37	15	34	10
25	Senior Superintendent (Civil Mechanical Electrical)	21	-	-	-	-	-
26	Superintendent (Civil Mechanical Electrical)	26	141	27	123	29	67
27	Designer/Assistant Quantity Surveyor	50	64	42	34	42	16
28	Foreman	37	31	25	31	25	27
29	Clerk and parallel grades	194	183	175	142	184	59
30	Security Servant	109	25	116	12	126	02
31	Semi-trained Employee	76	11	52	07	52	02
32	Trained Employee	459	62	419	42	506	00
33	Untrained Employee	580	81	687	53	689	03
34	Sub total	1694	724	1659	610	1772	295
	<b>Grand Total</b>		<b>2418</b>		<b>2269</b>		<b>2067</b>

03. On the decision of higher management, action was taken during this year to terminate service of Casual Employees (having letters H and T) employed at work site level with finalization of such work and action was taken to recruit a segment of such employees to the Corporation Service on Contract Basis. As such, at present there are 28 Casual Employees in service with letter W.
04. Special events related to Human Resources and Administration Section of the State Engineering Corporation during year 2011:
- In place of the amount of Rs.2000/= paid to the employees in Corporation duties as a special new year allowance, action was taken in this year to increase that amount to Rs.5000/- and grant same to the employees. Equally, action has been taken to pay a sum of Rs. 10,000/- as the year-end bonus.
  - Action has been taken to rectify the delays occurred hitherto in payment of Distress Loan enabling timely payment of the loan.
  - After approval of allocations on 25.11.2009, designations were assigned to vacant posts by calling applications through internal circulars and new recruitments were made to the posts.
  - Taking action to send the Scheme of Recruitment to the National Salaries and Cadres Commission for necessary approval.
  - Referring the posts not approved hitherto for allocations for necessary approval.
  - During the previous year, it had been planned to retire employees at age 57 as per Public Enterprise Circular No: 44/52 and then, action was taken to extend the service of the staff personnel beyond age 57 based on their work as per Public Enterprise Circular No: 60.

- vii. As in the last year, taking action, in collaboration with the NAITA and ICTAD, to receive the National Vocational Qualification Certificate for the Trained Employees working in different capacities.
- viii. Taking action to amalgamate the National Equipment and Machinery Organisation (NEMO) to State Engineering Corporation.
- ix. As in the last year, taking action to recruit new employees to Technical as well as Non-Technical posts.
- x. Some 70 employees belonging to the posts of Engineer (Civil, Mechanical, Electrical), Quantity Surveyor and Accountant were absorbed to the Permanent Service.
- xi. All internal promotions pertaining to year 2011 have been completed.
- xii. Action was taken to increase the technical allowance of all employees in the Technical Section.
- xiii. Action was taken to increase the basic salary of all employees of the Technical Section who are engaged on Contract Basis.

#### 05. Security Section

- i. Facilitating attendance of some 80 Security Guards at the Security Training Course held in the Civil Security Force Training Center, Serupita, Kalutara.
- ii. Our Security Guards receiving the awards and certificates awarded to the best Security Guard and the Best Gunman at that Course.
- iii. Offering two uniforms each to Security Guards at all grades.

#### 06. Legal Section

- i. M 7914 - District Court, Galle - this is a case filed by the Sri Lanka Telecom Ltd. making Sri Lanka Engineering Corporation the third defendant and this case has been dismissed subject to cost on 19-08-2011, upon inaccurate recording of the court areas.
- ii. 55912/4 MC - Magistrate's Court, Colombo - This is a case filed against theft of part of an iron fence around the Khetarama Stadium when the Corporation was engaged in development work of the stadium and, on 14-02-2011, the first and second defendants were convicted and subjected to a suspended sentence of 10 years.
- iii. 10964/M - Magistrate's Court, Minuwangoda - This case demanding a compensation of Rs. 20,

00,000/- was filed by wife of a person deceased due to an accident committed by a driver of the Corporation. Sri Lanka Insurance Corporation appeared for the Engineering Corporation and the case was settled on 28-10-2011 by paying Rs. 10,00,000/-.

- iv. 300/73/PC - Magistrate's Court, Gampaha - This is a case filed by the Corporation against the accused of a theft of iron at the work site, Laisawatta, Yakkala of the State Engineering Corporation of Sri Lanka and on their pleading guilty at the Magistrate's Court, Gampaha on 03-01-2011, they were convicted for the theft and fined Rs. 1500/-.

#### 07. Training and Development Section

- i. Operation of the Training Calendar for year 2011.
- ii. Preparation of Training Calendars for year 2012 and succeeding 05 years.
- iii. The establishment has given training to 408 persons who are training in the technical vocations of Engineering (Civil, Mechanical, Electrical), Quantity Surveyor, Superintendent (Civil, Mechanical, Electrical), Foreman, Welder and Electrician and have received the technical education in registered Universities under the National Apprenticeship and Industrial Training Authority.
- iv. Opportunities have been made available for Technical and Non- Technical Officers for Post-graduate Degrees in local Universities during this year as during the last year and taking action to facilitate attendance at the local as well as overseas short term training courses in the technical sector.

#### 08. The staff of the Human Resources and Administration Section.

This includes the staff of,

- i. Deputy General Manager (Human Resources and Administration)
- ii. Manager (Training and Development)
- iii. Assistant Personnel Manager
- iv. Legal Officer
- v. Assistant Legal Officer
- vi. Chief Security Officer
- vii. Administrative Officer
- viii. Secretarial Assistant
- ix. Management Assistant
- x. Book Binder/ Record Keeper
- xi. Messenger
- xii. Lift Operator
- xiii. Office Assistant
- xiv. Trained and Untrained Employees.

Accordingly, there is a staff of 46 engaged in duties in the Personnel and Administrative Section.

# Finance Division

## Key Members of the Management

Dr. S.C. Subasinghe	-	Deputy General Manager (Finance)
Mr. P.M.A. Karunasinghe	-	Accountant (Finance)
Miss. K.W.M.L.D. Keerthiratne	-	Accountant (Construction)
Mrs. A. Nilupa De Silva	-	Accountant (Financial Accounting)
Mrs. K.M.G.R.W. Kariyawasam	-	Accountant (Salaries & Wages)
Mrs. B.L. Kusum Dayani	-	Accountant (Payments)
Mr. K.B.G.H.N. Kariyawasam	-	Accountant (Construction Components)
Mr. M.M. Anorathna	-	Accountant (Consultancy)
Mrs. T.S. Apsara Rohan	-	Accountant (M&E)

# Internal Audit Division

## Key Members of the Management

Mrs. H.A.L. Henadheera - Acting Chief Internal Auditor

### Internal Audit

The Annual Audit Plan prepared by the Internal Audit Division for the year under review was approved by the Board of Directors and the Audit and Management and Committee of the Corporation. Internal Audit Division Performed internal Audit Function in accordance with the approved Internal Audit Plan and underling Internal Audit Functions are as follows.

Subject	quantity finalized
Audit Reports	59
Checking Final Accounts	135
No claim Certification	122
Checking of Gratuity Payment	24
Checking Sub Contract Payment	178
Tender Board Representation	311
Condemn Boards	11
Attendance to Raw Material and Equipment Purchasing Committees	02
Audit and Management Meetings (SEC)	04
Sub Contract Payment's Report	20

It is further informed that a majority of transactions in the Corporation were reviewed during year 2011 through above audit work.

Mrs. H.A.L. Henadheera  
Acting Chief Internal Auditor

# Financial Reports

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

## Balance Sheet as at 31<sup>st</sup> December 2011

		2011 Actual Rs.	2010 Actual Rs.
	NOTES		
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	2	250,571,616	155,549,743
Investments in Shares (12,000 shares at Rs. 100.00 in HDFC)		1,200,000	1,200,000
Capital Work in Progress		7,891,609	6,038,110
		<b>259,663,225</b>	<b>162,787,853</b>
<b>Current Assets</b>			
Inventories	3	600,946,877	401,616,002
Trade Debtors	4	3,667,173,352	2,615,772,543
Retention & T.C	5	919,128,103	741,493,365
Other Debtors & Receivables & Advance	6	1,368,212,827	901,972,147
Deposits Recoverable		22,254,740	10,994,916
Due from Customers		844,539,910	418,909,383
Fixed Deposits	7	14,635,600	21,120,084
Cash & Cash Equivalents	8	270,865,628	335,915,135
		<b>7,707,757,037</b>	<b>5,447,793,575</b>
<b>Total Assets</b>		<b>7,967,420,263</b>	<b>5,610,581,428</b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Voted Capital		70,000,000	70,000,000
Reserves	9	31,373,968	31,373,968
E & M Capital		(152,287,728)	-
Accumulated Profit/(Loss)	10	592,128,735	385,976,724
<b>Total Equity</b>		<b>541,214,975</b>	<b>487,350,692</b>
<b>Non-Current Liabilities</b>			
Long Term borrowings		30,800,000	30,800,000
Deferred Liabilities	11	354,273,878	247,918,919
		<b>385,073,878</b>	<b>278,718,919</b>

	NOTES	2011 Actual Rs.	2010 Actual Rs.
<b>Current Liabilities</b>			
Bank Overdraft	12	137,915,787	110,000,614
Treasury Loan & Interest		4,006,293	4,006,293
Trade Creditors	13	1,193,502,694	683,431,614
Other Creditors & Payables	14	1,414,591,942	1,291,435,451
Due to Customers		1,383,039,997	1,293,651,840
Mobilization Advances		2,908,074,696	1,461,986,005
		<b>7,041,131,410</b>	<b>4,844,511,817</b>
<b>Total Equity and Liabilities</b>		<b>7,967,420,262</b>	<b>5,610,581,428</b>

Directors certificate in terms of Public Enterprises Circular No PED 45. The Accounting statements on pages 01-04 and Notes on pages 05 to 15 from 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.

Chairman



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

Director



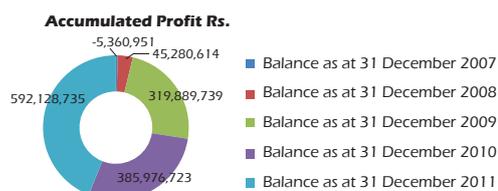
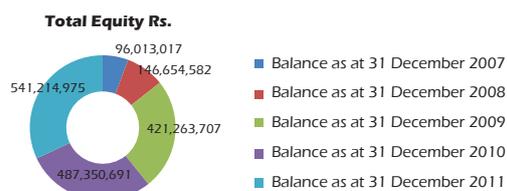
**DIRECTOR**  
STATE ENGINEERING CORPORATION OF SRI LANKA

## Income Statement

	Note	2011 Actual	2011 Budget	2011 Variance	2010 Actual
Revenue	15	5,473,848,679	6,906,977,000	(1,433,128,321)	5,921,760,145
<b>Net Operating Profit/ (Loss)</b>					
Construction	16	193,255,008	297,281,000	(104,025,992)	96,347,571
M & E	17	53,460,890	3,912,000	49,548,890	(59,764,542)
CC	18	92,832,362	92,447,000	385,362	77,101,797
Consultancy	19	124,352,820	48,600,000	75,752,820	206,495,330
Special Operation	20	60,405,706	84,575,000	(24,169,294)	
Equipment & Machinery		2,782,257	6,000,000	(3,217,743)	
		<b>527,089,044</b>	<b>532,815,000</b>	<b>(5,725,956)</b>	<b>320,180,156</b>
Less: Admin Expenses	21	278,124,484	312,000,000	33,875,516	197,205,631
<b>Profit/ (Loss) from operatios</b>		<b>248,964,560</b>	<b>220,815,000</b>	<b>28,149,560</b>	<b>122,974,525</b>
Less: Provision for Bad & Doubtful debts	22	22,508,490	25,000,000	(2,491,510)	19,357,945
Less: Provision for Obsolete Stock		8,100,423			
Add: Other Income (Ser. Group)	23	22,187,333	15,000,000	7,187,333	14,025,148
interest Income (ser. Group)	24	22,194,710	-	22,194,710	15,678,270
Less: Interest Expenses (ser. group)	25	9,763,078	20,000,000	10,236,922	256,643
		<b>252,974,612</b>	<b>190,815,000</b>	<b>62,159,612</b>	<b>133,063,355</b>
<b>Profit/ (Loss) Before Taxation</b>		<b>252,974,612</b>	<b>190,815,000</b>	<b>62,159,612</b>	<b>133,063,355</b>
Less: Provision for the taxation		46,822,600	44,522,000	2,300,600	46,572,175
<b>Net group Profit / (Loss)</b>		<b>206,152,011</b>	<b>146,293,000</b>	<b>62,159,612</b>	<b>86,491,180</b>

## Statement of Changes in Equity as at 31.12.2011

	Share Capital Rs.	Capital Reserves Rs.	General Reserves Rs.	Accumulated Profit Rs.	Total Equity Rs.
<b>Balance as at 31 December 2007</b>	<b>70,000,000</b>	<b>27,738,806</b>	<b>3,635,162</b>	<b>(5,360,951)</b>	<b>96,013,017</b>
Net Profit/(Loss) For The Year	-	-	-	50,641,565	50,641,565
Transferred During the Year	-	-	-	-	-
<b>Balance as at 31 December 2008</b>	<b>70,000,000</b>	<b>27,738,806</b>	<b>3,635,162</b>	<b>45,280,614</b>	<b>146,654,582</b>
Net Profit/(Loss) For The Year	-	-	-	274,609,125	274,609,125
Transferred During the Year	-	-	-	-	-
<b>Balance as at 31 December 2009</b>	<b>70,000,000</b>	<b>27,738,806</b>	<b>3,635,162</b>	<b>319,889,739</b>	<b>421,263,707</b>
Net Profit/(Loss) For The Year	-	-	-	86,491,181	86,491,181
Transferred During the Year	-	-	-	-	-
Prior year Adjustments	-	-	-	(20,404,197)	(20,404,197)
<b>Balance as at 31 December 2010</b>	<b>70,000,000</b>	<b>27,738,806</b>	<b>3,635,162</b>	<b>385,976,723</b>	<b>487,350,691</b>
Net Profit/(Loss) For The Year	-	-	-	206,152,011	206,152,011
Transferred During the Year	-	-	(152,287,728)	-	(152,287,728)
Prior year Adjustments	-	-	-	-	-
<b>Balance as at 31 December 2011</b>	<b>70,000,000</b>	<b>27,738,806</b>	<b>-148,652,566</b>	<b>592,128,735</b>	<b>541,214,975</b>



## Cash Flow Statement 2011

	2011 Rs.	2010 Rs.
Cash Flows from Operating Activities		
Net Profit/(Loss) before Taxation	252,920,612	133,063,356
Interest - Expenses	9,763,078	2,594,831
Interest - Income	(22,194,710)	(15,678,270)
Dividends	(54,000)	-
Prior Year Adjustment		(20,404,197)
Net profit from operation	240,488,980	119,979,917
Net Assets ( Nemo Acquisiution) *	(152,287,728)	
Net of PPE., Current Assets & Liabilities *	152,287,728	
Adjustment for ;		
Depriciations	68,224,188	
Provision for bad and doubtful debtors	22,508,490	35,208,931
Provision for Accrued expences	(15,377,165)	19,357,945
Provision for Obsolete stocks	8,100,423	-
Provision for Gratuity	50,980,079	5,204,240
<b>Operating Profit before working capital changes</b>	<b>374,924,995</b>	<b>159,346,836</b>
Increase in inventories	(142,853,521)	(120,710,830)
Increase in trade debtors & other receivables	(2,090,062,775)	(1,722,955,162)
Increase in trade creditors & other payables	360,968,167	1,243,068,578
Increase in mobilisation advances	1,446,088,691	310,556,632
Operating Profit before payment of gratuity	(50,934,443)	(130,693,946)
less: Gratuity paid	(16,652,636)	(2,610,406)
Net cash flow from operating activities	(67,587,079)	(133,304,352)
Cash flow from investing activities		
Acqusiution of fixed Assets	(33,776,432)	(55,551,090)
Capital WIP	(1,853,499)	-
Dividend received	54,000	
Interest received	19,381,500	14,053,349
<b>Net cash flow from investing activities</b>	<b>(16,194,431)</b>	<b>(41,497,741)</b>
Cash flow from financing activities		
Interest paid	(9,763,078)	(2,594,831)

Lease payments	(5,904,575)	(10,411,949)
Repayment of bill discounting facility		(49,228,698)
Loan Receipts		800,000
Repayment of loans		
Revocation of Fixed Deposit	6,484,484	
Adjustments to the FD		(14,152,264)
<b>Net cash flow from financing activities</b>	<b>(9,183,169)</b>	<b>(75,587,742)</b>
<b>Net increase incash and cash equivalent</b>	<b>(92,964,679)</b>	<b>(250,389,835)</b>
Net cash & Cash equivalent at the biginning	225,914,521	476,304,357
<b>Net cash &amp; Cash equivalent at the end</b>	<b>132,949,842</b>	<b>225,914,522</b>
<b>Represented as follows</b>		
Cash at Bank & in hand	122,027,650	75,189,546
E&M Cash at Bank	14,907,256	-
Fixed Deposits	130,555,918	171,038,074
Doha bank C/A	2,474,805	2,474,805
Savings at Bank	900,000	2,212,711
R.E.P .O.	-	85,000,000
Bank Over Drafts	(137,915,787)	(110,000,614)
<b>Net cash &amp; Cash equivalent at the end</b>	<b>132,949,842</b>	<b>225,914,522</b>
*Explanatory note to the Balance Sheet Transaction appeared in the Cashflow Result of the amalgamation of NEMO, which does not involve movment of funds		
Total of Grants & Reserves	1,226,328,538	
Less: Assets Amortisation & Brought forwarded Loss	(1,378,616,266)	
<b>Net Assets</b>	<b>(152,287,728)</b>	
Represented by		
Property, Plant & Equipment	129,469,630	
Current Assets	120,472,284	
Current Liabilities	(402,229,642)	
<b>Net of PPE., Current Assets &amp; Liabilities</b>	<b>(152,287,728)</b>	

# Notes to the Financial Statements & Accounting Policies

## General

(i) The State Engineering Corporation of Sri Lanka was established under the State Industrial Corporation Act No. 49 of 1957 on the 1st of January 1962. The State Engineering Corporation was to function under the Ministry of Construction, Engineering Services, Housing & Common Amenities and provides services in civil engineering construction, mechanical and electrical engineering, architectural and engineering consultancy services, manufacture of pre-cast components and building materials for civil engineering projects.

(ii) The registered office of the State Engineering Corporation is located at No. 130, W.A.D. Ramanayake Mawatha, Colombo 02.

As per the cabinet decision made on 2011.01.26 under the Cabinet paper No. 11/0089/517/004, to amalgamate the NEMO which was under NHDA to SEC was effected from 01/02/2011.

Since this decision has been made with a view of increasing the efficacy and effectiveness of NEMO protecting the employments around 850 Nos. people and specially to make the NEMO into a profit making unit under the SEC management.

Therefore, the bankability and the crushability of the SEC should not be affected after looking at the amalgamated financial statement, but the current operation of E&M Group (earlier known as NEMO)

Ref – Amalgamation workings.

### 1.2 Significant Accounting Policies

#### 1.2 (A) Accounting Convention

The Financial Statements are prepared on the historical cost convention and in accordance with generally accepted Accounting principles and Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The Accounting Policies have been consistently applied by the Corporation with those used in the previous year.

### 1.3 Assets and Basis of their valuation

#### 1.3 (A) Property Plant & Equipment

- (i) Property, Plant and Equipment are recorded at cost of purchase of cost together with any incidental expenses thereon.
- (ii) Property, Plant and Equipment are stated at cost less accumulated depreciation.
- (iii) The charge for depreciation on assets commences in the year of purchase. In accordance with the accounting standards. Depreciation is provided proportionally during the year of purchase and the year of disposal. Depreciation is calculated on a straight-line basis over the estimated useful economic life of the assets.

The depreciation percentages for the year are given below.

Assets	Depreciation %
Buildings	2.5%
Plant & Machinery	20%
Furniture & Fixtures	10%
Motor Vehicles	20%
Office Equipment	20%
Computer-Hardware & Software	20%

- (iv) Free Hold Land is not depreciated.
- (v) Capital work in progress – Represents the cost incurred during the year on the eighth floor (south wing) of the Head Office Building.

#### 1.3 (B) Inventories

Stock of raw materials and spare parts are valued at cost less provision for slow moving, idle and obsolete stocks on a first in first out basis. Finished goods are valued at lower of cost or net realizable value.

#### 1.3 (C) Debtors and Receivables

Debtors and receivables are stated at amounts, estimated to be realized. Therefore, full provision has been made for bad and doubtful debtors Over 5 years.

## 1.4 Income Statement

### 1.4 (A) Revenue Recognition

The revenue of the Corporations is recognized on an accrual basis and matched with the associated cost and expenses for the period.

### 1.4(B) Construction Contracts

Revenue & profit from the ongoing construction contracts is recognized according to SLAS 13 on the percentage of completion method. The stage of completion is determined on the basis of actual expenses incurred. For this purpose the estimated contract profit is assumed to be 11% in general subject to exceptional cases, where as mention under every computation.

(Sales to precast production and services related to consultancy hire of machinery Electrical and mechanical jobs.)

The revenue is recognized at the times of discharge of its respective serves or dispatch of material from the yard of SEC.

### 1.4 (C) Dividend Income

Dividend income received from shares of HDFC during the year 2011 is shown under Note 21.

## 1.5 Liabilities & Provisions

### 1.5 (A) Retirement Benefits

Provision for Retirement Gratuities has been made from the first year service of employees. However, according to the payment of gratuity Act No. 12 of 1983 the liability for gratuity to an employee arises only on completion of 5 years of continuous service.

## 1.6 Post Balance Sheet Events

All material post Balance sheet events have been considered and where necessary adjustment has been made in the financial statements.

A valuation of the assets and liabilities of the National Equipment and Machinery Organization (NEMO) is being undertaken at present. Thereafter discussions are due to be held between the Ministry, the NHDA and the State Engineering Corporation of Sri Lanka in order to finalize the values of assets and liabilities to be taken over by the SEC.

## 1.7 Contingent Liabilities

10 court cases have been filed against the SEC as at 31.12.2011 and seems to be in favour of SEC.

## 1.8 Comparative Figures

Comparative figures applicable for the previous year have been stated to facilitate comparison.

## 1.9 Cast Flow Statement

The Cash Flow Statement has been prepared by using the Indirect Method. Cash and Cash equivalent comprises of net cash balance with banks and other Short Term Funds held by the Banks.

## 2.0 Due from & Due to Customers

Due from Customers and Due to customers are shown separately in accounts under Current Assets and Current Liabilities.

## 2. Property Plant & Equipment

### (a) Free Hold Assets:

	Land & Buildings	Plant & Machinery	Computer Hard/Software	Furniture & Fittings	Office Equipment	Motor Vehicles	Total (RS.)
Cost as at 01.01.2011	79,876,223	245,907,825	36,696,553	17,662,901	28,517,115	56,729,030	465,389,647
Additions during the period	568,682	8,804,142	13,596,557	1,635,723	9,099,125	-	33,704,228
Adjustment							
Cost as at 31.12.2011	80,444,905	254,711,967	50,293,110	19,298,624	37,616,240	56,729,030	499,093,875

Less: Depreciation

Balance as at 01.01.2011	34,802,377	198,003,876	25,772,774	3,744,397	20,378,242	55,568,127	338,269,793
Transferred from L.H. Assets.							-
Depreciation for the Period	1,880,621.34	17,344,368.72	5,769,887.13	1,630,747.26	4,092,547.11	421,256.14	31,139,428
Depreciation on Disposal							-
	36,682,998	215,348,245	31,542,661	5,375,144	24,470,789	55,989,383	369,409,221
Net Value as at 31.12.2011	43,761,907	39,363,722	18,750,449	13,923,480	13,145,451	739,646	129,684,655
Net Value as at 31.12.2010	45,073,847	47,903,949	10,923,779	13,918,504	8,138,873	1,160,902	127,119,854

### b) Leased Hold Assets:

Cost as at 01.01.2011	-	34,285,500	-	-	-	31,696,634	65,982,134
Additions during the Period	-	-	-	-	-	-	-
Transferred to F.H. Assets.	-	-	-	-	-	-	-
Cost as at 31.12.2011	-	34,285,500	-	-	-	31,696,634	65,982,134.02

Less - Depreciation

Balance as at 01.01.2011	-	20,229,037	-	-	-	17,323,209	37,552,246
Transferred to F.H. Assets.	-	-	-	-	-	-	-
Depreciation for the Period	-	5,522,051	-	-	-	4,139,327	9,661,377.81
Depreciation on Disposal	-	-	-	-	-	-	-
	-	25,751,088	-	-	-	21,462,536	47,213,624

Net Value as at 31.12.2011	-	8,534,412	-	-	-	10,234,099	18,768,510
Net Value as at 31.12.2010	-	14,056,463	-	-	-	14,373,425	28,429,888

Net Value as at 31.12.2011	43,761,907	47,898,134	18,750,449	13,923,480	13,145,451	10,973,745	148,453,165
Net Value as at 31.12.2010	45,073,847	61,960,412	10,923,779	13,918,504	8,138,873	15,534,327	155,549,742

## (c )NEMO Fixed Assets :

### 1. Fixed Assets as at

	Cost 01.02.2011	Acc Dep as at 31.12.2011	W D V as at 31.12.2011	
Land & Building	22,937,054.38	13,148,764.22	9,788,290.16	
Motor Vehicle	12,813,869.45	11,933,071.01	880,798.44	
Plant & Machinery	365,771,813.19	274,835,330.47	90,936,482.72	
Furniture ,Fittings & Office Equipment	10,644,823.78	10,505,680.38	139,143.40	
Tools & Equipment	5,097,470.18	4,723,733.82	373,736.36	
	<b>417,265,030.98</b>	<b>315,146,579.90</b>	<b>102,118,451.08</b>	

COST	Cost 01.02.2011	Additions	ADJ (+)	Cost 31.12.2011
Land & Building	22,937,054.38			22,937,054.38
Motor Vehicle	12,813,869.45			12,813,869.45
Plant & Machinery	365,771,813.19			365,771,813.19
Furniture ,Fittings & Office Equipment	10,607,215.74	37,608.04		10,644,823.78
Tools & Equipment	5,062,874.11	34,596.07		5,097,470.18
	417,192,826.87	72,204.11	-	417,265,030.98

### Depreciation

	As at 01.02.2011	Additions	ADJ	As at 31.12.2011
Land & Building	12,623,123.39	525,640.83		13,148,764.22
Motor Vehicle	11,933,071.01			11,933,071.01
Plant & Machinery	248,012,064.17	26,823,266.30		274,835,330.47
Furniture ,Fittings & Office Equipment	10,446,921.50	58,758.88		10,505,680.38
Tools & Equipment	4,708,016.38	15,717.44		4,723,733.82
	287,723,196.45	27,423,383.45	-	315,146,579.90

	<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
<b>3 Inventories</b>		
Materials	366,936,223	300,537,300
Finished Goods	176,854,014	122,295,918
	<b>543,790,237</b>	<b>422,833,218</b>
Less: Provisions for Slow Moving & Obsolete items	<b>29,317,639</b>	<b>21,217,216</b>
<b>Add :E&amp;M Inventory</b>	<b>86,474,279</b>	
	<b>600,946,877</b>	<b>401,616,002</b>
<b>4 Trade Debtors</b>		
Debtors Control Account	4,657,374,315	
	<b>4,657,374,315</b>	<b>3,397,632,670</b>
Less:		
G.S.T/V.A.T	727,190,753	484,689,536
N.S.L	3,541,485	3,541,485
Provision for Bad & Doubtful Debts	316,137,597	293,629,107
<b>Debtors(E&amp;M)</b>	<b>56,668,871</b>	
	<b>3,667,173,352</b>	<b>2,615,772,542</b>
<b>5 Retention &amp; T.C</b>		
Construction Group	584,038,143	501,266,149
Mechanical & Electrical Group	51,952,024	25,807,287
Construction Components Group	240,053,335	183,682,748
Consultancy Group	32,220,601	30,737,181
Special Operations Division	10,864,000	-
	<b>919,128,103</b>	<b>741,493,365</b>
<b>6 Other Debtors Receivables &amp; advance Other Debtors and Receivables</b>		
Foreign Purchase Control A/C	13,734,094	18,523,918
Receivable from Sub contracts	86,383,642	51,354,760
Receivable Income from Overhead Bridge	440,931	664,836
Interest in Suspense - ( Leasing)	4,540,255	7,845,884
Salaries & Wages Rounding Off Recoveries		5,251
Withholding Tax	71,208,053	70,890,121
Prepayments	5,226,841	1,939,391
W.H.T on Interest Income	6,417,251	5,907,715
Nation Building Tax	13,567,215	13,265,467
Cash Lost ( Recoverable) at Seruwavla Site	805,938	805,938
Funds Transfer	5,745,250	14,754,231
Receivable from Employees	20,410	20,410
Interest on Bank Deposits	2,813,210	2,392,876
Economic Service Tax Recoverable	15,086,838	19,167,364
Receivable from Site No 1576 - (UDA)	5,356,353	5,356,353
Receivable from SEC (Qatar ) LLC	-	838,355
L/C Margin Account	5,917	1,810,963

	<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
Inter Group C/A (Debtors)	-	103,082,193
Loan to NEMO	13,770,288	-
Medical Insurance	9,169	-
Welfare Advance	500,000	500,000
<b>Deposits &amp; Advances(E&amp;M)</b>	<b>15,747,813</b>	
<b>WIP -Projects(E&amp;M)</b>	<b>6,413,514</b>	
	<b>267,792,982</b>	<b>319,126,033</b>

#### **Advances**

Wages Advances	61,730	61,730
Advance Payments to Suppliers	14,666,769	40,286,942
Advances for Services	6,716,091	5,966,611
Salary Advances	-	5,500
Advances to Staff	606,340	121,500
Festival Advances to Employees	2,122,194	1,834,694
Distress Loans	7,599,247	6,182,533
Cheque with Order Advances	423,598,569	167,120,857
Special Cash Advances/Traveling Advances	9,904,849	4,557,191
Palekela Advance Account	64,395	64,395
Mobilization Advances to Sub Contractors	392,803,885	212,339,974
Special Cash Advances (Sal.& Wages)	122,705	69,045
Labour Sub Contract Advances	241,367,741	142,756,705
Purchase Cash / Spare Parts Imprests &Traveling Imprests	570,191	1,462,288
Wages Piece Rate Imprest	215,140	16,150
	<b>1,100,419,845</b>	<b>582,846,114</b>
<b>Total</b>	<b>1,368,212,827</b>	<b>901,972,147</b>

#### **7 Fixed Deposits**

Fixed Deposites Long Time(B.O.C Coporate Branch)	10,379,219	
Fixed Deposits A/C (Drivers,SK's & Cashi(P.B Park Street)	159,221	
Fixed Deposits (Security) On Bonds(P.B Park Street)	270,000	
Fixed Deposits -Workmen Compansation(P.B Park Street)	343,250	
Doha Bank Fixed Deposites	3,483,910	3,483,910
	<b>14,635,600</b>	<b>21,120,084</b>

#### **8 Cash & Cash Equivalent**

Cash at Bank and in Hand	122,027,650	75,189,546
Doha Bank Current Account	2,474,805	2,474,805
Fixed Deposits at Bank - Short time	130,555,918	171,038,073
Savings at Bank	900,000	2,212,711
R.E.P.O	-	85,000,000
NEMO-Cash at Bank	14,907,256	
	<b>270,865,628</b>	<b>335,915,135</b>

	<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
<b>9 Reserves</b>		
<b>(a) Capital Reserves</b>		
Machinery Gifted From U.S.S.R	5,082,350	5,082,350
Capital Gain on N'pita Shifting	22,656,456	22,656,456
	<b>27,738,806</b>	<b>27,738,806</b>
<b>(aa) General Reserves</b>		
Machinery Repair Funds	2,635,162	2,635,162
Bonus Shares Issued - H.D.F.C.	1,000,000	1,000,000
	<b>3,635,162</b>	<b>3,635,162</b>
<b>NEMO</b>		
Value of the Asset Transferred	878,016,412	
Grants-Building	20,650,219	
Grants-Machinery on Grant Assests	88,103,126	
Depreciation on Grant assets	(689,250,807)	
Revaluation Reserve	227,558,781	
Balance Brought Forward	(689,365,459)	
Grant from Treasury	12,000,000	
	<b>(152,287,728)</b>	
<b>10 Accumulated Profit / (Loss)</b>		
Balance Brought Forward	385,976,724	319,889,739
Prior Year Adjustments	-	(20,404,197)
Net Profit/(Loss) for the Year	206,152,011	86,491,181
<b>Balance Carried Forward</b>	<b>592,128,735</b>	<b>385,976,724</b>
<b>11 Deferred Liabilities</b>		
Retirement Benefit \obligation	271,242,179	247,918,919
Provisions(E&M)	83,031,699	-
	<b>354,273,878</b>	<b>247,918,919</b>
<b>12 Bank Overdraft</b>		
People's Bank	136,804,575	106,494,507
Bank of Ceylon	1,111,212	3,506,107
	<b>137,915,787</b>	<b>110,000,614</b>
<b>13 Trade Creditors</b>	<b>122,795,010</b>	<b>120,956,415</b>
<b>Sub Contractors</b>		
Sub Contracts	396,260,111	125,448,700
Sub Contract Retention	317,662,560	186,425,561
Sub Contract Accruals	9,614,881	190,254,254
	<b>723,537,552</b>	<b>502,128,515</b>
U.D.A		
U.D.A. Control A/C	22,512,074	22,512,074
Ministry Pool Vehicles	45,572,571	37,834,609
Creditors(E&M)	279,121,487	
<b>Total</b>	<b>1,193,502,694</b>	<b>683,431,614</b>

	<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
<b>14 Other Creditors &amp; Payables</b>		
<b>Other Creditors</b>		
Payee Tax	205,567	1,068,753
Specified Fees Payable - WHT	-	2,026,594
Acquisition of Assets - B.M.M.C.	1,741,893	1,741,893
3rd Party Payments	117,302	260,811
Final Payments to Staff	236,635	2,612,167
Unclaimed Wages & Casual O.T.	740,113	633,585
Unclaimed Salaries & O.T.	3,050,760	2,630,977
Unclaimed Car Mileage & Subsistence	3,436	3,437
Tender Deposits	1,555,139	1,467,661
Securities Deposits	859,500	634,500
Salaries & Wages Rounding Off Recoveries	46,754	
Other Deposits	55,000	55,000
Payable to I.R.D	1,289,114	1,289,114
Building Department	549,640	549,640
Dalada Maligawa Control A/C	993,816	993,816
Budda Sasana Ministry Control A/C.	6,472,546	6,472,546
G.S.T / VAT	129,593,321	(87,742,509)
N.S.L	500,542	500,542
Debtors of on Account Payment	269,748,802	315,439,088
Volunteer Retirement Scheme - ( Treasury)	20,278,812	20,278,812
Leasing - People's Leasing Co. Ltd	18,599,334	24,503,909
Inter Group Creditors		93,143,107
Cancel Cheque A/C	74,860	42,860
Pre Income	-	3,250
N.B.T	4,278,730	4,538,878
<b>Deposits(E&amp;M)</b>	<b>2,138,553</b>	
	<b>463,130,170</b>	<b>393,148,432</b>
<b>Provisions &amp; Accrued Expenses</b>		
Construction Group	217,907,421	245,383,189
Mechanical & Electrical Group	3,033,914	5,084,988
Construction Components Group	299,598,770	292,051,758
Consultancy Group	129,324,191	197,789,260
SOD	11,989,248	-
Services	3,802,483	2,717,612
Stamp Fees	196,240	126,640
E.P.F.	8,859,931	8,212,944
E.T.F	1,208,170	1,116,355
Audit Fees	8,746,725	8,903,585
Provision for Budgetary Allowance	9,556,413	10,210,582
Tax In Default	3,739,236	3,739,236
Tax	9,500,000	9,500,000
Payment of EPF Arrears - Before 1984	7,209,265	7,515,874
Salaries	753,117	98,843
Overtime	19,072,350	17,761,160
Wages	506,780	3,218,636

	<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
Provision for Medical Leave Bonus	3,619,136	3,619,136
Provision for Completed Construction Projects(General)	1,916,238	1,916,238
Provision for Labour Subcontract Advances	47,279,307	9,614,881
Kettarama Refreshment A/C	-	(150,000)
Provision for E.S.C	23,786,391	23,283,928
Provision for Income Tax	69,701,321	46,572,175
Trainee Allowances Payable	2,611,210	-
<b>Accrued Expenditure(E&amp;M)</b>	<b>67,295,873</b>	
<b>Compensation Payable(E&amp;M)</b>	<b>248,042</b>	
	<b>951,347,563</b>	<b>898,287,019</b>
<b>Total</b>	<b>1,414,477,752</b>	<b>1,291,435,451</b>

#### 15 Revenue for period 01.01.2011 to 31.12.2011

Construction Group	2,922,461,544	3,058,042,493
Mechanical & Electrical Group	569,794,820	32,113,807
Construction Component Group	1,000,012,526	1,659,970,192
Consultancy Group	207,338,645	1,171,633,653
Special Operations Division	622,791,332	
Machinery & Equipment	151,449,811	
	<b>5,473,848,679</b>	<b>5,921,760,145</b>

		<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
<b>16</b>	<b>Construction Group Income Statement for the Year ended 31.12.2011</b>		
	Group Revenue	2,986,341,786	3,101,829,140
	Less Internal Sales	63,880,242	43,786,647
		<b>2,922,461,544</b>	<b>3,058,042,493</b>
	<b>Operating Profit/ (Loss)</b>		
	Ongoing Projects	257,387,306	198,610,248
	Plant Hiring - Maligawatta	430,227	1,687,576
	Aluminum Factory - Ratmalana	10,223,797	(2,864,650)
		<b>268,041,329</b>	<b>197,433,174</b>
	Add - Other Income		
	Group Income	-	15,551,840
	Ministry Pool Management Fees	-	64300
		<b>268,041,329</b>	<b>213,049,314</b>
	Less: Group Overheads	68,171,801	116,640,429
	Ministry Pool Management Fees	6,614,520	61,313.00
	<b>Net Operating Profit / ( Loss )</b>	<b>193,255,008</b>	<b>96,347,572</b>
<b>17</b>	<b>Mechanical &amp; Electrical Group Income Statement for the Year ended 31.12.2011</b>		
	Group Revenue	724,306,137	182,877,069
	Less Internal Sales	154,511,317	150,763,262
		<b>569,794,820</b>	<b>32,113,807</b>
	<b>Operating Profit / ( Loss )</b>		
	Operation - Peliyagoda	6,331,660	574,153
	Central Workshop - Peliyagoda	(3,430,002)	(16,250,138)
	Other Projects	29,388,946	3,135,979
	Workshop - Ratmalana	4,038,982	(26,048,072)
	Dolomite Processing Yard - Matala	(5,002,006)	(4,877,965)
	Ongoing Projects	29,408,515	(4,961,792)
		<b>60,736,095</b>	<b>(48,427,835)</b>
	Add: Other Income	4,051,600	-
		64,787,695	(48,427,835)
	Less: Group Overheads	11,326,805	11,336,712
	<b>Net Operating Profit / (Loss)</b>	<b>53,460,890</b>	<b>(59,764,547)</b>

		<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
<b>18 Construction Components Group</b>			
<b>Income Statement - for the Year ended - 31.12.2011</b>			
Group Revenue	18.1	1,099,839,691	1,769,779,520
Less Internal Sales		99,827,165	109,809,328
		<b>1,000,012,526</b>	<b>1,659,970,192</b>
<b>Operating Profit /(Loss)</b>			
Precast Yard - Ekala	18.2	16,380,641	37,569,854
Precast Yard - Ratmalana	18.3	8,266,977	(2,947,216)
Precast Yard - Peliyagoda	18.4	2,306,572	(9,235,997)
Carpentry & Bricks Yard - Dankotuwa	18.5	(450,674)	(3,772,500)
Concrete Sleepers Factory	18.6	25,340,432	29,054,588
Precast Yard Welikanda	18.7	(1,851,510)	
Completed Projects		42,180,780	(2,940,152)
Ongoing Projects	18.8	27,182,600	39922682
		<b>119,355,819</b>	<b>87,651,259</b>
Add: Other Income			11,674,534
Less: Group Overheads		26,523,457	22,223,997
<b>Net Operating Profit /(Loss)</b>		<b>92,832,362</b>	<b>77,101,796</b>
<b>19 Consultancy Group</b>			
<b>Income Statement - for the Year ended - 31.12.2011</b>			
Revenue		316,563,697	1,260,918,503
Fees - External		207,338,645	364,407,577
Fees -Internal		64,102,275	89,284,850
		<b>271,440,921</b>	<b>453,692,427</b>
<b>Less: Expenses</b>			
Salaries, Wages & Personnel Emolument		88,370,499	87,226,967
Sub Contract - Other Projects		31,093,520	2,698,341
Consultancy Fees		19,099,536	-
Printing & Stationery		3,277,664	4,062,424
Electricity, Water & Telephone		436,840	365,397
Transport		4,322,925	4,087,633
Depreciation		1,948,388	2,430,848
Other Expenses		3,416,644	26,314,733
		<b>151,966,017</b>	<b>127,186,343</b>

	<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
<b>Operating Profit</b>	119,474,904	206,495,330
Add- other income		
IRD Profit	4,877,916	-
Ongoing Project		-
<b>Net Operating Profit</b>	<b>124,352,820</b>	<b>206,495,330</b>
Less: Administrative Expenses	103,084,750	57,264,059
<b>Group profit</b>	<b>21,268,070</b>	<b>149,231,271</b>
Less: Provision for Bad & Doubtful Debtors		-
<b>Net Group Profit / (Loss)</b>	<b>21,268,070</b>	<b>149,231,271</b>

**20 Special Operations Division  
Income Statement - for the Year ended - 31.12.2011**

<b>Group Revenue</b>	<b>622,791,332</b>
Operating Profit / (Loss)	
Ongoing Projects	67,748,035
<b>Less: Expenses</b>	
Salaries, Wages & Personnel Emoluments	1,472,168
Sub Contract - Other Projects	
Hire charges	3,954,692
Printing & Stationery	
Electricity, Water & Telephone	37,137
Transport	
Depreciation	
Other Expenses	1,878,331
	<b>7,342,328</b>
Operating Profit	60,405,706
<b>Net Operating Profit</b>	<b>60,405,706</b>

**21 Administrative Expenses**

Emoluments	148,263,965	101,671,680
Welfare	10,567,601	1,485,689
Insurance	4,973,344	993,787
Fuel & Lubricant /Materials	23,583,846	9,830,003
Repairs & Maintenance	5,525,211	5,328,712
Travelling & Subsistence	1,100,052	1,211,675
Transport & Hire Charges	19,545,115	1,318,585
Sub Contact Labour	1,545,095	203,713
Professional Charges	2,673,558	
Bank Charges & Commission	1,289,865	1,746,773
Services	6,223,579	5,118,326

	<b>2011 -Actual Rs.</b>	<b>2010 -Actual Rs.</b>
Printing & Stationery	7,812,964	1,956,107
Rates & Taxes	1,994,989	6,913,282
Electricity , Water & Telephone	15,411,639	10,858,816
Depreciation	8,322,544	6,752,043
Advertising	9,271,201	5,077,486
Local Consultancy Fees	552,142	
Audit Fees	550,000	
Debit Tax	1,332,793	
Training Fees & Subscription	1,284,613	654,964
Newspaper	36,826	174,550
Postages & Stamp Fees	431,023	295,524
Business Promotion	3,587,141	
Donation	2,245,377	
	<b>278,124,483</b>	<b>197,205,631</b>
<b>22 Provision for Bad &amp; Doubtful Debts</b>	<b>22,508,490</b>	
<b>23 Other Income</b>		
Rent	7,910,608	7,208,525
Circuit Bungalow Room Charges	677,330	
Tender Fees	3,069,287	
Sales of Scrap Items	60,480	
Management Fees	10,200	
Dividend Income	54,000	
Registration fees	2,508,824	
Hire of labour and recovery & Subsistance	222,388	
Income from Scholarship Bonds	1,161,556	
Thunkaldakma Exhibition	2,331,525	
Rent Overhead Bridge		
Advertising Income		
Sundry Income	4,181,135	6,816,623
	<b>22,187,333</b>	<b>14,025,148</b>
<b>24 Interest Income</b>		
F.D Interest	16,893,034	8,223,026
Saving Interest	55,881	-
Distress Loan Interest	439,959	
REPO Interest	4,805,836	7,455,245
	<b>22,194,710</b>	<b>15,678,271</b>
<b>25 Interest Expenses</b>		
O.D. Interest	2,449,230	256,643
Loan Interest	4,008,219	-
Inttrest on leasing	3,305,629	
Treasury Loan Interest	-	-
	<b>9,763,078</b>	<b>256,643</b>

<b>State Engineering Corporation of Sri Lanka - Machinery &amp; Equipment Unit</b>			
<b>Profit &amp; Loss Account for the year period 31.12.2011</b>			
<b>(11 Months)</b>		<b>In Rs.</b>	
<b>Actual 31.12.2010</b>		<b>Notes</b>	<b>Period ended 31.12.2011</b>
	Turnover		
91,294,463	Hire of machinery	1	121,718,505
	Net Profit / (Loss) on Construction Project	2	29,731,306
<b>278,124,483</b>	<b>Total Turnover</b>		<b>151,449,811</b>
	Operating Expenses		
39,768,910	Work shop	3	77,450,619
105,342,427	Depots	4	100,420,154
29,785,234	Depreciation	5	27,364,625
<b>174,896,571</b>	<b>Total Operating Cost</b>		<b>205,235,398</b>
(14,956,768)	Intercompany Transaction		
<b>159,939,803</b>			<b>205,235,398</b>
<b>(68,645,340)</b>	<b>Gross Profit/(Loss)</b>		<b>(53,785,588)</b>
25,297,099	Administration Cost	6	29,506,391
1,057,110	Financial Charges	7	1,024,919
62,745	Other Depreciation	8	58,759
<b>26,416,953</b>	<b>Total Indirect Cost</b>		<b>30,590,069</b>
<b>(95,062,293)</b>	<b>Net Profit/ (Loss) from Operation</b>		<b>(84,375,657)</b>
282,554	Other Income	9	157,914
	Receive from Treasury		87,000,000
<b>(94,779,740)</b>	<b>Net profit/ (Loss) for the year</b>		<b>2,782,257</b>
<b>(3,375,285)</b>	<b>Profit / (Loss) on Disposal of Assets</b>	10	
<b>(98,155,024)</b>	<b>Net Profit / (Loss) for the year</b>		<b>2,782,257</b>
<b>(584,082,368)</b>	<b>Net profit / (Loss) B/F</b>		<b>(689,365,459)</b>
<b>(682,237,392)</b>	<b>Net Profit / (Loss) for the year C/F</b>		<b>(686,583,202)</b>



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கணக்காய்வாளர் தலைமை அறிவுதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය }  
எனது இல }  
My No. }

EH/D/SEC/FA/2011

ඔබේ අංකය }  
உமது இல }  
Your No. }

දිනය }  
திகதி }  
Date }

02 August 2013

**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 2011 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 2011 comprising the balance sheet as at 31 December 2011 and the 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 sent to the Chairman of the Corporation on 09 April 2013.

**1:2 Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary

to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

**1:3 Auditor's Responsibility**

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

selected depend on the auditor's judgments, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures

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 power to the Auditor General to determine the scope and the extent of the audit.

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

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#### **1:4 Basis for Qualified Opinion**

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

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### **2. Financial Statements**

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#### **2:1 Qualified Opinion**

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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 Sri Lanka State Engineering

Corporation as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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#### **2:2 Comments on Financial Statements**

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##### **2:2:1 Non-compliance with Sri Lanka Accounting Standards**

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| <p>(a) Even though the Corporation had prepared a cash flow statement in terms of the Accounting Standard No. 9, the allocations amounting to Rs.37.66 million and Rs.55.37 million in the Labor Sub-contract Provision Account and the Employees' Gratuity Provision Account respectively, had not been adjusted to the operating profit in the cash flow statement.</p> <p>(b) According to the Standard No. 14, temporary changes in taxes should be shown under the Deferred Tax Account. Nevertheless, the changes in taxes during the year under review had not been adjusted in the Deferred Tax Account.</p> | <p>(c) According to the Standard No. 18 whenever the book value of fixed assets reach zero level, those should be revalued. Nevertheless, the fixed assets costing Rs.295, 454,457 had been shown at a nominal value of Rs. 1 instead of being revalued.</p> <p>(d) According to the Standard 22, whenever an investment is at risk, it should be disclosed in the financial statements. Nevertheless, the non-receipt of any return on the investment of Rs.5,958,715 made by the Corporation in a foreign company, that had not been disclosed in the financial statements despite the elapse of two years.</p> |
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##### **2:2:2 Accounting Policies shown in the Financial Statements**

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The following observations are made in this connection.

- (a) Even though the Corporation had accounted for the expenditure incurred on contracts where the work completed had been less than 20 per cent, as expenditure for the year during the preceding years in terms of

Note No. 1.4(b), the profit on such contracts as well had been computed unrealistically in the year under review based on the percentage of work done. A sum of Rs.85, 494,442 had been shown as the profit on such contracts.

(b) Even though full provision for doubtful debts had been made for sundry debtors and the balances receivable older than 05 years in terms of Note 1.3(c) no provision had been made for the balances less than 05 years old. The balances older than 04 years and less

than 05 years old as at 31 December 2011 amounted to Rs.184, 849,534. As those balances would be older than 05 years in the ensuing year, making provision on doubtful basis would have a direct impact on the profit of the Corporation.

### 2:2:3 Accounting Deficiencies

The following deficiencies were observed.

- (a) Bank charges and commission totalling Rs.13, 330,171 which should have been shown under finance expenses had been shown under sundry expenses.
- (b) Action had not been taken to identify and rectify the unusual credit balances of 16 debtors' accounts totalling Rs.170, 055,132 appearing in the Debtors Control Account.
- (c) Unusual credit balances totalling Rs.12, 967,320 in the Purchases Imprest Account, the Special Cash Advances Account, the Sub-contracts Mobilization Advance Account and Travelling Expenses Advance Account and an unusual debit balance of Rs.5, 913,707 in the Refundable Deposit Account existed.
- (d) The overstatement of the profit for the year 2009 on the Modernization of the Building

of the Department of Inland Revenue Project amounting to Rs.66, 531,602 due to the incorrect adjustment of the inter-departmental profit margin in the computation of the profit of the Corporation had not been deducted from the retained profit for the year under review.

- (e) The operating loss of 07 Work-in-progress Projects of the Construction Division for the year under review amounting to Rs.29,696,866 had been shown as an operating profit of Rs.14,622,174 and as such the total profit of the Corporation had been overstated by a sum of Rs.44,319,040.
- (f) The value of work done amounting to Rs.7,333,084 of 04 projects of the Construction and Accessories Division with bid value of Rs.7,246,130 completed in the year under review had been omitted in the Contract Accounts.

### 2:2:4 Inappropriate Disclosures

The Corporation had failed to explain to audit about funds transfer balance amounting to Rs.5, 745,250

shown under the sundry debtors and balances receivable.

### 2:2:5 Unreconciled Control Accounts

The following balances of accounts did not reconcile with the related schedules.

Particulars of Account	Balance shown in the Accounts	Balance according to Schedule	Difference
	Rs.	Rs.	Rs.
(a) Sub-contracts Accrued Expenses Account	9,614,880	47,279,306	37,664,426
(b) Payables to Customers	1,383,039,997	1,441,131,897	58,091,900
(c) Receivables from Customs	844,539,910	1,434,401,912	589,862,002

## 2:2:6 Unexplained Differences

The following unexplained differences were observed.

- (a) The following items appearing in the financial statements presented for the year 2010 did not reconcile with the comparative items in the financial statements for the year 2011.

Particulars of Accounts	Balance as at 31 December 2010 according to the Accounts for the year 2011	Balance as at 31 December 2010 according to the Accounts for the year 2010	Difference
	Rs.(Millions)	Rs.(Millions)	Rs.(Millions)
(i) Fixed Deposits	21.12	17.63	3.49
(ii) Other Debtors Receivables and Advances	901.97	907.93	(5.96)
(iii) Cash and Cash Equivalents	335.91	333.44	2.47

- (b) The value shown in the direct confirmations sent in response to the letters for confirmation of balances sent by the Corporation to the debtors in the year under review did not reconcile and the respective institutions had not agreed to those balances.

Particulars of Accounts	Balance in the Account as at 31 December 2011	Directly Confirmed Balance	Difference
	Rs.(Millions)	Rs.(Millions)	Rs.(Millions)
Department of Cultural Affairs	1.09	7.14	6.05
University of Moratuwa	22.69	2.72	19.97
State Pharmaceuticals Manufacturing Corporation	0.96	0.70	0.26
University of Kelaniya	29.38	5.95	23.43

- (c) According to the financial statements of the National Housing Development Authority as at 31 December 2011, the State Engineering Corporation had been shown as a debtor for Rs.233, 195,041. Nevertheless, the financial statement of the State Engineering Corporation as at that date did not show the National Housing Development Authority as a creditor for that amount.

## 2:2:7 Accounts Receivable and Payable

The following observations are made.

- (a) Out of the current and non-current assets of the Sri Lanka State Engineering Corporation, the debtors balance represented a high value. The trade debtor balance as at the end of the year under review amounted to Rs.4, 657.374 million and out of that, a sum of Rs.316.137 million had been debtors' balances older than 05 years. The special feature of this is that more than 95 per cent of

the debtors are state institutions. The progress of debt recovery had been at a very low level and as compared with the preceding year the trade debtors had increased 37 per cent. Out of the trade debtors balance amounting to Rs.3,397 million as at 31 December 2010, no recoveries whatsoever had been made in the year 2011.

- (b) Out of the total trade creditors balance amounting to Rs.122.759 million balances amounting to Rs.2.582 million had been outstanding for more than 05 years. No effective course of action had been taken for the settlement of these credit balances.
- (c) The Corporation was liable as at the end of the year under review to pay a sum of Rs.396.26 million to the sub-contract creditors and out of that, the balances older than 05 years amounted to Rs.41.623 million. The Sub-contract creditors' balance as at the beginning of the year amounted to Rs.125.44 and by the end of the year that creditors balance had increased by Rs.216 million.
- (d) A sum of Rs.22.512 million payable to and
- a sum of Rs.5.356 million recoverable from the Urban Development Authority had been carried forward by the Corporation continuously from the year 2000. No effective course of action whatsoever had been taken either to settle or set off the amounts.
- (e) Action had not been taken even during the year under review as well for the settlement in the amounts totalling Rs.9.305 million brought forward in the accounts over long periods as payable under the Temple of Tooth Relic Control Account, the Buddha Sasana Ministry Control Account, the Department of Inland Revenue Control Account and the Department of Buildings Account.

## 2:2:8 Payments of Advances

The Corporation had paid large advances very often for various purposes and adequate action had not been taken for the settlement of such advances paid. The details are as follows.

- (a) The balance of the advances paid to suppliers by the last day of the year under review amounted to Rs.14,666,768 and out of that, a sum of Rs.1,246,816 had been older than 05 years while advances amounting to Rs.1,552,701 represented advances paid between 04 to 05 years ago. The Corporation had not taken proper courses of action for the settlement of these balances.
- (b) The issue of cheques along with the orders placed before the receipt of goods had been done over and over again and the balance of the cheques Issued with the Orders Account as at 31 December 2011 amounted to Rs.423, 598,569. The age analysis of that amount had not been furnished to audit.
- (c) Even though cash advances should be paid only to the officers in charge of cash at work sites, in addition to that advances had been paid to different officers. The balance of such advances paid by the end of the year under review amounted to Rs.9,904,849.
- (d) The mobilization advances paid by the Corporation for the sub-contracts had been brought forward in the books year after year due to the non-settlement of the advances during the specified period. As such the value of the Sub-contract mobilization advances lapsed for more than 05 years amounted to Rs.3, 900,599. Out of the advances paid to the labor sub-contractors, the balance of the unsettled advances as at 31 December 2011 amounted to Rs.241, 367,741.

## 2:2:9 Lack of Evidence for Audit

The audit evidence indicated against the items of accounts shown below had not been furnished to audit.

Items in the Financial Statements	Value Rs.(Millions)	Evidence not made available
(a) Cheques with Orders Advance Account	423.59	Age Analysis
(b) Festival Advance Account	2.12	Age Analysis
(c) Distress Loan Account	7.59	Age Analysis
(d) Capital Receipts for the shifting of Precast Yard Narahenpita to another location.	22.65	Source and Files including transfer documents.

(e) Balance of the Account No. 9934 included in the Cash and Cash Equivalents.	1.88	Bank Account, Bank Statements, Bank Reconciliations and Confirmation of Balance.
(f) Cash balance of Sri Lanka State Engineering Corporation (Qatar) Company Ltd.	5.95	Bank Confirmations, Bank Statements, Bank Reconciliations, Credit Advices.

## 2:2:10 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules etc. were observed.

Reference to Laws, Rules etc.	Non-compliance
(a) Paragraph 11 of the Finance Act, No. 38 of 1971.	The concurrence of the Ministry of Finance and Planning had not been obtained for the sum of Rs.141, 707,608 invested by the Corporation in the year under review.
(b) Circular No. 28(ii) of 01 August 2006 of the Department of Management Services and the Letter No. DMS/E3/43/4/265/1 dated 25 November 2009 of the Director General of the Department of Management Services.	Despite being informed to desist from the creation of posts or filling vacancies without the approval of the Department of Management Services, 330 employees had been recruited to 20 unapproved posts created. Those had been paid a sum of Rs.124, 312,146 as salaries during the year 2011.
(c) Letter No. DMS/E3/43/4/265/1 dated 14 February 2011 of the Department of Management Services.	Even though the number of unskilled employees that can be recruited had been revised and reduced from 500 to 460, the number deployed in service even as at 31 December 2012 had been 775 and exceeded the approved number by 315. The Chairman informed that employees had been recruited on contract basis according to the exigencies of services of work sites in faraway places and that their services will be terminated after the completion of work of those work sites.
(d) Letter No. BD/356/303/23 dated 28 April 2004 of the Department of National Budget.	Even though the balance remaining after the payment of compensation out of the money received for the Voluntary Retirement Scheme should be remitted to the Treasury, the balance sum of Rs.20,278,812 had not been remitted to the Treasury even by 31 December 2011.

## 3. Financial and Operating Review

### 3:1 Financial Results

The operation of the Corporation for the year under review had resulted in a pre-tax net profit of Rs.252.97 million as compared with the corresponding net profit of Rs.133 million for

the preceding year, thus indicating as increase of Rs.119.97 million in the financial results for the year under review.

### 3:2 Analytical Financial Review

The following observations are made.

- (a) The profit for the year under review had been overstated by a sum of Rs.44.319 million as the Corporation had not computed

the profit in the output percentage system in terms of Sri Lanka Accounting Standard No. 13 in the computation of the contract profit of the Constructions Division for the year under review.

(b) The Bank overdraft and the cash and cash equivalents of the Corporation as at 31 December 2011 amounted to Rs.137.91 million and Rs.270.86 million respectively. According to the Bank Statements issued by the Bank as at 28 February 2013, the bank overdraft amounted to Rs.478.78 million

and the cash balance as at that date amounted to Rs.8.15 million due to the failure of the Corporation to maintain a good financial management. This position was observed as adversely affecting the going concern of the Corporation.

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## 4. Operating Review

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### 4:1 Performance

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The following observations are made.

- (a) The review of the operations of the Matala Dolomite Precast Yard of the Corporation revealed that except for the year 2006, it had incurred losses in all the fourteen years and the loss for the year under review amounted Rs.5 million. The accumulated loss for the period amounted to Rs.37.6 million.
- (b) The Dankotuwa Brick and Carpentry Products Yard had incurred a loss of Rs.450, 674 in the year under review and out of the 15 preceding years, losses had been incurred in 13 years. The accumulated loss amounted to Rs. 23.45 million. The use of bricks of this Yard for construction works in the year under review as compared with the year 2010 had decreased from Rs.6, 014,891 to Rs.3, 972,305 and represented 31 per cent.
- (c) The Peliyagoda Work Site of the Mechanical and Electrical Division had incurred a net loss of Rs.16, 250,138 in the preceding year and a loss of Rs.3, 430,002 had been incurred in the year under review as well.
- (d) The Welikanda Precast Yard opened in the year under review under the Constructions and Components Division had incurred a net loss of Rs.1,851,510.
- (e) The operating and maintenance expenditure incurred by 21 Depots and 05 work sites of the Machinery and Equipment Division amounting to Rs.235.30 million had exceeded the turnover amounting to Rs.179.43 million while 06 Depots and one Work Site had not earned income and incurred expenditure whatsoever in the year under review.
- (f) The income of the Consultancy Division and the Construction and Components Division for the year under review as compared with the preceding year had decreased by 43 per cent and 40 per cent respectively due to the non-receipt of new projects.
- (g) The review of the income, total expenditure, salaries and wages, gross profit and the net profit of 12 permanent work sites of the Construction, Mechanical and Electrical and Construction Components Divisions revealed that the total expenditure of all those work sites as compared with the income had ranged from 78 per cent to 143 per cent and 04 work sites had incurred losses. In addition, the expenditure on salaries and wages of 05 Work Sites as compared with the total expenditure ranged between 50 per cent and 70 per cent.

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### 4:2 Management Inefficiencies

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The following observations are made.

- (a) Even though the Corporation had obtained a Tax Direction in terms of Section 153 of the Inland Revenue Act, No. 10 of 2006, the client institutions had remitted sums amounting to Rs.71, 208,053 as the

Withholding Tax direct to the Department of Inland Revenue as at 31 December 2011 due to the failure to make the client institutions aware of the Direction.

- (b) The application made on 16 December 2011 by the Corporation to the Department of Inland Revenue to obtain an order for preventing the recovery of the Withholding Tax from the interest on fixed deposits had been rejected “due to the failure of the Corporation to settle its tax liabilities properly”. As such, the Banks had deducted a sum of Rs.509, 536 as the Withholding Tax on interest in the year under review alone and remitted to the Department of Inland Revenue. The accumulated balance of the Withholding Tax on Interest Income Account as at 31 December 2011 amounted to Rs.6, 417,251.
- (c) The overpayment of Nation Building Tax amounting to Rs.13, 567,215 due to the failure to compute the tax accurately as at the end of the year under review had been shown in the accounts as a balance receivable.
- (d) Value Added Tax amounting to Rs.20, 665,484 had been overpaid in the years 2002 and 2003 due to the failure to consider Turnover Tax amounting to Rs.29, 516,563 in the computation of the Value Added Tax. The Corporation had failed to settle that amount even by the end of the year under review.
- (e) Agreement with regard to the amount of tax payable for the year 2011 had not been reached with the Department of Inland Revenue even by 31 October 2011 due to the failure of the Tax Management of the Corporations to settle the tax liabilities of the past years properly and due to the weaknesses in the Tax Management. The Department of Inland Revenue had, by letter No. 409007970/DTRT dated 20 February 2012 informed that a tax liability of Rs.291,450,532 inclusive of penalty amounting to Rs.77,831,984 had arisen on 71 Assessment Notices relating to the arrears of Turnover Tax, Security Levy, National Security Levy, Value Added Tax, Economic Service Charge and Nation Building Tax due to the failure of the Tax Management of the Corporation to settle appropriately the tax bills of the past years prior to the year 2009.
- (f) A tax liability of Rs.88,363,835 inclusive of penalty amounting to Rs.33, 538,338 had arisen on 15 Assessment Notices issued by the Department of Inland Revenue on the tax liability after the year 2009.
- (g) Goods and Services Tax amounting to Rs.2,119,535, National Security Levy amounting to Rs.3,541,485, Value Added Tax payable at 10 per cent amounting to Rs.438,636,859 and Value Added Tax payable at 20 per cent amounting to Rs.43,933,142 existing from the year 2010 remained unreconciled and unchanged even by 31 December 2011.

#### 4:3 Operating Inefficiencies

The following observations are made in this connection.

- (a) Roofing sheets valued at Rs.3,318,000 only had been received for a sum of Rs.6,944,000 paid before the receipt of goods to a private institution for the purchase of roofing sheets for the Project on the Construction of Houses for the Displaced Persons in the Menik Farm at Chettikulam. A case had been filed for the recovery of the overpayment of Rs.3, 626,000 made by the Corporation. This amount was being settled in installments and a further sum of Rs.1, 946,690 remained receivable from the Company as at the end of the year under review.
- (b) The expenditure incurred by the Corporation on fuel, hired motor vehicle charges and transport allowances during the year amounted to Rs.121, 249,049 and that represented a high value of 59 per cent of the net profit earned.

#### 4:4 Uneconomic Transactions

The following observations are made in this connection.

- (a) The Corporation had been active from the year 2008 to earn profits by launching construction projects in foreign countries and a sum of Rs.13,130,730 had been spent in that connection. Nevertheless, the Corporation had not been able to launch constructions, secure procurements or earn any income even by the end of the year under review. All the expenditure incurred had become fruitless.

- (b) The Corporation had failed to recover the sum of Rs.5, 958,715 deposited in an account in a Bank in Doha in 2009 for the Bank transactions of the Sri Lanka State Engineering Corporation (Qatar) Company Ltd. established for launching foreign construction projects abroad.
- (c) Forty nine persons had been recruited as Marketing Promotion Officers without the approval with a view to expanding civil work

projects Island-wide and a sum of Rs.19, 048,240 had been paid to them as salaries in the year under review. Nevertheless, the turnover of the production work sites at Dankotuwa and Matale had not increased at a satisfactory level even during the year under review and had been incurring losses continuously. No new civil projects had been commenced. In addition, a sum of Rs.3, 587,141 had been spent as business promotion expenses.

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#### 4:5 Identified Losses

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The following observations are made in this connection.

- (a) In view of the failure to follow a good management practice on the operational activities, 64 construction works undertaken by the Corporation in the years 2009 and 2010 had incurred losses amounting to Rs.301.3 million. Even though the Chairman informed that the losses had resulted from additional work and price fluctuations and that can be later recovered from the clients, no such later recoveries had been made from any of the 64 projects up to 31 December 2011. While the loss on those projects remained as it is, a loss of Rs.130.74 million had been incurred on 19 projects in the year 2011.
- (b) The entire Value Added Tax amounting to Rs.168.99 million receivable on the value of work done amounting to Rs.1,408 million of the work site for the Modernization of the Khetarama International Cricket Stadium of Rs.1,444 million bid value had

not been received by the Corporation from Sri Lanka Cricket Board. The reason adduced for that had been that Sri Lanka Cricket Board receives tax exemption on Value Added Tax. Nevertheless, according to the letter No. FP/06/20/03/03/19 (SP-Vol .ii) of the Director General of the Ministry of Finance and Planning, Sri Lanka Cricket Board had been exempted only for work done during the 03 months from 01 February 2011 to 01 May 2011, and as such it was evident that exemption was not applicable for the work done prior to that period. As such the non-receipt of the Value Added Tax of Rs.168.99 million for work done can be considered as a loss to the Corporation. A further sum of Rs.321.5 million exclusive of the Value Added Tax for the work done on the project remained receivable by the Corporation as at 15 March 2013 from Sri Lanka Cricket Board.

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#### 4:6 Transactions of Contentious Nature

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The following observations are made.

- (a) Even though sums totalling Rs.5, 885,178 had been paid on 16 June 2011 to the Insurance Corporation of Sri Lanka to provide 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, that insurance cover had not been in operation after 15 June 2012. The Chairman informed that it is expected to introduce a new insurance scheme by holding discussions with the management after receiving the proposals of the Trade Unions.
- (b) According to an agreement entered into with a private company on 10 November 2006 for the computerization of the Accounts,

Administration and Stock Control Divisions, work should have been completed within 03 months from the date of the agreement. But the salaries system only had been computerized even by the year 2010 and a sum of Rs.1, 785,574 had been paid to the company for that purpose. As that computer system was not effective the management of the Corporation had decided to convert to a new information system (Sage Licensed Vendor) by paying an advance of Rs.1, 222,412 in the year 2012 to another private company. Even though such new information system had been introduced, the Corporation had failed to furnish any of the quarterly accounts for the year 2012 even by 31 March 2013.

#### 4:7 Deficiencies in Contract Administration

The following observations are made in this connection.

- (a) The commencement of construction works before the preparation of the bills of quantities is a widely followed practice of the Corporation and the work had been continued by obtaining advances for work done from the clients. This practice is a deviation from the appropriate procedure for the execution of construction contracts. There were instances of the Corporation incurring losses due to incurring expenditure exceeding the values shown in the bills of quantities prepared later.
- (b) A loss of Rs.85.55 million had been incurred as at 31 December 2011 due to incurring expenditure exceeding the bid values on 21 construction contracts. The Chairman stated that the objective of the Corporation which has built a large goodwill in the construction sector is to give constructions of quality level to the country and despite losses are incurred on certain projects, all efforts are being made to maintain the Corporation at the profitable level.
- (c) The consultancy work of certain construction work undertaken by the Corporation is done by the Consultancy Division of the Corporation. Even though the bills for work done prepared by the Construction Division should be certified within 21 days by the Consultancy Division. Nevertheless, there were delays ranging from 03 months to 03 years in the certification of the bills of 17 projects and that had directly impacted on the collection of money from the clients. Examples are given below.

Project Number	Particulars	Date of Submission of Bills to the Consultancy Division	Number of Days delay in the Certification of Bills	Value of Bill submitted
1620	Image House of Seruwila Raja Maha Vihara	2010.03.02	1084	2,585,943
1622	Circuit Bungalow Seruwawila	2010.07.22	921	2,320,583
1615	Surgical Theatre Building University of Rajarata	2010.09.09	881	12,657,400

#### 4:8 Supply of Resources of the Corporation to other Government Institutions

The Corporation had released 25 motor vehicles up to the end of the year under review to the Ministry of Constructions and Engineering Services contrary to the provisions in Section 9.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003. A sum of Rs.11, 677,577 comprising Rs.5,344,302 for fuel and Rs.6,353,275 for hire charges had been spent

for these motor vehicles. Ten drivers had been released on full-time basis to the Ministry for the motor vehicles obtained on hire basis and the Corporation had spent a sum of Rs.3, 337,981 as their salaries, overtime and combined allowances.

#### 4:9 Human Resources Management

Category of Employees	As at 31December 2010	As at 31December 2011
Permanent	1671	1693
Contract	517	721
Casual	95	28
Total	2283	2442

The following observations are made in this connection.

- (a) The number of employees approved for the Corporation up to 31 December 2011 by the Department of Management Services had been 2,249 and 193 employees exceeding the approved cadre had been deployed in service.
- (b) Recruitment to 04 posts of Deputy General Manager and the post of Internal Auditor in the top management of the Corporation had been made on contract basis.

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## 5. Accountability and Good Governance

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### 5:1 Presentation of Financial Statements

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In terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the draft accounts should be presented to the Auditor General within 60 days after the close of the year

of accounts. Nevertheless the financial statements for the year 2011 had been presented for audit only on 01 March 2013, that is, after a delay of one year.

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### 5:2 Corporate Plan

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According to the Circular No. PED/47 dated 18 December 2007 of the Department of Public Enterprises and Chapter 5 of the Public Enterprises Guidelines on Good Governance, an updated Corporate Plan prepared in detail should be furnished to the Auditor General, the Secretary of the Committee on Public Enterprises and the Director General of Public Enterprises at least 15 days before the commencement of the financial year. But it had not been so done. The Corporate Plan prepared for the years 2010 to 2015 had been furnished in the year 2011.

The following deficiencies were observed in that plan as well as the Corporate Plan for the period 2012 – 2015 furnished in October 2012.

- (a) The following objectives had not been included in the Corporate Plan in accordance with the Act, No. 49 of 1957.
  - (i) Maintaining a Centre for vehicles and plant and machinery repairs and servicing centre with facilities for the sale of petroleum products.
  - (ii) Functioning as an agency for any company or a Corporation or persons who operate a business which manufactures any kind of equipment or plant and machinery or related spare parts or tools used for technical purposes.
- (b) The following action had not been taken in terms of Section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 as amended by the Public Enterprises Circular No. PED/47 of 18 December 2007.
  - (i) The connectivity between the activities of the Corporate Plan with the Action Plan and the Budget had not been included.
  - (ii) The progress of the activities of the Corporate Plan at the end of each year and an evaluation of the activities not implemented and the areas of slow progress had not been carried out and a report thereon had neither been prepared nor brought to the notice of the Board of Directors.
- (c) Even though the targets of activities of the Corporate Plan to be achieved by each officer had been indicated, the quantitative values of the targets had not been indicated.
- (d) The manner of achievement of the profits indicated in the projected Profit and Loss Statement of the Corporate Plan and the connectivity from year to year had not been explained.

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**5:3 Action Plan**

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The Corporation had not prepared a Corporate Plan and an Action Plan by revising then annually since the year 2006. As such it was observed that it had performed without a proper understanding

of the objectives to be achieved in the year with a clear vision and the manner of the achievement of such objectives during each year.

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**5:4 Internal Audit**

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The following observations are made in this connection.

(a) The activities included in the Annual Audit Programme had not paid sufficient attention to the Performance Audits while audit queries relating to performance evaluations had also not been issued.

(b) Even though audit queries relating to the work sites only had been issued during the year, sufficient attention had not been paid for the examination of the final accounts for the year.

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**5:5 Procurement Plan**

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The Corporation had not prepared a Procurement Plan for the year 2011 in terms of Section 4.2 of

the Government Procurement Guidelines.

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**5:6 Budgetary Controls**

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Significant variances were observed at a reconciliation of the data of the financial statements presented with the amounts in the budget. That is, a reconciliation of the budgeted amounts with the actual amounts for the year under review revealed that the actual profit of Electrical and Mechanical Division had increased by 1266 percent, while the profits of the Constructions, Special Operations and the

Machinery and Equipment Divisions had deteriorated by 35 per cent, 29 per cent and 54 per cent respectively. Similarly, operating losses had been estimated for 04 permanent work sites in the preparation of the annual budget. As such the budget had not been prepared realistically while it had also not been made use of as an effective instrument of financial control.

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**5:7 Tabling of Annual Reports**

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The Corporation had not tabled the Annual Report for the year 2010 in Parliament even by the end of

the year under review.

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**6. Systems and Controls**

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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 the following areas of systems and controls.

(a) Accounting

(b) Accounts Receivable and Payable

(c) Cash Management

(d) Tax Management

(e) Budgetary Control and Corporate Plan

(f) Contract Administration

  
H.A.S. Samaraweera  
Auditor General

