PERFORMANCE REPORT

2011

Department of Public Enterprises

Performance Report 2011

Department of Public Enterprises

Vision

“To be the apex body, which ensures good governance of Public Enterprises in Sri Lanka”

Mission

“Strengthening governance in public Enterprises through best practices to optimize performance and to safeguard the public interest”

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Chapter 1
Overview

The State Owned Business Enterprises play a dominant role in banking, insurance, power& energy, water, ports, aviation, commuter transport, media, lottery, pharmaceutical and fertilizer. Although the market share is small, a large number of SOBEs also operates in hotels, hospitals, construction, trading and manufacturing sectors as well. Most of them, such as Sri Lanka Transport Board (commuter transport), Lak Sathosa (trading) play a strategic role in the respective services to provide fair competition to the private sector.

Table 1.1 : A summary of SOBEs

Sector	No	Status/ Scale	Focus
Commercial Banking	2	Large	Strategic/ Commercial
Housing Banking	2	Medium	Development/ Promotional
Development Banking	2	Medium	Rural Development
Savings Banking	1	Large	Strategic
	1	Small	Promotional
Insurance	1	Large	Commercial
	3	Medium	Commercial
Electricity	1	Large	Strategic/ Commercial/Development
Petroleum	1	Large	Strategic/ Commercial
Port Services	1	Large	Strategic/ Commercial
Water Supply	1	Large	Strategic/ Commercial/Development
Aviation	1	Large	Strategic/ Commercial
	2	Medium	Commercial
Transport	1	Large	Strategic
Health and Education	4	Small	Semi-Commercial
Pharmaceutical	1	Large	Strategic/ Commercial
	1	Medium	Strategic Involvement
Constructions	3	Large	Strategic Involvement
Agriculture and Fisheries	11	Small	Commercial
Media	3	Medium	Strategic/ Commercial
Lottery	2	Medium	Commercial
Trading	3	Medium/Small	Strategic/Commercial
	9	Small	Commercial
Manufacturing	1	Large	Commercial
	2	Medium	Commercial
	9	Small	Commercial
Other	5	Small	Commercial
	74		

Source: Department of Public Enterprises

Most SOBEs compete with the private sector except those in petroleum (refinery), power, water, lotteries, Aviation (Airport) and minerals. Out of the 74 SOBEs 27 are enterprises engaged in residual businesses left with the state after privatization of major activities prior to 2005.

The SOBEs have been established under separate statutes or under the Companies Act. They all operate under government supervision, on finance and management, in terms of the Finance Act No 38 of 1971, and Constitutional provisions. These SOBEs are subject to National Audit and are fully accountable to the Parliament. However, performance of most of the SOBEs continues to reflect operational deficiencies such as:

a) a limited capacity to adjust output prices to reflect market conditions and profitability,
b) inadequate competencies in corporate management,
c) rigid outlook in addressing structural deficiencies in the organization to position them in the middle income country policy framework,
d) inability to separate the business focus from the welfare objectives and development,
e) lack of proper business models with a long term vision,
f) contradictions in socio political considerations versus commercial business objectives,
g) over reliance on the national budget and concessionary foreign funds to improve their balance sheets, without making an effort to raise capital on the strength of their own balance sheets through improvements in commercial viability.

Investment Priorities

Considering the strategic development role played by the SOBEs', this report has recognized some important areas for investments in SOBEs through Joint Ventures and Private Public Partnership (PPP) arrangements to meet the increased demand for services provided by the SOBEs.

Return on Investment

In terms of the government policy, all SOBEs are required to contribute at least 30 percent of their profit or 15 percent of their equity to the Treasury annually. In terms of this requirement SOBEs should have at least generated Rs.100 billion to the government. However, the government received only Rs.34 billion in 2011 as dividends and levies, an increase of 10 percent over 2010 but underperforming in terms of their potential. The strong performance of State Banks, Airport and Aviation Services Ltd and Lanka Mineral Sands Limited facilitated this increase. It is noted that only 36 SOEs contributed by way of Levies and Dividends to the Treasury in 2011 as in 2010.

However, majority of enterprises including those large strategic enterprises have not been able to generate surplus's to contribute to the national budget.

Table 1.2: Total Levies/ Dividends received from SOEs Rs. million

	2000-2005	2006-2011
Commercial Corporations	5,856	53,614
State Owned Banks	11,152	35,232
Companies 100% owned by the Government	234	1,119
Sub Total	**17,242**	**89,965**
Companies less than 100% but more than 50% owned by the Government	1,265	4,248
Companies less than 50% Owned By the Government	2,990	5,276
Plantation Companies less than 50% owned by the Government	39	147
Sub Total	**4,294**	**9,671**
Total	**30,296**	**83,308**

Sources: Department of Public Enterprises and Department of Treasury Operations

Returns from the SOBEs are expected to form a significant portion of the non-tax revenue structure of the national budget. However in 2011,levies and dividends accounted for only about30 percent of the non-tax revenue in comparison to 28 percent in 2010.With the issuance of the PED circular 56 on "Surplus Funds of Public Enterprises" the Treasury was able to collect Rs. 1,150 million as surplus funds.

Table 1.3 Levy/ Dividend Income from SOEs Rs. million

	2006	2007	2008	2009	2010	2011
Levy						
Bank of Ceylon	1,173	846	1,046	1,346	2,923	4,020
People's Bank	668	1,416	816	1,139	3,253	4,500
National Savings Bank	810	1,060	1,060	1,750	2,312	4,560
State Mortgage & Investments Bank	116	25	-	50	-	-
Other Regional Development Banks	46	50	40	144	55	-
Telecommunication Regulatory Commission	2,050	2,250	3,150	3,321	13,800	9,050
State Timber Corporation	75	150	75	50	10	75
State Pharmaceuticals and Manufacturing Corporation	25	30	40	30	85	59
Sri Lanka Ports Authority	115	65	-	-	-	-
National Insurance Trust Fund				2,250	2,000	3,495
SL Export Credit Insurance Board		16	25	30	-	-
State Institutions Temporary Surplus Fund*	-	-	-	-	6,110	-
Geological Survey and Mines Bureau	-	-	-	-	-	740
Ceylon Electricity Board	-	-	-	-	-	2,000
Other	129	22	14	137	62	190
Sub Total	**5,207**	**5,930**	**6,266**	**10,247**	**30,610**	**28,689**
Dividends						
Sri Lanka Telecom Plc.	670	893	893	893	223	536
De La Rue Lanka (Pvt) Ltd	-	100	100	38	-	68
Lanka Mineral Sands Ltd	98	50	34	60	35	500
Lanka Phosphate Ltd	5	4	4	5	10	20
Lanka industrial Estates Ltd	20	62	31	31	31	31
Ceylon Petroleum Storage Terminal Ltd		438	-		-	-
Airport and Aviation Services Ltd		100		200		2,406
West Coast Power (Pvt) Ltd	-	-	-	392	-	-
Lanka Electricity Company Ltd	100	75	-		300	-
Lanka Leyland Limited Ltd	-	11	18	10	-	76
Plantation Companies**	-	-	-	30		212
Sri Lanka Insurance Corporation Ltd	-	-	-	-	-	1,750
Sri Lanka Airlines Ltd	788	-	-	-	-	
Other	63	19	24	75	92	64
Sub Total	1,744	1,752	1,104	1,734	691	4,413
Total	**6,951**	**7,682**	**7,370**	**11,981**	**31,301**	**34,352**

Sources: Department of Public Enterprises and Department of Treasury Operations

* National Lotteries Board, State Timber Corporation, SL Rupavahini Corporation, State Pharmaceuticals Corp, SL Land Reclamation and Development Corp, Export Credit Insurance Corp, Lanka Mineral sands Ltd, SL Tea Board, National Gem and Jewelry Authority, National Lotteries Board (Sewana Fund), Telecommunications Regulatory Commissions of Sri Lanka, Securities and Exchange Commission of SL, National Housing Development Authority, SL Bureau of Foreign Employment, Urban Development Authority, Boards of Investments of SL, Geological Survey and Mines Bureau of SL, Coconut Development Authority

**Chilaw,Elkaduwa,Kurunegala,Namunuluka,Kegalle,Agalawatte,Kotagala,Balangoda,Watawala,Horana,Elpitiya, and Pussellawa Plantations

It is also commonly observed that a number of SOBEs depend on Treasury for both capital and recurrent expenditure. The financial assistance extended by the Treasury to SOBEs increased to Rs. 43 billion in 2011 from Rs. 35.8 billion in 2010. Since most SOBEs have not developed bankable strategies to raise funds on the strength of their own balance sheet, the government continues to facilitate several SOBEs to undertake large scale infrastructure projects. In this background capital infusion through on lending facilities made available to SOBEs amounted to Rs. 37.9 billion in 2011 in comparison to Rs. 30.5 billion in 2010. This was largely on account of public investments in power generation and distribution, water supply, ports etc.

Table 1.4 : Priority Investments in selected SOBEs

Power Generation	Renewable energy including accelerated implementation of mini hydro projects through investments, replacement of high cost thermal power projects, and establishment of more non fuel power generation plants to meet the power demand during 2015-2020.
Water Supply	Accelerated investments to reduce non-revenue water to around 18 percent by 2015 and private investments in industrial and waste water supplies.
Ports	PPP in promoting industrial ports and providing associated private investments facilitating external trade and make profitable port operations.
Airlines	Rationalize route network to establish a strong market presence in Asia Pacific and the Middle East in addition to continuing in key European destinations.
Airport	Accelerated completion of second international airport at Mattala and the second terminal at BIA and the provision of associated airport based services attracting private sector investments.
CPC Refinery	Investments to upgrade and expand the capacity of the refinery to improve commercial prospects.
Pharmaceuticals	Accelerated investments to increase the production capacity of the SPMC while attracting private investments both manufacturing of pharmaceutical products and medical equipment to replace imports.
Ayurvedic products	Investments in research and development and work closely with indigenous health care industry to promote investments.
Minerals	Investments to increase the production capacity of Lanka Mineral Sands Ltd, while attracting private investments for high end value added products using Ilmenite, Phosphate and Graphite.
Transport	Investments to upgrade the quality of commuter transport through effective cost management programs to consolidate lead role in the market.
Construction	Should exploit the opportunity to undertake construction and consultancies in international markets through strategic alliances with the private sector.
Lottery	Invest in exploiting new lottery products with better marketing strategies.
Livestock	Accelerated investments to enhance the capacity of the farms to produce adequate supply of milk and other associated products, facilitating the production of powdered milk, liquid milk, yoghurt etc., and complementing the private sector development.
Trading	Invest in enhancing the capacity of Lak Sathosa linking with the farmers/producers specially small and medium size farmers and become a catalyst in retail trade and become a benchmark in household grocery business.
State Commercial Banks	Perform banking business to regain its market share and participate strongly in international banking as well as in promoting SMEs for exports.
Rural Banks	Become catalyst in rural, micro and SME business through reorienting the business model with its rural network.
Savings Banks	Develop medium to long term savings instruments to promote savings.
Insurance	To introduce new products to cater to associated activities that will emerge with the improvement in ports, aviation, commerce, trade and services. Also introduce innovative instruments to facilitate the SME sector that lacks adequate collateral.

Compiled by Department of Public Enterprises and Department of National Planning

Governance Issues

The Committee on Public Enterprises (COPE) of the seventh Parliament having examined the performance of 229 state entities including all SOBEs identified the following issues to have undermined the desired performance of entities:

a) Noncompliance of statutory obligations
b) Lack of capacity of the Chairmen and Boards of Management
c) Absence of corporate/ business plans, annual budgets, and procurement plans
d) Non submission of annual reports
e) Non response to audit queries and COPE recommendations
f) Procurement violations
g) Financial misappropriation
h) Unsatisfactory recovery of debts and receivables
i) Inadequate Treasury control and supervision

It has been observed that Chairmen and the Boards of Management of SOBEs and other entities, do not adequately contribute to the performance of the entity and remain ignorant of their responsibilities despite the Treasury taking steps to keep the boards aware of their responsibilities through either review meetings or the issuance of guidelines[1]. Undermining good governance practices, some entities take important decisions specifically in the absence of the Treasury representative or not in proper consultation with the line Ministry and the Treasury. Despite circular instructions, in some instances Board sub committees, particularly the audit and management committees which are useful in ensuring best practices in corporate governance have not functioned properly or have not been appointed at all. This has marked a clear deterioration of the internal control systems of the SOBEs.

[1] "Public Enterprises Guidelines on good governance" issued in 2003 and "A Guide –Chairmen and Board of Directors of Public Enterprises" issued in October 2010

The COPE has observed that the performance and the sustainability of the SOBEs have been jeopardized due to the nonexistence of commercially viable strategic plans. It has also been found that many SOBEs have undertaken activities outside their mandate. At the same time the processes and the systems existing in the SOBEs do not complement the commercial environment in which they operate nor the corporate plans that have been drawn up. Governance practices and deficiencies in respect of procurement of goods and services by SOBEs have also been highlighted by the Auditor General.

Structural Weaknesses

It has also been observed that SOBEs lack human resource policies that addresses issues of recruitment of personnel, promotions, training, succession plans etc. Some SOBEs have resorted to recruiting and promoting personnel, revising salaries and introducing and implementing allowances without following the relevant circular instructions and guidelines. This not only creates anomalies in the wage structures of the SOBE but affects the entire country adversely. This also resulted in the existence of either excess employees or a lack of employees with core skills or even both. The lack of a formal human resource policy leads not only to staffs that are lacking the necessary skills and capacity but also results in de-motivating the staff, all of which has a detrimental effect on improving the productivity of the entity. Although Parliamentarians, Ministers, Government employees and employees in many state entities have become liable to pay taxes, certain SOBEs including State Banks still bear the tax burden on behalf of their employees at a cost in excess over Rs.1 billion to those enterprises contrary to the instructions given by COPE.

Most SOBEs commonly rely on Treasury funding only to meet their operational expenditure but also for investments. Their business operations have often failed to generate profits or adequate returns. This remains a major concern in public financial management and economic performance. While there is a considerable scope to raise capital for development work, some SOBEs still rely on funding from development partners through the national budget. The scope for raising capital for infrastructure through private sector participation is strong only in enterprises such as Sri Lanka Ports Authority, which has been successful in engaging the private sector.

Employment

SOBEs continued to be one of the largest employers in the country with total employees of 151,559 in 2011.

Table 1.5: Composition of the Workforce in SOBEs

	Managerial/ Professional	Middle Level	Support staff	Total
Commercial Banking	1,219	5,856	9,289	16,364
Housing Banking	111	351	283	745
Development Banking	71	858	1,269	2,198
Savings Banking	471	859	1,995	3,325
Insurance	109	728	2,024	2,861
Electricity	898	1,653	13,504	16,055
Petroleum	92	195	2,395	2,682
Port Services	674	6,046	4,360	11,080
Water	257	645	8,116	9,018
Aviation	1,075	781	5,612	7,468
Transport	1,307	6,977	25,975	34,259
Health and Education	297	973	1,747	3,017
Construction and Engineering	680	1,292	1,895	3,867
Agriculture, Fisheries, Livestock	416	1,607	18,631	20,654
Media	228	501	1,796	2,525
Lottery	28	205	284	517
Trading	249	366	6,730	7,345
Manufacturing	139	493	1,778	2,410
Others	169	565	4,435	5,169
Total	**8,490**	**30,951**	**112,118**	**151,559**

Source: Department of Public Enterprises

Public Investments through SOBEs

During the post 2005 period, the country pursued an aggressive public investment strategy in key sectors such as power generation and distribution, ports, airports, water. In this background large infrastructure projects have been implemented by CEB, SLPA, NWS&DB etc.

Table 1.6: Total Government Investment* in key SOEs 2001-2011 Rs. million

	2001-2005	2006-2010	2011
Ceylon Electricity Board	57,066	119,767	49,999
National Water Supply & Drainage Board	47,581	90,422	20,531
Sri Lanka Ports Authority	7,187	87,643	13,224
Road Development Authority	68,488	337,865	101,069
Total	**186,712**	**658,997**	**184,823**

Source: Department of National Budget

*Includes grants (capital and recurrent) , Investments in equity, on lending, cost of debt moratoriums

Most of these funds provided by the government have been raised from foreign sources by way of long term loans. The government is expected to recover loan repayments from the enterprises to service the debt. These investments are expected to generate the significant economic benefits.

Table 1.7: Economic Benefits of Public Investments through SOBEs

	2011	2012-13
Power Generation		
Coal	300MW	600MW
Hydro	-	150MW
Port		
Vessels Arrived (No.)	5,153	12,000
Capacity (TEUs Mn)	2.3	6.2
Airport		
Capacity (passengers) (Mn)	6.1	14
Water		
Water Schemes (No)	7	16

Sources: Ceylon Petroleum Corporation, Ceylon Electricity Board, Sri Lanka Ports Authority, Sri Lankan Airlines and National Water Supply and Drainage Board

High international oil prices and more than expected depletion in hydro capacity due to poor rainfall imposed a substantial adjustment burden on Ceylon Petroleum Corporation, Ceylon Electricity Board and Sri Lankan Airlines.

Table 1.8: Magnitude of Cost Escalation due to External Factors

	2009	2010	2011
Ceylon Petroleum Corporation*			
Crude (CIF) (US$/bbl.)	63.48	79.37	109.99
Refined(US$/bbl.)			
Petrol	74	92.6	127.5
Diesel	71.6	89.8	122.9
Kerosene	72	91.6	128.8
Ceylon Electricity Board*			
Diesel(US$/bbl.)	71.6	89.8	122.9
Heavy Fuel(US$/bbl.)	74.62	86.21	121.8
Sri Lankan Airlines Limited*			
Aviation fuel(US$/bbl.)	72	91.6	128.8

Sources: Ceylon Petroleum Corporation, Ceylon Electricity Board and Sri Lankan Airlines

* Average prices

The prices/ tariff were revised to moderate the impact of the cost escalations due to external factors.

Table 1.9: Price/Tariff Revisions Fuel, Electricity and Water

	2009	2010	2011	2012(E)
Ceylon Petroleum Corporation				
Petrol (Rs/l)	115	115	137	149
Diesel (Rs/l)	73	73	84	115
Kerosene (Rs/l)	51	51	71	106
Ceylon Electricity Board				
Domestic (Rs/Unit)	10.42	10.42	10.49	13.97
Industrial (Rs/Unit)	13.02	13.02	13.05	12.87
National Water Supply and Drainage Board				
Domestic(for 20 units)(Rs/Unit)	30	30	30	30
Bulk (Rs/Unit)	65	65	65	65

Sources: Ceylon Petroleum Corporation, Ceylon Electricity Board and National Water Supply & Drainage Board and Public Utilities Commission of Sri Lanka

Consequent to the adjustment delays in the key enterprises, operational losses continued to expand resulting in borrowings from the banking system.

Table 1.10: Financing of Losses of CPC and CEB Rs. million

	2009	2010	2011
Ceylon Petroleum Corporation			
Total Profit/(Losses)	(11,567)	(26,920)	(94,508)
Financed by			
Bank Loans	16,949	42,787	117,532
Debtors	(5,382)	(15,865)	(23,024)
Ceylon Electricity Board			
Total Profit/(Losses)	(11,210)	359	(19,265)
Financed by			
Bank Loans	(8,729)	(288)	10,823
Overdraft	(1,552)	(26)	1,992
CPC Credit	(4,690)	(5,086)	(8,815)
IPP Credit	1,980	2,346	(10,555)
Other*	24,201	2,695	25,820

Sources: Ceylon Petroleum Corporation and Ceylon Electricity Board

*Other includes related parties, Deposits, Sundry creditors, Accruals and Retentions

However, Sri Lanka Ports Authority and the State Banks continued to pursue their expansion momentum which was salutary in the backdrop of stiff competition although, State Banks lost its market share to Private Banks.

Table 1.11: Highlights of Performance of Key State Owned Business Enterprises Rs. million

	2006	2007	2008	2009	2010	2011
Ceylon Electricity Board						
Revenue	69,941	87,575	111,287	110,158	121,310	132,460
Growth %	30	25	27	-1	10	9
Operating Profit/ (Loss)	(14,176)	(22,314)	(33,870)	(7,440)	4,962	(19,266)
Ceylon Petroleum Corporation						
Revenue	208,583	253,345	358,002	257508	276,551	382,276
Growth %	19	21	41	28	7	38
Operating Profit/ (Loss)	(466)	7,089	(11,085)	(7,717)	(20,295)	(85,165)
National Water Supply and Drainage Board						
Revenue	6,944	7,612	8,134	11,067	12,310	13,699
Growth %		10	7	36	11	11
Operating Profit/ (Loss)	(214)	(1,278)	(2,915)	(1,425)	(5,955)	425
Sri Lanka Ports Authority						
Revenue	23,004	25,913	25,142	23,331	28,279	31,250
Growth %	12	13	-3	-7	21	11
Operating Profit/ (Loss)	5,903	3,498	2,941	1,942	4,387	8,292
Bank of Ceylon						
Revenue	35,192	50,159	60,182	63,461	63,363	71,235
Growth %	29	43	20	5	0.15	12
Operating Profit/ (Loss)	4,137	4,518	5,231	4,208	10,053	15,286
People's Bank						
Revenue	35,131	47,984	58,948	69,050	62,532	68,826
Growth %	29	37	23	17	-9	10
Operating Profit/ (Loss)	4,079	5,002	5,664	6,076	8,771	15,311

Sources: Ceylon Electricity Board, Ceylon Petroleum Corporation, National Water Supply and Drainage Board, Sri Lanka Ports Authority, Bank of Ceylon and Peoples Bank

In pursuing the country's objectives of establishing energy, naval, aviation, knowledge and commercial hubs, SOBEs are core as most of the basic infrastructure is either owned or exclusively managed by these SOBEs. Hence the SOBEs ability to improve productivity of the SOBEs in the country, consolidating themselves against the backdrop of a volatile international market and support private investment and enterprise development will result in improving the country's global competitiveness and achieve high economic growth.

Chapter 2
Infrastructure Development Sector

The public investment in the energy sector during 2006-2010, the first five year phase amounted to Rs.119,767 million compared to Rs.57,066 million during 2001-2005.Investments in the energy sector constituted almost 7 percent of the total public investment during 2006-2010.

Although Sri Lanka's per capita income has increased from US$1,000 in 2005 to US$ 2,836 by 2011, the average per capita electricity consumption and energy consumption remained at 449kWh and 433 Kgoes respectively. Whereas, the average per capita energy consumption in a middle income country varies around 600-1000Kgoe while average electricity consumption per capita is around 1400kWh indicating that there is a significant demand for energy in Sri Lanka over the medium term. As such, while Sri Lanka has managed to improve access to electricity by almost 90 percent the challenge in the 2012-2016 period would be to ensure a relatively cost effective, uninterrupted, efficient and environmentally sustainable supply of energy to meet the rapidly increasing demand. Energy efficiency improvement and energy conservation are the other key challenges that the electricity sector encounters. In this regard, implementing energy management programmes such as regulatory intervention and establishments of energy conservation benchmarks are vital.

CPC has been importing crude and refined oil products amounting to almost US$ 5,000million to meet the energy demands of the country which constitutes almost 20 percent of the total imports. The rising import cost was partly due to the oil price increase from US$ 79.2 /bbl. in 2010 to US$.112.2/bbl. in 2011 and also due to quantity increases from 4,810 MT in 2010 from 6,352 MT in 2011. Sri Lanka to be a viable energy hub, it is important that CPC pursues the dual strategies of modernizing its refinery with the infusion of new technology and expanding its installed refinery capacity to 100,000 barrels per day to meet the country's future demand. Further the storage capacity of the country needs to be expanded rapidly. This will enable CPC to mitigate losses that arise from the volatility in the international oil prices and thereby ensure energy security that is important in any growth strategy.

Ceylon Electricity Board

With the economy growing rapidly the demand for electricity grew by 8.5 percent in 2011 over 2010. CEB with a total generation[2] capacity of 3,130 MW was able to meet the demand for electricity, maintaining an uninterrupted and continuous supply of power, while increasing its coverage to almost 90 percent of the households in the country. With a slight increase in tariffs[3], CEB incurred a loss of Rs. 19,265 million in 2011 in comparison to a profit of Rs.4,858 million generated in 2010.

These losses can be attributed mainly to the generation composition of CEB which had to depend on the high cost thermal power plants for almost 50 percent of its total generation (5,734 GwH) at an average cost of Rs.22.86 per unit, in the absence of adequate rainfall which resulted in lower hydro power generation that accounted for only about 41 percent of the total generation at 4,739 GwH. Consequently the average cost of electricity increased to Rs. 15.59 per unit in 2011 from Rs.13.51 per unit in 2010, an increase of 15 percent. However, the average tariff per unit increased only by 1 percent in 2011 from 2010.

The tariff revision together with increased consumption in 2011, yielded an annual revenue of Rs.134,313 million in comparison to Rs.122,858 million in 2010. Although the average tariff was increased from Rs.13.09 per unit in 2010 to Rs.13.22 per unit in 2011, it was not a fully cost reflective tariff structure. Accordingly,

[2] Including Independent Power Producers

[3] The tariff revision was done by the Public Utilities Commission of Sri Lanka in accordance with the PUCSL Act no 35 of 2002 with effect from 01.01.2011

consumers were privy to an average subsidy of Rs.2.37 per unit. The domestic consumers in particular continued to enjoy on average a subsidy of Rs. 8.99 per unit in 2011 compared to a subsidy of Rs. 7.05 per unit in 2010.

The CEB implemented a Fuel Adjustment Charge (FAC) with effect from mid February 2012, which is expected to decrease CEB's losses to Rs.49 billion as against the projected loss of Rs.76 billion at the end of 2012. CEB still continues to subsidize electricity at Rs.4.76 per unit.

The provision of heavy fuel by CPC at a subsidized price of Rs.40 per liter, though provided relief to the CEB, the loss incurred by CPC in lieu of the subsidized prices in 2011 was around Rs.36,000 million. At the same time the commissioning of the Coal fired power plant at Norochcholoi with a capacity of 300MW enabled CEB to reduce its losses by about Rs.37,775 million, as a unit of electricity generated using coal amounted to Rs.11.50,compared to the average total cost per unit of Rs.15.59.

Chart 2.1: Electricity Tariff 2005-2012

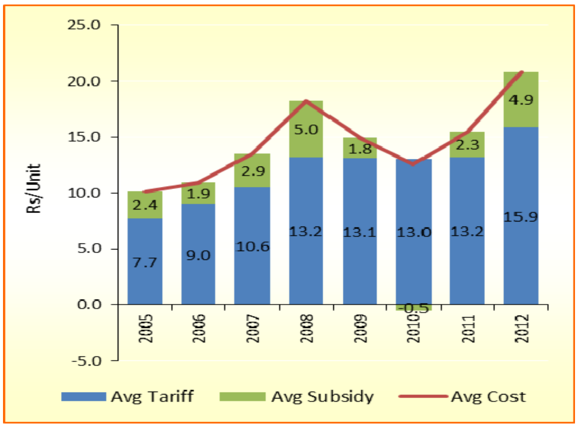
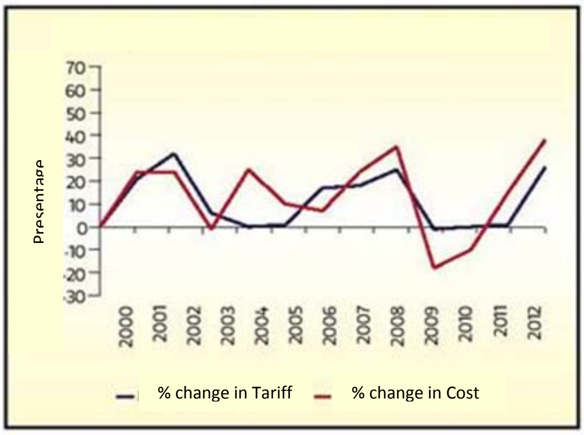


Chart 2.2: Electricity Tariff Revision 2000- 2012



The Government continued its proactive support to the energy sector with the channeling of Rs.31,357 million through budgetary allocations. In addition, Treasury guarantees amounting to Rs.21,460 million was also provided in order to facilitate adequate capital investments, ensuring a 100 percent coverage in rural electrification, development and diversification of electricity generation, accelerated distribution and reduction of system losses. The government also extended the debt moratorium incurring a cost of Rs.17,047 million in 2011. The total cost of the debt moratorium extended to CEB since 2007 stands at Rs.70,424 million.

In a bid to restructure and strengthen CEB's balance sheet, a decision was taken in 2011 to take over the dues of CEB to CPC by the Treasury, amounting to Rs.50.9bn as at end 2010, through the issuance of a Treasury bond in 2012. The clearance of debt combined with the increase in the asset base in excess of Rs 600 billion in 2011 has strengthened the CEB's balance sheet significantly.

Table 2.1: CEB's generation composition **Rs. million**

	2005	2006	2007	2008	2009	2010	2011	2012(Est.)	2013(Est.)
CEB MW)	**1,758**	**1,758**	**1,758**	**1,758**	**1,758**	**1,758**	**2,058**	**2,208**	**2,508**
Hydro	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,357	1,357
Thermal	548	548	548	548	548	548	548	548	573
Coal							300	300	600
Other	3	3	3	3	3	3	3	3	3
IPP (MW)	**653**	**676**	**686**	**887**	**926**	**1,059**	**1,072**	**1,097**	**1,129**
Hydro	86	109	119	150	172	175	183	217	240
Thermal	567	567	567	737	742	842	842	779	779
Other					12	42	47	101	110
Total	**2,411**	**2,434**	**2,444**	**2,645**	**2,684**	**2,818**	**3,130**	**3,305**	**3,637**

Source: Ceylon Electricity Board

At present CEB's generation composition is dominated by high cost thermal power plants which use either Heavy fuel or Diesel. While the commissioning of the 300MW coal fired power plant in Norochcholoi has had a positive impact in reducing the average generation cost, CEB will have to substitute its high cost generation plants with low cost plants. It is also necessary to add at least an additional 100 MW per annum to its generational capacity. In this regard the existing generation capacity of CEB which stands at 3,130 MW, an 11 percent increase over 2010 will have to increase to around 6,400MW by 2020. The commissioning of the 2nd and 3rd phases of the Norochcholoi Coal Power Plant with 600MW and the 150MW Upper Kotmale hydro plant and the proposed 500MW coal fired power plant in Trincomalee, will cater to the medium term demand. However, further increase in generation capacity would be required to meet the demand beyond 2016.

Table 2.2 : Performance of Ceylon Electricity Board

Category	Unit	2006	2007	2008	2009	2010	2011
Installed Capacity	**MW**	**2,434**	**2,444**	**2,645**	**2,684**	**2,818**	**3,130**
CEB Hydro	MW	1,207	1,207	1,207	1,207	1,207	1,207
Thermal	MW	548	548	548	548	548	548
Wind	MW	3	3	3	3	3	3
Coal	MW	-	-	-	-	-	300
Private Hydro	MW	109	119	150	172	175	183
Thermal	MW	567	567	737	742	842	842
Renewable Energy	MW	-	-	-	12	42	47
Electricity Generation	**GWh**	**9,388**	**9,814**	**9,912**	**9,883**	**10,689**	**11,513**
CEB Hydro	GWh	4,290	3,603	3,700	3,356	4,986	4,018
Thermal	GWh	1,669	2,336	2,336	2,091	1,394	1,494
Coal	GWh	-	-	-	-	-	1,038
Wind	GWh	2	2	2	3	3	3
Private Hydro	GWh	345	345	345	549	705	721
Thermal	GWh	3,082	3,528	3,529	3,884	3,601	4,240
Total Sales by CEB	**GWh**	**7,832**	**8,398**	**8,336**	**8,432**	**9,263**	**10,023**
Domestic and Religious	GWh	2,622	2,771	2,831	2,925	3,191	3,430
Industrial	GWh	2,605	2,627	2,518	2,518	2,882	3,171
General Purposes	GWh	1,395	1,626	1,636	1,636	1,755	1,927
Local Authorities/ LECO	GWh	1,111	1,144	1,120	1,120	1,189	1,267
Street Lightning	GWh	98	108	108	108	108	109
Hotel	GWh	-	122	123	125	138	159
Total Revenue	Rs Mn	69,941	87,575	111,287	110,158	121,226	132,460
Consumers	No Mn	3.63	3.86	3.96	4.75	4.48	4.71
Average Unit Cost	Rs/Unit	10.88	13.48	18.21	14.94	13.51	15.59
Average Unit Selling Price**	Rs/Unit	8.99	10.58	13.22	13.11	13.09	13.22
Operating Profit/(Losses)	Rs Mn	(14,176)	(22,314)	(33,870)	(7,440)	4,858	(19,266)
Investments	Rs Mn	3,152	3,882	4,539	4,678	4,447	4,914
Bank Borrowings	Rs Mn	7,669	7,075	3,778	12,507	12,795	11,972

Source: Ceylon Electricity Board

* Hotels were given a separate tariff band only since 2007.

**Includes revenue only from the sale of electricity and excludes other income.

Table 2.3: Government Support to CEB 2007-2012 Rs. million

	2007	2008	2009	2010	2011	2012(Est.)
On lending (CEB & Lanka Coal)	23,945	16,807	32,857	23,586	31,357	32,816
Rural Electrification-Grant				1,200	1,595	710
Cost of the debt moratorium (Total debt servicing= interest + capital repayment)	11,315	12,893	14,273	14,896	17,047	21,920
Cost of the Bond issued						4,581
Total support	**35,260**	**29,700**	**47,130**	**39,682**	**49,999**	**60,027**

Sources: Department of Public Enterprises, Department of National Budget and Department of External Resources

The capital investment in the development of generation, transmission and distribution systems during 2012-2020 is estimated to cost in excess of Rs.1,000 billion. Therefore it is necessary that CEB begins a phase of generating profits to meet its medium term needs. At the same time CEB is encouraged to explore other avenues including renewable energy as well as private investments which will have a positive impact on the overall energy strategy of the country.

The COPE report 2011 highlights the need for CEB to revamp its structure adopting best corporate practices, which will increase its accountability to all stakeholders while also improving its efficiency and effectiveness. In this regard CEB needs to place special emphasis on procurements, human resource management and a viable business strategy if CEB is to become an organization that possesses the ability to respond to the changing needs of the economy and the society.

Ceylon Petroleum Corporation

CPC operations in 2011 resulted in a loss of Rs.93,860 million in comparison to the loss of Rs.26,922 million incurred in 2010. This is mainly due to CPC selling many of its major products at a price below cost, despite international crude oil prices increasing on average by 12 percent over 2010.

During 2011, CPC revised its prices of key products such as Octane 90, Diesel and Kerosene by 19, 15 and 29 percent respectively to mitigate its losses. However, inadequate revisions in the prices and non-revision of the price of heavy fuel supplied for electricity generation resulted in CPC incurring substantial losses. As such, Diesel accounted for almost 46 percent of the losses and Heavy Fuel used predominantly for electricity generation, accounts for almost 45 percent of the losses. These losses not only weakened the balance sheet through the erosion of the working capital, but also deteriorated the liquidity position of the Corporation. Consequently, CPC financed its imports of crude and refined products which amounted to almost US$3,700 million, mainly through borrowings from Bank of Ceylon and Peoples Bank. Borrowings at the end of 2011 amounted to almost Rs. 328 billion.

Chart 2.3: Brent Crude Oil Prices 2002-2012

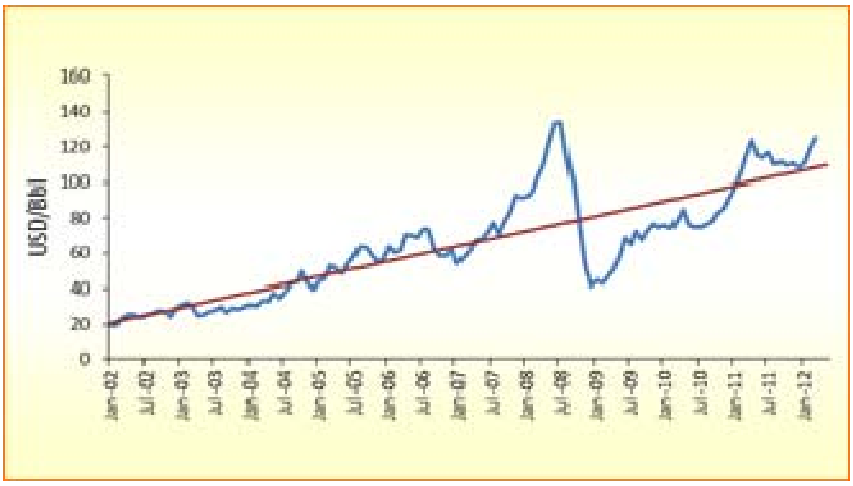


Table 2.4 : Retail Prices of Key Petroleum Products (Rs/l)

	Prices end of				Post revision price April 2011	Post revision price October 2011	Post revision price February 2012
	2007	2008	2009	2010			
Octane 90	117	120	115	115	125	137	149
Diesel	70	75	73	73	76	84	115
Kerosene	68	50	51	51	61	71	106
Heavy Fuel	52	33	40	40	50	50	90*/75**

Source: Ceylon Petroleum Corporation
*Industries **Energy Sector

With Brent crude oil prices increasing to more than US$112/bbl. in 2012, the CPC revised the prices of Octane 90/95, Diesel/Super Diesel, Kerosene, Heavy Fuel (including low Sulpher Heavy Fuel) and Naphtha by almost 30 percent with effect from February 2012.

Chart 2.4: Composition of Revenue 2011

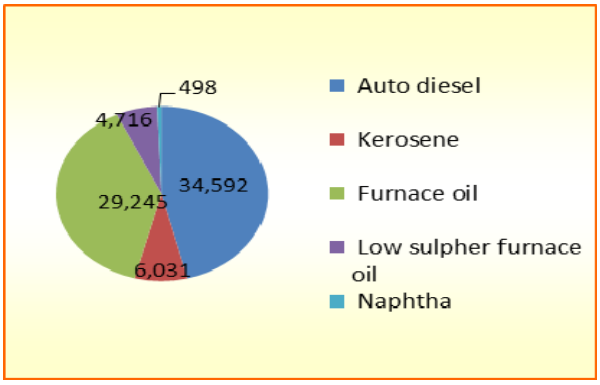
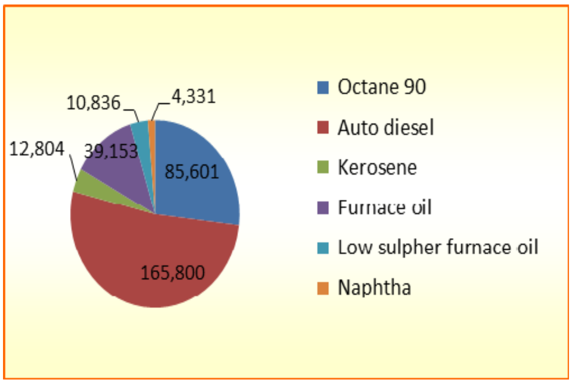


Chart 2.5: Contribution of key products to overall losses in 2011



The CPC has been incurring significant losses by subsidizing Kerosene since 2005. However with the country already achieving electrification of almost 90 percent in the household sector in 2011 and 100 percent by the end of 2012, CPC's revised Kerosene prices by almost 50 percent to recover its losses. The government has decided to subsidize the 355,000 families that have no access to electricity and fisherman who use Kerosene.

Chart 2.6: Profitability of key Petroleum Products

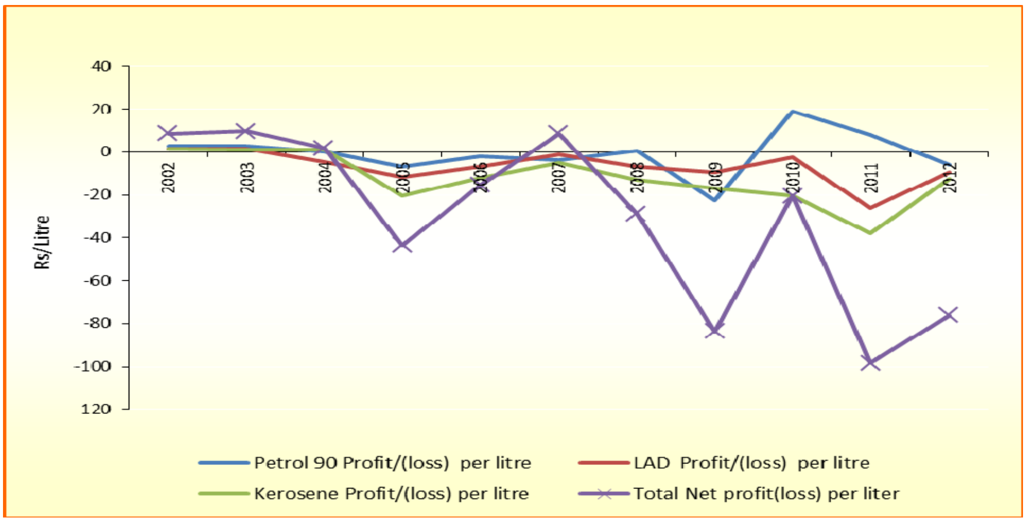


Table 2.5: Performance of Ceylon Petroleum Corporation

Category	Unit	2007	2008	2009	2010	2011
Quantity Imported						
Crude Oil	MT'000	1,931	1,846	1,929	2,015	2,070
Refined Products	MT'000	1,678	1,588	1,525	1,891	2,170
Value of Imports (C &F)						
Crude Oil	Rs. Mn	114,054	144,177	110,908	120,881	186,493
	US$ Mn	1,023	1,331	965	1,062	1,674
Refined Products	Rs. Mn	111,044	157,013	89,071	145,951	222,857
	US$ Mn	996	1,449	775	1,280	2,062
Average Price of Crude Oil (C&F)	Rs./Bbl.	8,024	10,578	7,296	9,037	12,253
	US$/Bbl.	72	98	63	79	110
Quantity of Exports	MT'000	130	148	120	172	247
Value of Export	US$ Mn	75	105	55	109	194
Total Revenue						
Domestic Sales	Rs. Mn	245,080	345,096	251,095	264,196	360,858
Exports	Rs. Mn	8,265	12,906	6,413	12,355	21,418
Overheads	Rs. Mn	14,446	17,641	17,765	18,181	22,737
Operational Profit/(Loss)	Rs. Mn	7,089	(11,085)	(7,717)	(20,295)	(85,165)
Local Sales						
Petrol (90 Octane)	Mn L	475	478	524	615	705
Petrol (95 Octane)	Mn L	27	27	21	22	35
Auto Diesel	MnL	1,714	1,621	1,687	1,681	2,185
Super Diesel	Mn L	6	8	10	13	17
Kerosene	Mn L	214	193	192	210	187
Furnace Oil	Mn L	1,039	1,049	1,156	1,316	1,153
Aviation	Mn L	252	240	177	216	399
Naphtha	Mn L	148	206	161	78	67
Bitumen	Mn L	-	86	93	81	101
SBP	Mn L	-	4	1	4	5
L.P.Gas	Mn L	-	16	25	23	24
Others	Mn L	94	1	2	1	1
Local Price (End Period)						
Petrol (90 Octane)	Rs./L	117	120	115	115	137
Petrol (95 Octane)	Rs./L	120	133	133	133	155
Auto Diesel	Rs./L	75	70	73	73	84
Super Diesel	Rs./L	80	85	88	88	106
Kerosene	Rs./L	68	50	51	51	71
Furnace oil 1500 Sec	Rs./L	52	33	40	40	40
Refinery Capacity (Per day)	MT'000	6,800	6,800	6,800	6,800	6,800
Storage Capacity	MT'000	574,529	574,529	574,529	574,529	574,529
Refinery Output	MT'000	1,795,672	1,776,787	1,894,910	1,649,474	1,889,146
Value of Production	Rs. Mn	111,807	159,545	107,740	120,641	183,054

Source: Ceylon Petroleum Corporation

However, although price of Heavy Fuel increased by almost 50 percent, it is still subsidized by almost 40 percent, in order to make available electricity at affordable prices. The estimated loss from these subsidies to CPC is partly covered from higher prices of Petrol.

Government assistance to the CPC continued in 2011, by way of Treasury Guarantees amounting to Rs. 11,389 million which facilitates CPC's funding from external sources. With the aim of strengthening CPC's balance sheet, the Treasury issued a tradable bond in January 2012, to the value of Rs.60 billion in lieu of the outstanding dues as at the end of 2010 to the CPC from CEB amounting to Rs.50.5 billion and other government agencies.

If CPC is to turn its performance around, along with the infusion of new technology and processes, it is crucial to maintain and upgrade its existing assets such as the refinery, pipelines and other ancillary facilities. However one of the key challenges faced by CPC with its negative net worth is the lack of adequate resources and the ability to raise such finances.

While recognizing the challenges faced, CPC has failed to restructure its management and business model to perform its responsibilities. The lack of a clear strategy on procurements, pricing and, weak financial and operational systems has resulted in the sub optimal utilization of its resources and deterioration in its performance. The COPE too, highlighted lapses in the governance structure of CPC which will have to be addressed immediately.

It is also necessary to strengthen the Board of Management, audit committees, procurement systems, financial management as well as employing professionals into key positions to manage this single largest enterprise in the country, which is accountable to manage almost a US$ 5 billion turnover of a global commodity.

National Water Supply & Drainage Board (NWS&DB)

Provision of safe drinking water and sanitation is a key development objective of the government. In this regard, the NWS&DB has been successful in increasing its coverage to 43 percent in 2011 from 40 percent in 2010 through pipe borne water. NWS&DB produced 490 million cubic meters (cbm) of drinking water in 2011, a 4 percent increase over 2010, at a cost of Rs. 7,471million utilizing 322 water supply schemes. Cost per cbm of water produced increased marginally by 2 percent to Rs. 14.86 in 2011 from Rs.14.60 in 2010.The increase of new water connections by 7 percent and the introduction of a sewerage tariff, resulted in an increase of turnover by 11 percent to Rs. 13,699 million in 2011 from Rs. 12,310 million in 2010. Total drinking water of 342 million cbm was sold in 2011. The average cost of 01 cbm of water in 2011 decreased by almost 31 percent to Rs. 38.72 from Rs. 56.49 recorded in 2010.

Reflecting the enhanced access to clean water, total water connections increased by 95,733 (7.7 percent) in 2011. The government investment during 2006-2010 amounted to Rs 90,422 million in comparison to Rs.47,581 million during 2001-2005.

Table 2.6: Production Cost of Unit (Rs.)

	2007	2008	2009	2010	2011	Variance
Personnel Cost	5.27	5.74	6.06	6.83	6.56	0.27
Pumping Cost	3.69	4.73	4.47	4.43	4.89	-0.45
Chemicals	0.82	0.98	0.93	0.86	0.86	0
Repairs & Maintenance	0.66	1.01	1.06	1.16	1.16	0
Establishment Expenses	0.34	0.46	0.49	0.51	0.55	-0.03
Other Expenses	0.42	0.52	0.69	0.8	0.84	-0.05
Production cost per cbm	**11.2**	**13.4**	**13.7**	**14.6**	**14.9**	**-0.26**

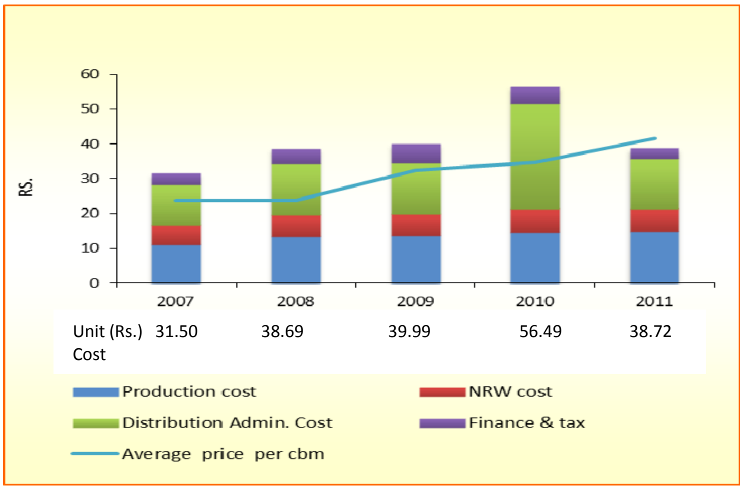
Source: National Water Supply & Drainage Board

Table 2.7: Financial Highlights of National Water Supply & Drainage Board Rs. million

	2006	2007	2008	2009	2010	2011	Growth %
Turnover	6,944	7,612	8,134	11,067	12,310	13,699	11
Cost of production	4,080	4,903	6,089	6,322	7,062	7,471	6
Gross Profit/ (Loss) -Water	2,939	2,784	2,126	4,826	5,346	6,261	17
Sewerage	(75)	(75)	(81)	(81)	(98)	(33)	(55)
Total Gross Profit/ (Loss)	2,864	2,709	2,045	4,745	5,248	6,228	19
Non –Operating income	114	203	60	49	98	131	34
Administration & other overheads	2,608	3,284	3,760	4,561	6,092	4,464	(27)
Asset revaluation deficit	-	-	-	-	3,684	474	(87)
Finance cost	584	906	1,260	1,658	1,525	996	(35)
Net accounting profit/ (Loss) *[with provisions]*	(214)	(1,278)	(2,915)	(1,425)	(5,955)	425	101
Net cash profit/ (loss) *[without provisions]*	129	(491)	(509)	914	1,167	2,534	117

Source: National Water Supply & Drainage Board

Chart 2.7: Unit Cost at Consumer Door Step



As has been the case in the past, Non-Revenue Water (NRW, water wasted continuously through leakages in the distribution system) constituted almost 30 percent of the production at 490 million cbm. NRW in terms of volume has increased from 137cbm in 2005 to 148cbm in 2011.If the Board had been able to mitigate the NRW to at least 12 percent (international benchmark), the water board would have been able to reduce the unit cost to Rs.31.71 from Rs. 38.72. This would have enabled the NWS&DB to increase new connections by 373,000. The estimated loss due to NRW remaining almost 18 percent in excess of the international benchmark amounts almost Rs.3,550 million per annum.

Cost over runs of projects, sometimes exceeding even 100 percent of the original budget is a common feature of most of the projects of the board, which can be attributed to poor project management, lack of a proper costing systems that facilitates better decision making especially in cost controlling and water pricing. These are major weaknesses in the organization. NWS&DB will also be required to pursue a strategy to increase its productivity by lowering its system losses, considering, the rising demand for safe drinking water as well as for industrial use and sewerage systems on one hand while maintaining the existing infrastructure, requires a massive investment in excess of Rs.500 billion. Therefore, NWS&DB will be required to adopt a new business model and alternative strategies including private sector and Ministry participation in various facets of water wastage and investments in water resources. This will require capital infusions of at least Rs. 270 Bn. within the next 3-5 years which should be financed through innovative funding mechanisms.

Table: 2.8 Performance of National Water Supply & Drainage Board

	Description	Unit	2006	2007	2008	2009	2010	2011
PERFORMANCE INDICATORS.	Water connections	No.	989,395	1,078,892	1,186,931	1,266,328	1,353,573	1,449,306
	Water production	Mn./cbm	398	424	440	449	470	490
	Water Sales	Mn./cbm	264	284	299	309	322	342
	NRW supply % of water production	%	34.44	33	32.09	31.13	31.55	30.00
	Water supply schemes (Revenue units)	Nos.	295	308	309	312	315	322
	Revenue per employee/ month	Rs.	59,251	61,606	62,396	88,914	99,283	105,229
	Cost of employment / employee/ month	Rs.	28,389	32,986	36,647	39,820	48,445	46,739
	Cost of production/ employee /month	Rs.	41,192	46,595	53,895	55,361	65,120	67,695
	Production cost per unit	Rs./cbm	9.80	11.2	13.44	13.70	14.60	14.86
	NRW cost per unit	Rs./cbm	5.13	5.54	6.36	6.17	6.73	6.48
	Distribution and other cost per unit	Rs./cbm	10.00	11.56	14.67	14.75	30.41	14.46
	Total Unit cost at consumer Door Step	Rs./cbm	27.14	31.50	38.69	39.99	56.49	38.72
	Employees per 1000 connections	Nos.	9	8	8	7	7	6
EMPLOYEES	• Water segment -Production	Nos.	3,870	3,943	3,952	3,938	4,034	4,120
	-Distribution	Nos.	1,950	2,016	2,063	2,087	2,024	2,060
	- Projects	Nos.	145	140	140	136	150	178
	- Supportive staff	Nos.	1,550	1,553	1,577	1,640	1,560	1,572
	• Sewerage segment	Nos.	220	215	208	224	216	201
	• Head office staff segment	Nos.	600	981	1,066	1,038	1,034	1,068
	Total Employees	Nos.	8,335	8,848	9,006	9,063	9,018	9,199

Source: National Water Supply & Drainage Board

Ports

An efficient port system is the key to improving the country's competitiveness, trade and investment flows and catering to the fast growing markets. In this regard, investments in the construction of the Hambanthota port and the development of the Colombo South Port have been given the highest priority. These investments by the government are complemented by the private sector which is expected to invest US $ 440 million in 2011 - 2013 and a further US$ 2.8 billion during the period of 2017 -2020. The port sector is expected to provide major investment opportunities to the private sector as the country has performed well in the PPP approach to capital formation in this sector.

SLPA operates 2 container handling facilities, Jaya Container Terminal (JCT) with a capacity of 2 million TEU's, Unity Container Terminal (UCT) with a capacity of 300,000 TEU while the South Asia Gateway Terminal Limited (SAGT) a private sector company has the capacity to handle 1 million TEU's. During the year 2011 the SLPA handled 54 percent of the country's total container volume at 2.3 million TEUs, while SAGT handled the balance 46 percent at 1.9 million TEUs. It is noted that during the year 2011 the container volume handled by the Jaya Container Terminal (JCT) and the Unity Container Terminal (UCT) increased by 6 percent while SAGT experienced a slight decline in its operations.

Positioning of Sri Lanka as a transshipment hub will require government to proactively engage the private sector in ensuring investments in port related ancillary activities such as provision of logistics, freight forwarding, insurance, banking etc, while SLPA invests in basic port infrastructure facilities. At the same time, if Sri Lankan ports are to be competitive regionally, productivity at the ports will have to improve significantly through the usage of modern technology and modern human resource management practices.

Table 2.9 Ranking of World Container Ports

Rank	2005	2010
1	Singapore	Shanghai, China
2	Hong Kong	Singapore
3	Shanghai, China	Hong Kong
4	Shenzhen, China	Shenzhen, China
5	Busan, South Korea	Busan, South Korea
6	Kaohsiung, Taiwan	Ningbo, China
7	Rotterdam, Netherlands	Guangzhou, China
8	Hamburg, Germany	Qingdao, China
9	Dubai, United Arab, Emirates	Dubai, United Arab
10	Los Angeles, USA	Rotterdam, Netherlands
11	Long Beach, USA	Tianjin, China
12	Antwerp, Netherlands	Kaohsiung, Taiwan
13	Qingdao, China	Port Klang, Malaysia
14	Port Klang, Malaysia	Antwerp, Belgium
15	Ningbo, China	Hamburg, Germany
16	Tianjin, China	Tanjung Pelepas, Malaysia
17	New York/New Jersey USA	Los Angeles, USA
18	Guangzhou, China	Long Beach, USA
19	Tanjung Pelepas, Malaysia	Xiamen, China
20	Laem Chabang, Thailand	New York/New Jersey, USA
21	Bremen/Bremerhaven, Germany	Dalian, China
22	Tokyo, Japan	Laem Chabang, Thailand
23	Xiamen, China	Bremen/Bremerhaven, Germany
24	Jakarta, Indonesia	Jakarta, Indonesia
25	Algeciras, Spain	Tokyo, Japan
26	Gioia Tauro, Italy	Jawaharlal Nehru (Mumbai), India
27	Yokohama, Japan	Valencia, Spain
28	Jeddah, Saudi Arabia	Ho Chi Minh City (Saigon),Vietnam
29	Felixstowe, UK	Colombo, Sri Lanka
30	Jawaharlal Nehru, India	Lianyungang, China
31	Manila, Philippines	Jeddah, Saudi Arabia
32	Dalian, China	Salalah, Oman
33	Salalah, Oman	Port Said, Egypt
34	Nagoya, Japan	Yingkou, China
35	Colombo, Sri Lanka	Felixstowe, UK
36	Valencia, Spain	Yokohama, Japan

Source: World Shipping Council[4]

[4] http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports

Sri Lanka Ports Authority

Towards accelerating port related infrastructure development, Sri Lanka Ports Authority (SLPA) embarked on the construction of a new port in Hambanthota[5] at a cost of US$ 437million[6]. The SLPA also undertook the expansion of the Colombo Port through the Colombo South Port Terminal[7] with a private investment of US$500 million which will have a container handling capacity of 2.4millionTEU. The Galle port has been targeted as a tourist port. Continuing its support, the government in 2011 on lent Rs 26 billion to SLPA for the development of sea ports.

Boosted by the growth in both domestic and international trade, the SLPA enjoyed a significant growth in its operations with a 6.1percent increase in container traffic volume and a 10.6 percent growth in vessel arrivals over 2010. Complementing these operational improvements, the revenue increased by 10.5percent to Rs.31,250 million in 2011 from Rs.28,279 million in 2010. As has been in the past, in 2011 Colombo port accounted for 97.6 percent of the total revenue, while both the Galle and Trincomalee ports accounted for the balance 2.4 percent.

SLPA remained profitable in 2011 recording an operating profit of Rs.8,292 million, an increase of 89 percent over Rs.4,387 million in 2010. Although SLPA continued to incur exchange losses amounting to Rs.3,543 million in 2011, a decline in the overall expenditure by 3 percent along with an increase in the total revenue by 10 percent, enabled SLPA to earn a net profit of Rs 583 million.A significant turnaround in its performance against the net loss of Rs1,065 million in 2010.

In a bid to restructure its operations the SLPA implemented a Voluntary Retirement Scheme at a cost of Rs 2,595 million, for 1,643 employees. This enabled SLPA to reduce its total employees to10,083 in 2011 from 11,762 in 2010. Further, the cost per tonnage has declined to Rs.714 in 2011 from Rs. 815 in 2010. However, since the TEU's increased only by 6.1 percent in 2011, the improvement in the TEU's per employee increased to 209 in 2011 from 169 in 2010. This was mainly due to the reduction of excess employees rather than to any significant improvements in productivity. At the same time the improvement in the average turnaround time of container ship to 22.78 hours/ship in 2011 from 23.90 hours/ship in 2010 is encouraging. However, these developments indicate a need for a considerable productivity drive as well as a business model to facilitate an increase in container traffic volume.

Table 2.10: Efficiency Indicators for SLPA (JCT)

		2005	2006	2007	2008	2009	2010	2011
Average turnaround time of Container Ship (hours)	Main Vessel	13.71	17.43	18.77	20.58	18.90	23.90	22.78
	Feeder Vessel	19.06	23.76	26.84	35.39	31.50	45.10	38.12
Average Service time of Container Ship (hours)	Main Vessel	11.65	14.14	14.55	14.18	13.30	16.60	17.78
	Feeder Vessel	16.85	20.37	21.11	24.82	22.40	32.10	32.10
Average waiting time of Container Ship (hours)	Main Vessel	0.75	1.87	2.52	4.60	3.87	6.70	3.51
	Feeder Vessel	0.79	1.84	2.80	8.35	6.53	11.00	4.16
Container productivity per crane (moves per hour)	Main Vessel	23.42	20.99	19.32	19.63	20.33	19.23	18.73
	Feeder Vessel	19.69	17.57	16.28	17.41	18.85	17.23	16.88
Container productivity per berth (moves per hour)	Main Vessel	49.25	43.28	42.51	45.27	47.45	47.54	48.66
	Feeder Vessel	33.85	30.13	28.95	31.95	35.33	33.14	33.43
Container productivity per ship (moves per hour)	Main Vessel	41.91	36.42	35.88	38.64	40.81	42.33	43.98
	Feeder Vessel	28.77	24.79	24.72	27.64	28.93	29.56	30.37

Source: Sri Lanka Port Authority

[5] Commissioned in January 2008

[6] Of the total cost of US$437million,85 percent was through loan granted by Chinese Government/EX-IM Bank of China while the balance 15 percent is borne by the SLPA.

[7] The first 600 meters of the terminal will be commissioned by May 2014 and the entire terminal by November 2016.

The COPE report on SLPA highlighted inefficient use of Training Institutes and underutilization of assets and resources such as idling equipment's. In this background SLPA will have to adopt stringent procedures to ensure optimal utilization of assets and proper governance. Such measures will facilitate the improvement in its productivity which in turn will allow it to successfully compete with the other upcoming ports in the region.

Table 2.11: Performance of Sri Lanka Ports Authority

	Units	2005	2006	2007	2008	2009	2010	2011
Vessels Arrived	**Nos**	**5,092**	**5,117**	**5,366**	**5,430**	**5,162**	**4,657**	**5,153**
Colombo	Nos	4,425	4,583	4,760	4,771	4,560	4,343	4,772
Galle	Nos	258	267	304	333	222	169	220
Trincomalee	Nos	409	267	302	326	380	145	161
Total TEU's Handled (SLPA)	MT Mn	1.5	1.7	1.8	1.9	1.7	2.1	2.3
Revenue	**Rs. Mn**	**20,550**	**23,004**	**25,913**	**25,142**	**23,331**	**28,279**	**31,250**
Colombo	Rs. Mn	19,789	22,318	25,296	24,561	23,257	27,724	30,525
Galle	Rs. Mn	449	465	361	268	169	279	285
Trincomalee	Rs. Mn	312	221	256	314	361	277	441
Total Expenditure	**Rs. Mn**	**14,370**	**18,217**	**23,562**	**23,322**	**21,774**	**25,118**	**24,330**
Colombo	Rs. Mn	13,589	17,196	22,565	22,159	20,533	23,834	23,140
Galle	Rs. Mn	370	515	636	613	544	662	603
Trincomalee	Rs. Mn	411	506	661	550	597	622	588
Operating Profit	Rs. Mn	7,367	5,903	3,498	2,941	1,942	4,387	8,292
Foreign Loan	Rs. Mn	40,248	38,523	39,334	51,202	53,842	42,143	122,763
Interest of Foreign Loan	Rs. Mn	1,186	1,115	1,147	1,211	1,159	1,225	1,372
Foreign Exchange gain/(loss)	Rs. Mn	7,058	-1,168	-3,944	-11,790	591	-4,409	-3,543
Key Performance Indicators								
TEU's per Employee	Nos	113	128	113	144	128	169	209
Revenue per Employee	Rs. Mn	1.5	1.7	1.9	1.8	1.7	2.2	2.8
Cost per Employee	Rs. Mn	1.1	1.3	1.7	1.7	1.6	1.9	2.2
Total Cost of Employment	Rs. Mn	6,503	8,936	14,013	13,388	12,592	14,088	12,906

Source: Sri Lanka Ports Authority

Commuter Transportation

Road transport in the country accounts for about 93 percent of the land transport. The commuter buses are the principal mode of public transport. Sri Lanka Transport Board (SLTB) a SOBE, with a fleet of 7,921 buses, catered to almost 25-30 percent of the market while the balance is catered to by the private sector. SLTB provides its services to the rural areas and in non-profitable routes which are not attractive to the private sector.

SLTB earns on average Rs.45 per operated kilometer, while the private sector earns almost Rs 69.70 per operated kilometer. SLTB's ability to perform as a commercially viable entity is hindered by systemic issues such as inefficient management practices, procurement inefficiencies, and human resource issues.

The lack of coordination between the SLTB and the private buses regarding the timetables has given rise to not only the passengers being inconvenienced unduly, but also to the sub optimal performance of both sectors. Coordination between the SLTB and the Sri Lanka Railways would have mutual benefited both as SLTB could operate buses on the feeder roads to the railway stations in the country. Considering limitations of SLTB to generate large surplus's, it is necessary to facilitate private sector initiatives in transport within a sound regulatory framework.

Sri Lanka Transport Board (SLTB)

Despite an increase in the government budgetary support to Rs. 5,182 million in 2011 from Rs. 4,469 million in 2010, the SLTB's total revenue declined to Rs. 21,017 million from Rs. 21,560 million in 2010.

Driven by increases in 2011 in the fuel bill of 6 percent, salaries and wages of 15 percent, SLTB's total expenditure increased by 3 percent to Rs. 23,042 million from Rs. 22,390 million in 2010. Hence the operational losses of SLTB increased by almost 144 percent to Rs. 2,025 million in 2011 from Rs. 830 million. However during 2011, SLTB added 157 new buses and 869 fully repaired busses into its running bus fleet which stands at 5,111 at the end of 2011.The Board ventured into new inter provincial routes and also planned to commence a new bus service on the Southern highway from January 2012.

The COPE identified issues such as delay in submission of Annual reports to Parliament, lapses in administration, inefficient management practices as major shortcomings of SLTB.

Table 2.12: Performance of Sri Lanka Transport Board

	Unit	2006	2007	2008	2009	2010	2011 *
Operated Passenger	Km/Day	713,753	835,313	857,033	920,168	935,940	933,810
Buses in Operation (avg per annum)	Nos	3,557	4,219	4,246	4,478	4,451	4,365
Total Revenue	**Rs. Mn**	**12,668**	**15,441**	**18,083**	**21,527**	**21,560**	**21,017**
Waybill	Rs. Mn	7,917	10,695	12,973	13,442	14,658	15,176
Season Tickets	Rs. Mn	199	359	528	536	542	553
Special Hires	Rs. Mn	150	233	326	559	403	143
Other Income	Rs. Mn	422	345	503	904	2,120	1,324
Total Government Contribution	**Rs. Mn**	**8,960**	**6,157**	**6,726**	**4,188**	**4,469**	**5,182**
Recurrent	Rs. Mn	4,976	3,545	4,842	3,527	3,620	3,939
Capital	Rs. Mn	3,984	2,612	1,884	661	849	1,243
Total Expenditure	**Rs. Mn**	**13,653**	**16,287**	**20,132**	**20,906**	**22,390**	**23,042**
Fuel Cost	Rs. Mn	4,696	6,228	8,505	7,134	7,177	7,628
Cost of Tyres&Tubes	Rs. Mn	1,576	1,886	1,126	1,333	1,336	1,516
Salaries & Wages	Rs. Mn	4,745	5,954	6,803	8,807	8,434	9,664
Batteries, Spare Parts	Rs. Mn	608	587	683	870	1,058	1,010
Net Loss before Interest and Tax	Rs. Mn	6,824	6,051	7,998	4,645	830	2,025
Financial Charges	Rs. Mn	50	58	54	49	64	81
Investments	Rs. Mn	149	253	311	375	406	445
Total Employees	Nos	38,952	37,149	36,773	35,365	34,772	34,263
Avg employment cost per employee per annum	Rs.	121,820	160,273	185,000	249,031	242,552	282,053
Avg revenue per employee	Rs.	325,221	415,650	491,747	414,478	620,039	613,402

Source: Sri Lanka Transport Board

*Draft

Aviation

Complementing the government policy of positioning Sri Lanka as an Aviation hub with better facilities in air transport, the government has invested Rs. 23,978 million in the aviation industry during 2006-2011, an increase of almost 43 percent over the period 2000-2005.

Sri Lankan Airlines Ltd (SLA)

SLA, the country's national carrier although faced many challenges due to high fuel cost and stiff competition from other international airlines, expanded its global route network to 51 destinations in 32 countries with new services to Shanghai, Guangzhou, Kochi and Russia. SLA also commenced code-sharing services with Mihin Lanka (Pvt) Limited to Dhaka and enhanced its fleet by the acquisition of 6 aircrafts. SLA accounts for around 60 percent of the passengers at Bandaranayke International Airport (BIA). The expansion of routes with special emphasis on Asia, Pacific and the Far East, Russia and the Middle East has been given high priority in its business model.

With the acquisition of 6 new aircrafts (4 - A320 narrow body, 1 - A330 wide body and 1 - A340 wide body) on lease terms, total fleet of SLA increased to 19 at the end of 2011. Further 2 aircrafts (1 - A330 wide body and 1 - A320 narrow body) is to be added to the fleet in March and April 2012. The 2nd air taxi was induced to the fleet in year 2011 to expand the domestic operations, though this experiment has not produced the desired results.

During the year, revenue increased by 24 percent to Rs. 77,125 million over Rs. 62,363 million in 2009/2010. However, despite the sale of preference shares at a value of Rs.1,000 million, the airline continued to incur losses of Rs. 378 million in 2010/11, against the loss of Rs. 2,674 million incurred in 2009/2010.With the twin impact of accumulated losses along with the increase in operating costs due to fuel price fluctuations, the airline is faced with a considerable liquidity crunch. Hence in a bid to ease SLA's liquidity constraints while facilitating the expansion /modernization programme, the government decided to infuse capital of USD 500 Million over the period of 5 years from 2012.

Table 2.13: Performance of Sri Lankan Airline Ltd

	2006/07	2007/08	2008/09	2009/10	2010/11	April-Dec 2011*
Operational Performance						
Passengers carried (Nos) (000')	3,176	3,196	2,735	2,558	2,867	2,496
Passenger Load Factor (%)	77.1	77.7	72.8	77.9	76.8	78.3
Cargo carried (Tones)	88,833	93,161	73,106	72,058	86,053	65,679
Overall Load Factor (%)	67.9	70.8	65.1	66.7	67.5	67.2
Routes operated (Nos)	29	30	30	33	28	33
Financial performance						**Rs. million**
Total Revenue	68,904	80,031	74,265	62,363	77,125	58,115
Net Profit before Interest and Tax	1,149	5,145	(9,738)	(5,409)	655	(15,567)
Financial Charges	(219)	(206)	(219)	(546)	(832)	(741)
Investments	26	26	24	66	65	107
Non-Current Assets	19,149	17,998	21,292	28,532	19,862	18,800
Current Assets	22,419	33,260	15,895	15,755	18,276	21,835
Non-Current Liabilities	4,137	5,049	4,470	12,441	6,905	11,232
Current Liabilities	19,558	23,437	19,940	28,245	28,018	41,755
Equity	11,111	15,536	6,230	3,598	3,216	(12,351)
Key Performance Indicators						
ROE %	8	32	-160	-165	-5	-
Breakeven load factor -%	72.3	76.2	78.2	78.9	76.1	85.1
Overall cargo Yield- Rs. per Tones/ Km	55.7	61	64.8	54.9	60.3	30.3
Unit Cost – Rs. per Tones/Km	40.3	46.5	50.7	43.4	45.9	47.4

Source: Sri Lankan Airlines Ltd
*Draft

In terms of the business model, SLA plans to expand the business class facilities and the fleet to 25 by 2016 in order to compete with the other airlines. SLA constructed a full flight simulator center at BIA in 2011 and is expected to become a regional aviation hub for pilot training.

Mihin Lanka (Pvt) Ltd (MLL)

MLL the low cost budget airline, in the country has been able to improve its performance 2010/11 with a fleet of 2 aircrafts to 7 destinations in the Asian region, largely to Middle East and South Asia. MLL has planned to acquire its 3rd aircrafts in the first quarter of 2012. In 2011, MLL reduced its losses to Rs. 940 Million from the Rs. 1,221 million in 2009/10. This could be attributed mainly to the reduction of its costs through conversion of wet lease operations to dry lease operation which resulted in considerable reduction of cost per block hour of operation.

With the opening of the 24 hour customer support service via Mihin Lanka call center, MLL expects to improve efficiency targeting low cost travellers and pilgrims. Further, MLL intiated to pay productivity based pay for pilots i.e for the number of hours pilots operate the aircraft with a view of reducing costs.

Table 2.14: Performance of Mihin Lanka (Pvt) Limited

	2006/07	2007/08	2008/09	2009/10	2010/11	End December 2011*
Operational Performance						
Passengers Carried (Nos)	-	202,499	28,938	130,505	224,395	266,292
Cargo Carried (Tones)	-	954	226	695	959	1,290
Load Factor (%)	-	62	42	71	76	76
Financial Performance						**Rs. Million**
Total Revenue	-	2,570	373	1,700	3,142	4,576
Net Profit before Interest and Tax	(195)	(3,160)	(1,300)	(1,221)	(940)	2,055
Finance Charges	-	210	397	138	77	51
Non-Current Assets	23	39	55	38	72	61
Current Assets	381	264	386	506	1,146	1,494
Non -Current Liabilities	550	304	2,759	3,541	2,802	414
Current Liabilities	49	2,805	2,089	2,630	2,230	4,390
Equity	(195)	(2,806)	(4,407)	(5,628)	(3,814)	(3,249)

Source: Mihin Lanka (Pvt) Ltd

*Draft

Airport and Aviation Services (Sri Lanka) Limited (AASL)

During 2011, AASL has continued the modernization and expansion work of BIA and the construction of 2nd international airport at Mattala which is scheduled to be completed by the end of 2012.

With the expansion of the tourism sector passenger traffic at BIA has shown rapid growth. In 2011, BIA had more than 6 million passengers, an increase of 14 percent over 2010. A new passenger terminal at a cost of US$ 350 million, is expected to be constructed to meet the country's air traffic demand.

Table 2.15: Performance of Airport and Aviation Services (Sri Lanka) Limited

	2006	2007	2008	2009	2010	2011*
Operational Performance						
International flights movements (Nos)	33,189	33,395	31,764	28,624	34,092	43,454
Passenger Movements (Nos)	4,798,274	4,898,891	4,642,831	4,242,356	5,259,648	6,145,532
Cargo Movements (MT)	170,907	163,570	151,952	138,067	167,130	168,577
Financial Performance					**Rs. Million**	
Revenue	4,454	5,340	5,832	5,491	6,060	7,635
Expenditure	2,334	2,871	4,090	4,050	4,195	4,476
Staff Cost	1,576	1,985	2,935	2,663	2,808	3,030
Other Cost	758	886	1,155	1,387	1,387	1,446
Net Profit Before Tax	2,120	2,469	1,742	1,441	1,864	3,159
Total Non-Current Assets	477	576	1,054	1,639	2,070	4,398
Total Current Assets	4,282	5,838	6,934	7,139	7,585	7,070
Short Term Investments	2,764	4,069	4,583	4,564	5,543	3,909
Non-Current Liabilities	933	1,184	1,883	1,976	2,044	2,119
Current Liabilities	1,053	1,048	939	949	1,148	2,748
Share Holders Equity	2,772	4,190	5,167	5,901	6,463	6,601
Retained Earnings	2,660	4,079	5,055	5,790	6,352	6,489
Dividends paid	0	100	200	200	600	2,406
Key Performance Indicators						
**EPS (Rs.)	6,865	7,542	5,843	4,672	6,547	5,110
Return on Net Assets (%)	50	36	23	16	18	27
Net Profit Ratio (%)	31	28	20	17	21	41
Passengers per Aircraft (Nos)	145	147	146	148	154	140
Total Cost per Flight Handled (Rs.' 000)	70	86	133	142	123	103

Source: Airport and Aviation Services (Sri Lanka) Ltd

*Draft

** Earning per share

With enhanced international flights, passengers and cargo movements, AASL was able to increase its revenue to Rs.7,635 million in 2011 from Rs. 6,060 million in 2010. At the same time, the increase in revenue by 21 percent and the increase in costs only by 6 percent resulted in a 69 percent growth in the profit before tax in 2011 over 2010. During the year 2011, AASL paid dividends amounting to Rs.2,000 million to the government.

The key factor in creating an aviation hub would be to increase the non-aeronautical revenue through the availability of facilities such as shopping and entertainment at the airport, and other ancillary services that the modern day traveler is accustomed to. The non-aeronautical revenue constituted almost 70 percent in 2011 with a growth of24 percent over 2010.

During the year 2011, in a bid to improve the efficiency and effectiveness of the company AASL initiated the implementation of an Electronic Resource Planning System (ERP) at a cost of Rs. 248 million.

Chapter 3

Construction Sector

The construction Industry constituted almost 7 percent of the GDP in the years 2009 and 2010. It is estimated that the construction industry with public investment projects such as construction of highways, airports, ports, irrigation, urban development etc, implemented by the government will grow at an annual growth rate in excess of 10 percent in the period 2012-2015. Of the total construction projects almost 85 percent is state funded infrastructure projects while the balance 15 percent is privately funded.

The Central Engineering Consultancy Bureau (CECB), State Engineering Corporation (SEC) and State Development and Construction Corporation (SD&CC) are the main SOBEs engaged in the field of construction. Total turnover of all SOBEs in construction has recorded almost a 8 percent increase in revenue over 2010.

SEC, CECB and SD&CC have undertaken almost 90 percent of the government construction work, but has shown capacity limits, in completing the majority of the projects undertaken on time, thereby resulting in cost overruns.

The challenge for both SEC and CECB is to compete in the market in a cost effective manner. In this regard SEC, CECB and SD&CC should adopt new construction practices and processes, while being competitive with the private sector.

CECB has already completed few foreign consultancies in Tanzania, Ruanda, Malawi and Uganda and some construction work in India and Maldives and thereby displaying its ability to work in the international market successfully. Hence, both CECB and SEC should exploit the opportunity to operate in the international market with strategic alliances with Sri Lankan private sector construction companies who have already entered these markets.

State Engineering Corporation of Sri Lanka (SEC)

SEC was the first government institution in the construction sector to have obtained ISO 9001-2008 certification in 2009. SEC has experienced a constant growth in its revenue, recording Rs.5,395 million in 2011. Despite a 8 percent decrease in revenue in 2011, net profit has increased by 17 percent due to the introduction of special operation division to undertake the assignment given by the Ministry of Economic Development under district provincial road project to carpet 725Km of provincial roads in Galle, Matale and Rathnapura districts. SEC is presently facing considerable liquidity crunch since its average debt recovery period which stood at 129 days in 2010 has increased to 217 days in 2011.

The SEC has been lagging behind its private sector counterparts in terms of its efficiency and optimal utilization of resources. The COPE has also noted that SEC has been incurring losses on many of the activities undertaken. The Annual reports for the years 2007,2008 and 2009 has not been submitted to the Parliament. The COPE notes that the Corporate Plan 2011-2015 has many short comings.

In the year 2011, National Equipment and Machinery Organization which was attached to National Housing Development Authority were absorbed to SEC by improving the fleet of construction machineries of the institution.

Table 3.1: Performance of State Engineering Corporation of Sri Lanka

	2006	2007	2008	2009	2010	2011*
Financial Performance				Rs. Million		
Total Revenue	1,843	2,219	2,652	3,794	5,921	5,395
Net Profit Before Interest and Tax	25	128	55	279	133	156
Financial Charges	5	4	0.7	0	0	4
Investment	1	1	1	1	1	1
Non-Current Assets	97	133	127	120	161	197
Current Assets	1,607	2,272	2,690	3,808	5,447	5,645
Non-Current Liabilities	342	414	247	275	278	279
Current Liabilities	1,394	1,895	2,424	3,231	4,844	4,959
Equity	(33)	96	147	421	487	605
Key Performance Indicators						
ROA %	1	5	2	7	2.4	2.7
ROCE %	-	133	37	66	27	25

Source: State Engineering Corporation
*Draft

Central Engineering Consultancy Bureau (CECB)

CECB was founded in 1973 to provide multi-disciplinary consultancy services for water resource development projects especially such as the Mahaweli development project. CECB holds the ISO 9001-2008 quality assurance accreditation for Engineering Consultancy and construction service since 2011. CECB was successful in commissioning construction projects in foreign countries during the last five year period.

Table 3.2: Performance of Central Engineering Consultancy Bureau

	2006	2007	2008	2009	2010	2011*
Financial performance						Rs. Million
Total Revenue	3,161	3,318	4,104	8,722	5,819	6,577
Net Profit /(Loss) Before Interest and Tax	52	44	238	271	669	332
Financial Charges	28	398	39	20	20	8
Investment	31	55	55	57	70	1,219
Non-Current Assets	275	323	330	405	387	397
Current Assets	3,481	4,210	5,869	2,586	4,621	3,616
Non-Current Liabilities	112	175	173	176	176	168
Current Liabilities	3,296	4,032	5,592	2,262	3,971	3,801
Equity	348	326	433	553	931	1,263
Key Performances Indicators						
ROCE %	15	13	54	49	73	26

Source: Central Engineering Consultancy Bureau
*Draft

While the revenue in 2011 has increased by 13 percent to Rs. 6,577 million, net profit has decreased by 41 percent to Rs.332 million. This is mainly due to the increase in the cost of construction especially raw materials. Although CECB should concentrate more on consultancies they have increasingly being undertaking more construction work as opposed to consultancies. Lack of a realistic assessment on the capacity of the organization has often resulted in the CECB not being able to meet the contractual deadlines leading to cost escalations. This has also resulted in CECB not being able to recover their fees on time while affecting their credibility.

COPE has noted that the financial statements for the year 2010 have not been prepared in line with the Sri Lanka Accounting Standards and hence the accounts were withdrawn.

State Development & Construction Corporation (SD&CC)

SD &CC has diversified its business activities by undertaking projects such as construction of tunnels, bridges, Irrigation structures, water projects, installations, maintenance and operation of traffic light signal systems etc. SD & CC is the leader in bridge construction in the country, completing more than 300 bridges. In addition to the construction of bridges in the Eastern province under the “Eastern Reawakening”, it was assigned to carpet 139 kilometers of Roads in Polonnaruwa under the ‘District Provincial Road Project for the total cost of Rs.1,257 million. However during the year 2011, only Rs.375 million worth of works has been completed.

Table 3.3: Performance State Development & Construction Corporation

	2006	2007	2008	2009	2010	2011*
Financial Performance						**Rs. Million**
Total Revenue	867	801	1,661	1,466	1,672	2,486
Net Profit before Interest and Tax	32	55	121	210	102	110
Financial Charges	15	18	78	119	81	67
Investment	101	65	53	50	50	51
Non-Current Assets	938	907	896	873	803	832
Current Assets	881	1,207	1,553	1,753	1,590	2,778
Non-Current Liabilities	151	165	235	345	367	348
Current Liabilities	734	989	1,212	1,190	1,222	2,440
Equity	934	960	1,002	1,091	854	873
Key Performance Indicators						
ROCE %	3	6	12	19	12	13
ROA %	2	3	5	8	4	3

Source: State Development & Construction Corporation
*Draft

During the year 2011, SD & CC recorded a 49 percent increase in its revenue to Rs.2,486 million from Rs.1,672 million in 2010. However due to almost a 56 percent increase in direct operating cost, gross operating profit decreased slightly in 2011 against 2010. The increase in revenue and a considerable decrease in administration and financial expenses resulted in SD&CC increasing their net profit before interest and tax by 7 percent to Rs.110 million in 2011 from Rs.102 million in 2010.

SD&CC needs to improve its processes utilizing modern technology, adopting new construction practices resulting in the reduction in the total costs as well as enabling the completion of works on time.

COPE notes that the Annual Reports have not been tabled in parliament since 2007.

Chapter 4

Finance Sector

With a network of 1,795 branches and service delivery points, the 8 state owned banks were able to record a growth of 9 percent in their revenues, exceeding the industry average of 7percent. During 2011, state owned banks also expanded their operations with the opening of 106 banking outlets throughout the country out of which, 41 outlets were opened in the conflict affected districts.

Bank of Ceylon and Peoples Bank, the 2 state owned commercial banks, accounted for almost 37 percent of the total savings and 40 percent of the total credit in the banking sector. The number of account holders increased from 33million in 2005 to 45million in 2011 indicating better accessibility into the banking by the general public.

The total asset base of state owned banks at the end of 2011, amounted to Rs. 2,077 billion accounting for 49 percent of the total assets of the banks. Nearly 57 percent of the total asset base of the state owned banks constitutes of loans and 35 percent of investments. The state banks experienced a 9 percent growth of the assets base while the asset base of the private banks grew at 11 percent over 2010. This disparity was also evident in the credit growth where the state owned banks and the private sector banks recorded 15 percent and 17 percent respectively.

Chart 4.1: Movement of Gross Non Performing Loan Ratio of State Owned Banks

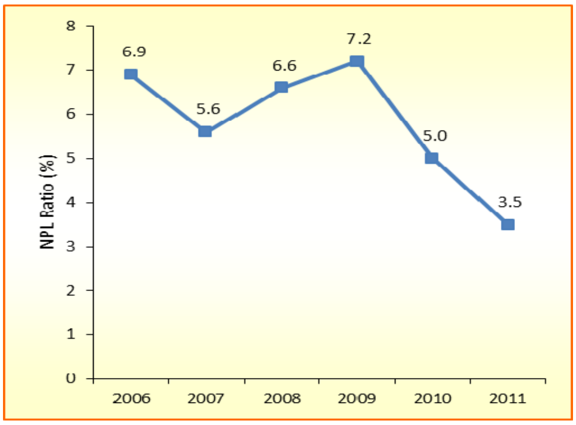
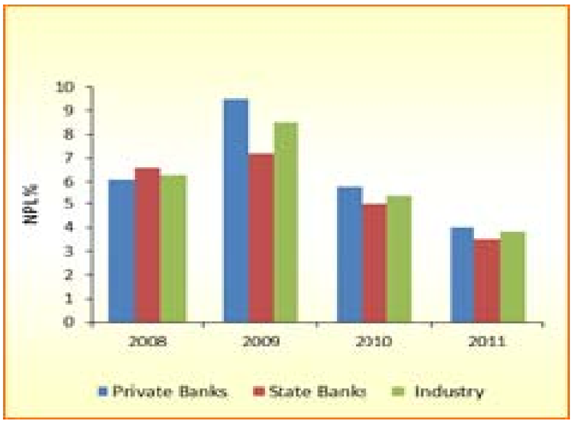


Chart 4.2: Comparison on NPL of State & Private Banks



The asset quality of state banks which has been improving during the last few years, continued in 2011 too. Total nonperforming loans of state banks amounted to Rs. 42 billion by the end of 2011 registering a significant decline of 8 percent over the previous year.

The non-performing loan ratio declined to 3.5 percent in 2011 from 5.0 percent in 2010, and was below the 3.8 percent of the industry average of nonperforming loans in 2011. However it is noted that the non-performing loan portfolio of Rs. 42 billion in 2011 indicates that the banks have to embark on a concerted effort to recover these loans which could help to support Banks' liquidity positions.

Deposit base of the state banks continued to increase with the total deposit base at Rs.1,613 billion by the end 2011, registering a year on year growth of 15 percent. However the growth in deposits of state banks were below the industry average of 18.6 percent in 2011 indicating that the private banks were more successful in attracting deposits than the state owned banks. This warrants the state banks to embark on an aggressive deposit mobilization drive.

Table 4.1 : Non Performing Loans of State Banks

	2010 Rs. Mn	2011* Rs. Mn	As a %of total NPL of State Banks
Bank of Ceylon	12,638	10,921	26
People's Bank	18,738	16,062	38
National Savings Bank	2,119	2,684	6
State Mortgage & Investment Bank	5,162	5,271	13
HDFC Bank	2,840	3,281	8
Lankaputhra Development Bank	1,328	1,242	3
PradeshiyaSanwardhana Bank	1,152	1,074	3
Sri Lanka Savings Bank Ltd	1,538	1,408	3
Total	45,518	41,943	100

Source: Department of Public Enterprises
*Unaudited

Chart 4.3: Deposits of State Owned Banks

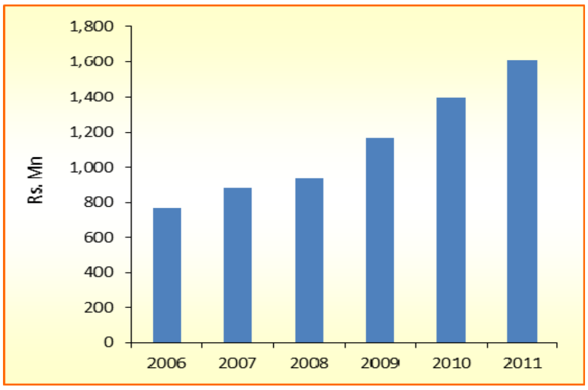
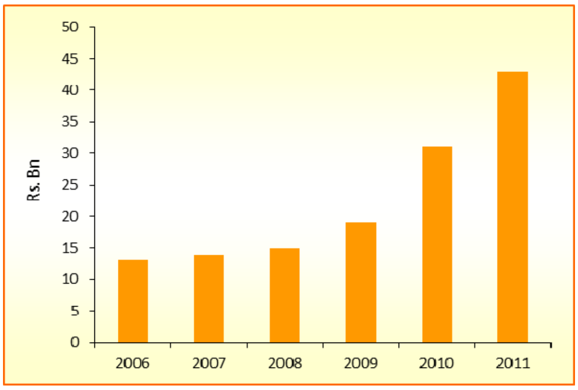


Chart 4.4: Profitability of State Owned Banks



The total lending's of state banks recorded a growth of 34 percent, an increase of Rs. 302 billion in 2011. A major portion was directed towards financing the surge of economic activities in transport, tourism, and construction sectors. Total capital funds employed by state owned banks amounted to Rs. 106.4 billion in 2011, a significant growth of a 35 percent over the year 2010.This was mainly due to increased profitability which resulted in an accumulation of retained profits of the state banks in 2011. By the end of 2011, all state banks excluding HDFC and Sri Lanka Savings Bank were within the enhanced capital adequacy required by the Central Bank of Sri Lanka. Nevertheless, Return on Assets of State Banks remained well below private Banks, reflecting the development activities performed by the State Banks in rural agriculture and low income housing.

Chart 4.5: Composition of State & Private Banks in the Industry

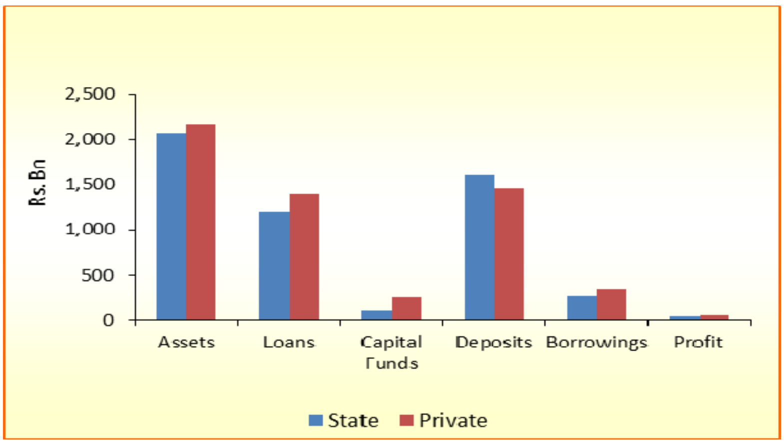


Table 4.2: Key Performance Indicators of State Banks

Rs. Billion

	2006	2007	2008	2009	2010	2011*
Total Revenue	867	801	1,661	1,466	1,672	2,486
Assets	1,001.6	1,149.7	1,247.2	1,447.4	1,757.9	2,077
Loans & Advances	503.8	624.0	630.0	673.4	878.8	1,181
Non Performing Advances	36.3	36.2	43.1	50.7	45.5	42.0
Deposits	772.0	883.8	942.9	1,168.0	1,400.1	1,613
Capital Funds	49.4	53.4	63.2	70.2	84.4	106.4
Total Borrowing	136.5	151.0	176.0	132.7	204.2	275.3
Interest Income	88.2	124.0	155.0	177.3	167.7	182.1
Interest Expenses	50.6	82.6	108.0	119.8	98.8	103.2
Net Interest Income	37.9	41.3	47.0	57.5	68.9	78.9
Profit Before Tax	13.0	13.9	15.2	18.9	31.3	43.0
Profit After Tax	8.4	7.4	7.9	10.9	18.6	29.3
Return on Assets (ROA) (%)	0.9	0.7	0.7	0.8	1.2	1.5
Return on Equity (ROE) (%)	19.0	14.4	13.5	16.3	24.0	30.7

Source: Department of Public Enterprises
**Unaudited*

Chart 4.6: ROA of State & Private Banks

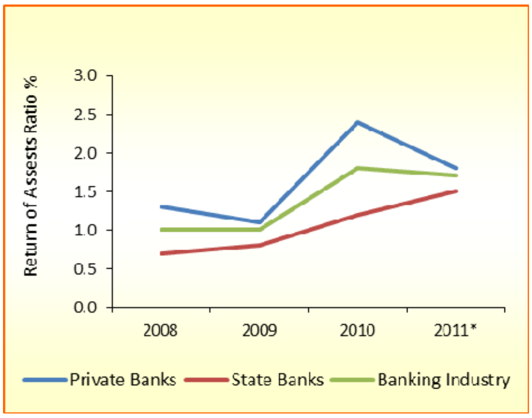


Chart 4.7: ROE of State & Private Banks

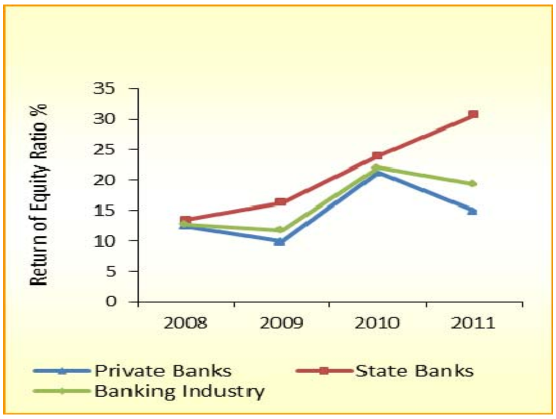


Table 4.3: Sector Wise Credit Concentration of State Banks

	2011	
	Rs.Bn	Percentage
Agriculture & Fishing	79.6	6.5
Manufacturing	55.5	4.5
Tourism	12.4	1.0
Transport	23.3	1.9
Housing	226.8	18.5
Trading	145.8	11.9
Financial & Business Services	34.3	2.8
Infrastructure	6.0	0.5
Consumption	162.6	13.3
Credit card	2.9	0.2
Pawning	344.4	28.2
Others	129.6	10.6
Total	**1,223.4**	**100.0**

Source: Department of Public Enterprises

Bank of Ceylon (BoC)

The BoC has firmly entrenched itself as Sri Lanka's premier financial services organization offering a broad range of services consisting of commercial banking, trade finance, development financing, mortgage financing, lease financing, investment banking, corporate financing, dealing in Government securities, pawn broking, credit card facilities, off-shore banking, foreign currency operations and other financial services.

BoC continued its dominance in the Sri Lankan banking industry with the largest asset base of Rs. 836 billion, deposits of Rs.588.7 billion, and foreign currency remittances at Rs. 586.9 billion. The lending portfolio which grew by 56 percent to Rs.543.6 billion continued to be the country's largest, accounting for 49.6 percent of the total lending portfolio of the banking industry. In 2011, bank's profit (before tax) increased by 53 percent to Rs.15.5 billion from Rs.10 billion in 2010. Net interest income increased to Rs.24.5 billion from Rs.19.6 billion in 2010.

Reflecting the increase in profits in 2011, the dividends paid to the government being the return on its investment, amounted to Rs. 3.8 billion an increase of 24 percent from 2010 while the VAT and other taxes paid amounted to Rs.11,255 million. Basic earnings per share of the bank at the end of 2011 stood at Rs. 2,304 compared to the Rs.1,273 in the previous year, reflecting a growth of 73 percent.

BOC reached out to all citizens of the country through its largest network of 318 branches and 248 extension offices connected online. During the year 2011, BOC opened 9 new branches and 30 new extension offices in the Northern and Eastern provinces. BOC's 404 ATM network serve the people 365 days 24 hours in all 24 districts of the country, of which 52 ATM machines were installed in 2011.

BOC operates in 2 overseas locations, namely, Maldives and Chennai. To serve the migrant communities of the country, BOC has expanded services through their representatives at the exchange houses in Qatar, the United Arab Emirates, Kuwait, Bahrain, Oman, the Kingdom of Saudi Arabia, Israel, Jordan, Italy, South Korea, France and Japan. The Bank has 12 subsidiaries and 6 associate companies in its group structure.

Fitch Ratings Lanka upgraded BOC's national long-term rating to 'AA+(lka)' from 'AA(lka)' with a stable outlook. The outstanding subordinated debentures were upgraded to 'AA(lka)' from 'AA-(lka)' and the proposed subordinated debentures of Rs.5 billion has also been assigned 'AA(lka)'.

Table 4.4 Performance of Bank of Ceylon

	2006	2007	2008	2009	2010	2011
Branches (Nos)	305	307	309	310	309	318
Employees (Nos)	8,363	8,253	7,912	7,533	8,204	8,115
Assets (Rs. Bn)	378.3	437.9	484.9	538.2	714.9	835.5
Deposits (Rs. Bn)	262.6	308.6	316.1	408.6	524.2	588.7
Number of Deposit Accounts (Nos in Mn)	6.2	7.0	7.4	7.5	9.3	10.2
Foreign currency Deposits Rs.Bn)	90.3	106.3	96.6	126.8	523.2	586.9
Corporate & Retail Lending (Rs.Bn)	223.2	282.4	271.1	265.0	244.5	358.1
Profit Before Tax (Rs. Mn)	4,137	4,518	5,231	4,208	10,052	15,546
Profit After tax (Rs. Mn)	2,627	2,843	3,561	3,084	6,365	11,521
Capital Adequacy Ratio – I (%)	11.9	12.1	11.3	11.2	10.3	6.8
Capital Adequacy Ratio – II (%)	12.3	13.2	15.7	14.2	13.7	10.1
Non-Performing Loans (Rs. Mn)	13,602	11,334	13,816	15,542	12,439	10,921
Non-Performing Loan Ratio (%)	5.8	3.9	4.9	5.7	3.3	1.9
Rating (Fitch lka)	AA	AA	AA	AA	AA	AA+

Source: Bank of Ceylon

Peoples Bank (PB)

The second largest commercial bank in the country celebrated its 50th anniversary and continued its robust growth momentum in 2011, while being proactive in the country's development effort. In 2011, the bank's profit before tax grew at 75 percent to Rs.15.3 billion. During 2011, PB's asset base which accounted for 15.6 percent of total asset base of entire banking industry stood at Rs. 663 billion, an increase of 21 percent over Rs. 548 billion in 2010. The growth in the assets base of 21 percent in 2011 is higher than the 15 percent growth recorded in 2010. The Bank operates with an extensive branch network comprising of 341 branches and 373 outlets catering to a broad clientele base in the country.

PB's loan book grew by 30 percent in 2011, to Rs. 464.8 billion. This included the bank's exposure to pawning which is 39 percent of total loans of the bank, corporate credit at 55 percent (which also includes lending to the government sector i.e. Exposure to government and state-owned enterprises was about 20 percent of total lending at end 2011) and while loans to the SME sector constituting only 2.3 percent.

Asset quality of the bank improved as witnessed by the reduction of NPL ratio up to 3.4 percent in 2011 from 5 percent in 2010. Supported by the extensive branch network, bank's deposits recorded a growth of 16.8 percent during the year 2011. PB maintained a Capital Adequacy Ratio (CAR) of 14.8 percent by the end of 2011, which is well above the minimum CAR of 10 percent.

The bank was able to connect all the branches and service centers into one core banking system which comprise over 700 outlets and internet banking facility was offered to corporate and retail banking customers. The Banks ratings improved significantly from "AA-" to "AA".

Table 4.5: Performance of Peoples Bank

	2006	2007	2008	2009	2010	2011
Branches (Nos)	630	639	642	645	679	714
Employees (Nos)	9,516	8,416	8,587	8,863	8,399	8,249
Assets (Rs. Bn)	338.5	380.6	397.5	476.2	547.7	663.1
Deposits (Rs. Bn)	269.9	300.9	324.5	396.0	462.1	539.9
Number of Deposits Accounts (Nos in Mn)	10.5	11.0	11.6	12.3	12.9	13.2
Corporate & Retail Lending (Rs. Bn)	207.1	238.3	248.6	283.7	357.3	464.8
Profit before Tax (Rs. Mn)	4,079	5,002	5,664	6,076	8,771	15,311
Profit After Tax (Rs. Mn)	3157	2,374	2,705	3,320	5,206	10,157
Capital Adequacy Ratio (1) (%)	3.7	5.3	6.5	7.7	7.9	9.6
Capital Adequacy Ratio (11) (%)	5.6	6.9	10.5	13.4	12.8	14.8
Non-Performing Loans (Rs. Mn)	15,951	14,865	17,857	20,040	18,738	16,062
Non-Performing Loan Ratio (%)	7.2	5.9	6.8	6.7	5.0	3.4
Rating (fitchlka)	BBB+	BBB+	A-	A	AA-	AA

Source: Peoples Bank

National Savings Bank (NSB)

Being the largest specialized bank in the country, the bank played a vital role in granting housing loans to 7,755 amounting to Rs. 8.2 billion. NSB operates largely as a "narrow bank," providing savings accounts through its 210 branches, and investing about 70 percent of total assets in government debt instruments (bonds, T-bills and loans) whereas at the end of 2011 while only 20 percent of total assets were held in the form of advances. However, NSB is required to invest not less than 60 percent of its deposits in government securities in terms of the National Savings Bank Act. This "narrow bank" function helps to keep operating costs and credit risk at a minimum, compared to other banks which have to support the costs of developing investment opportunities and much more robust systems for credit risk management and credit administration. The banks non performing ratio increased from 2.6 percent in 2010 to 2.9 percent by the end of 2011.

At the end of 2011, NSB had 11 percent of market share on asset base of the entire banking industry and also held 13.4 percent of total deposit base of entire banking industry. The bank's profit before tax has decreased to Rs. 9 billion in 2011 from Rs. 9.8 billion in 2010 mainly due to a provision of Rs. 1.2 billion made against the falling value of dealing securities, lower capital gain on dealing securities and expenses on expansion on branch network. Performance of NSB in 2011 was not up to the forecasted level with profit before tax, other income and gross interest income decreasing to 9 percent, 60 percent and 4 percent respectively compared to 2010. The bank also ventured into mobilizing overseas remittances as a part of its promotion of savings. The foreign currency deposits of the bank amounted to Rs. 4.9 billion by the end of 2011 which is a considerable increase of 14 percent over the previous year. The Bank sustained its "AAA (lka)" rating by Fitch Rating (Lanka) Ltd for the 9th consecutive year.

Table 4.6: Performance of National Savings Bank

	2006	2007	2008	2009	2010	2011*
Branches (Nos)	114	117	123	123	186	210
Employees (Nos)	2,900	2,867	2,883	2,915	3,050	3,275
Assets (Rs. Bn)	235.5	270.2	294.3	354.4	403.2	466.6
Deposits (Rs. Bn)	212.2	235.3	259.6	313.0	355.3	411.0
Number of Deposits Accounts (Mn)	15.1	15.4	15.6	16.3	16.7	17.0
Foreign Currency Deposits (Rs. Mn)	460.7	1,342.8	2,140	3,580	4,305	4,906
Corporate & Retail Lending (Rs. Bn)	33.8	54.0	56.3	68.3	81.7	93.1
Profit before Tax (Rs. Mn)	3,501	3,301	3,100	6,944	9,776	8,952
Profit After Tax (Rs. Mn)	1,885	1,573	1,059	3,736	5,391	5,759
Capital Adequacy Ratio -1 (%)	40.7	33.3	34.8	25.56	22.2	20.2
Capital Adequacy Ratio-II (%)	11.7	12.2	19.4	22.00	19.2	17.6
Non-Performing Loans (Rs. Mn)	521	740	1,080	2,381	2,119	2,684
Non-Performing Loan Ratio (%)	1.5	1.4	1.9	3.5	2.6	2.9
Rating (Fitch lka)	AAA	AAA	AAA	AAA	AAA	AAA

Source: National Savings Bank

State Mortgage & Investment Bank (SMIB)

The SMIB predominantly concentrates in housing finance (97 percent). Even though the SMIB Act has provisions to provide financial assistance for agriculture and other development activities, the bank has not been taking any proactive interest lending to these sectors.

The bank witnessed an increase in its advances and deposits by 13 percent in 2011 to Rs. 15.5 billion. Total advances recorded a significant growth of 13 percent in 2011 while the bank's deposit grew by 15 percent. The performing mortgaged loan ratio stood at 7.9 percent in 2011 which is an improvement over 17 percent in 2010. It is acknowledged that while the bank was successful in trimming down the NPL ratio, it still is above the market average.

Profit after tax has significantly increased up to Rs. 548 million in 2011 from Rs. 450 million in 2010 mainly due to an increase in interest income on loan and advances and significant decline in interest expenses on long term borrowings.

Table 4.7: Performance of State Mortgage & Investment Bank

	2006	2007	2008	2009	2010	2011*
Branches (Nos)	7	12	12	12	15	15
Employees (Nos)	349	339	328	320	308	302
Assets (Rs. Bn)	10.2	12.1	14.5	16.8	17.2	19.8
Deposits (Rs. Bn)	5.7	7.5	10.1	12.3	12.5	14.4
Corporate & Retail Lending (Rs. Bn)	9.5	11.0	13.3	13.4	13.7	15.5
Profit before Tax (Rs. Mn)	318	124	41	119	638	731
Profit After Tax (Rs. Mn)	213	83	32	73	450	548
Capital Adequacy Ratio - 1 (%)	81.2	56.9	29.1	25.3	26.0	27.8
Capital Adequacy Ratio- 11 (%)	82.5	57.9	29.6	26.0	26.8	27.1
Non-Performing Loans (Rs. Mn)	3,431	4,203	4,706	5,642	5,070	5,249
Non-Performing Loan Ratio (%)	35.8	37.7	35.2	41.8	37.6	33.8
Rating	A (Fitch)	A (Fitch)	A- (Fitch)	A(RAM)	A(RAM)	A(RAM)

Source: State Mortgage and Investment Bank

HDFC Bank (HDFC)

HDFC which is primarily engaged in granting loans or credit facility to any individual, company or partnership for housing purposes, is the only state bank listed in the Colombo Stock Exchange.

The bank's assets base recorded an increase of 29 percent in 2011 to Rs. 19.7 billion from Rs. 15.3 billion in 2010. Of the bank's total loan portfolio, 90 percent has been granted to construct small and medium housing units. The deposit base of the bank has significantly increased by 60 percent to Rs. 12.3 billion in 2011 from Rs. 7.7 billion in 2010. Before tax profit of Rs. 414 million in 2011 reflected a significant increase of 119 percent over the previous year. The bank's non-performing loans ratio recorded a slight increase in 2011 to 22.3 percent which is above the industry average.

Table 4.8: Performance of HDFC Bank

	2006	2007	2008	2009	2010	2011*
Branches (Nos)	20	21	21	26	28	31
Employees (Nos)	205	286	289	355	425	491
Assets (Rs. Bn)	10.7	13.4	14.1	14.3	15.3	19.7
Deposits (Rs. Bn)	2.5	4.9	4.9	6.1	7.7	12.3
Deposits Accounts (Nos.)	71,538	74,637	142,407	177,354	212,914	272,016
Corporate & Retail Lending (Rs. Bn)	10.1	11.9	11.9	11.9	12.8	14.7
Profit before Tax (Rs. Mn)	239	47	(94)	92	189	414
Profit After Tax (Rs. Mn)	172	21	(92)	57	135	310
Capital Adequacy Ratio-1 (%)	37.6	31.0	25.4	17.6	21.1	22.3
Capital Adequacy Ratio-11 (%)	37.8	31.8	26.5	18.7	21.2	22.0
Non-Performing Loans (Rs. Mn)	1,892	2,099	2,500	2,743	2,840	3,281
Non-Performing Loan Ratio (%)	18.6	17.6	20.7	22.6	21.6	22.3
Rating	A	A	BBB+	BBB+	BBB+	BBB+

Source: HDFC Bank

Lankaputhra Development Bank (LDB)

LDB was incorporated in February 2006, to implement the Government's policy of facilitating small and medium enterprises. While focusing on development oriented lending, the bank has adopted a selective approach in expanding its loan portfolio. Being a newly established bank, its presence is still limited to only a few districts.

LDB's profitability that has been on the decline since 2008 continued into 2011 with the Profit before tax of Rs. 122 million in 2011,a decrease of 25 percent from Rs. 163 million recorded in 2010. Total deposit mobilized by LDB amounted to Rs. 206 million in 2011, a year on year decrease of 30 percent decrease. Total asset base of the bank stagnated in 2011 also mainly due to the decrease in its profit before tax by 25 percent, in comparison with the previous year. Bank's high non performing ratio is matter of serious concern that requires urgent action concentrating on debt recovery programmes.

The COPE examines LDB in 2011 and expressed concerns on high non performing ratio, non-submission of Annual report to the Parliament, Non recovery of loans granted for restructuring of the closed factories under the scheme proposed by the 2007 Budget and poor performances of the management.

Table 4.9: Performance of Lankaputhra Development Bank

	2006	2007	2008	2009	2010	2011*
Branches (Nos)	3	5	4	4	7	7
Employees (Nos)	62	114	166	165	162	171
Assets (Rs. Mn)	2,132	4,175	6,568	6,855	6,618	6,631
Deposits (Rs. Mn)	259	1,994	133	281	295	206
Corporate & Retail Lending (Rs. Mn)	427	1,656	2,430	2,302	1,911	2,006
Profit before Tax (Rs. Mn)	52	58	227	221	163	122
Profit After Tax (Rs. Mn)	23	23	76	63	21	55
Capital Adequacy Ratio-1 (%)	229	62.8	91	71.9	70.1	69.1
Capital Adequacy Ratio-11 (%)	229	63.1	91.5	72.2	70.3	69.3
Non-Performing Loans (Rs. Mn)	-	85	618	1,579	1,328	1,243
Non-Performing Loan Ratio (%)	-	5	19.2	55.7	55.5	49.3
Rating	-	-	-	A	A	A

Source: Lankaputhra Development Bank

Pradheshiya Sanwardana Bank (PSB)

In May 2010, 6 Regional Development Banks were merged into one national level bank and was designated as the Pradheshiya Sanwardana Bank. The Bank was established as a statutory body under the Pradheshiya Sanwardana Bank Act No.41 of 2008. As a 100 percent Government owned bank, this was set up with the objective of implementing rural livelihood financing programs by providing improved and affordable credit facilities that in turn would contribute to strengthening of the rural economy. Originally based on the "barefoot banking concept," the bank strives to provide innovative yet simple financial services to those at the middle and bottom of the income pyramid.

In 2011 the PSB's customer base increased to 3.5 million. The PSB operates with 243 branches and 08 extension offices of which 04 branches were opened in the Northern and the Eastern Provinces.

Bank's deposit base has increased by 21 percent to Rs. 46 billion from Rs. 38 billion in 2010. In 2011,bank's profit (before tax) had considerably increased from 1.6 billion to 1.9 billion an increase of 19 percent.Net interest income of the Bank was reported at Rs. 4 billion, an increase of 54 percent over 2010.

Fitch Ratings Lanka has given RDB rating to BBB+.

Table 4.10: Performance of Pradheshiya Sanwardana Bank

	2006	2007	2008	2009	2010	2011*
Branches (Nos)					239	243
Employees (Nos)					1,840	1,825
Assets (Rs.Bn)					46.6	58.7
Deposits (Rs.Bn)					37.9	46.1
Deposit Accounts (Nos. Mn)	Six Rural Development Banks were in operation and merged as Pradheshiya Sanwardana Bank in 2010				3.6	3.9
Corporate & Retail Lending (Rs.Bn)					38.1	47.1
Profit Before Tax (Rs. Mn)					1,569.5	1921.7
Profit After tax (Rs. Mn)					336.7	960.7
Capital Adequacy Ratio – I (%)					11.1	11.9
Capital Adequacy Ratio – II (%)					11.7	12.3
Non-Performing Loans (Rs. Mn)					1,151.7	1,074.5
Non-Performing Loan Ratio (%)					3.1	2.3
Rating (Fitch lka)					BBB+	BBB+

Source: Pradheshiya Sanwardana Bank

Sri Lanka Savings Bank Ltd (SLSB)

Sri Lanka Savings Bank Ltd was established as a public limited liability company under the provisions of the Companies Act No. 7of 2007 as a licensed specialized bank while providing relief to the depositors of failed Pramuka Savings and Development Bank (PSDB). Accordingly assets and liabilities of PSDB were vested with SLSB. Further, action was taken to amalgamate National Development Trust Fund with the SLSB in September 2010. Asset base of SLSB stood at Rs. 6.6 billion by the end of 2011 with 69 percent of assets of the bank held in the form of liquid assets.

Table 4.11: Performance of Sri Lanka Savings Bank

	2006	2007	2008	2009	2010	2011*
Branches (Nos)			1	1	1	1
Employees (Nos)			41	45	56	54
Assets (Rs. Mn)			1,293	1,468	6,155	6,612
Deposits (Rs. Mn)			1,605	599	572	549
Corporate & Retail Lending (Rs. Mn)	Not in operation.		1,828	2,110	2,669	2,736
Profit before Tax (Rs. Mn)			150	239	295	458
Profit After Tax (Rs. Mn)			131	187	278	446
Capital Adequacy Ratio - 1 (%)			(6,410)	(4,684)	41.9	70.4
Capital Adequacy Ratio- 11 (%)			(5,559)	(3,374)	76.1	70.8
Non-Performing Loans (Rs. Mn)			1,828	1,669	1,426	1,408
Non-Performing Loan Ratio (%)			100	79.1	53	51
Rating			N/A	N/A	N/A	N/A.

Source: Sri Lanka Savings Bank

Total gross loan portfolio of the bank was Rs. 2,736 million in 2011 of which Rs. 1,245 million had been granted to micro enterprises through community based organizations. The deposit base indicated a decline due to settlement of deposit liabilities to PSDB account holders. In terms of the settlement scheme for PSDB customers published by the Central Bank of Sri Lanka, loans granted by PSDB amounting to Rs. 238 million were recovered during the year 2011. Further, in 2011 SLSB has settled Rs. 105 million to PSDB depositors. SLSB made a profit after tax amounting to Rs. 446 million in 2011 which is a 60 percent increase over 2010. This increase was mainly due to an increase in interest income from the micro finance sector.

Insurance

In the country's growth strategy the increase in personal incomes, urbanization, financial sector development, innovations in both services and products, the expansion of modern information technology etc. combined with the country's strategy to establish naval, aviation, commercial, trade and knowledge service has enhanced the demand for insurance and social security schemes. At the same time the increase of the focus of the government on the small and medium entrepreneurs creates a demand for special insurance schemes.

The government's investments in SOBEs such as Sri Lanka Insurance Corporation PLC (SLIC), National Insurance Trust Fund (NITF), Agricultural and Agrarian Insurance Board (AAIB), Sri Lanka Export Credit Insurance Corporation (SLECIC) and Social Security Board (SSB) are formal structures which facilitate the implementation of Insurance and pension schemes in a more sustainable manner.

Chart 4.8: Market Share-Long Term Insurance

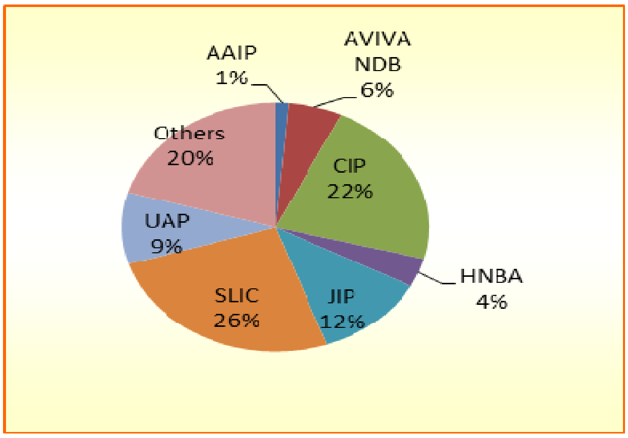
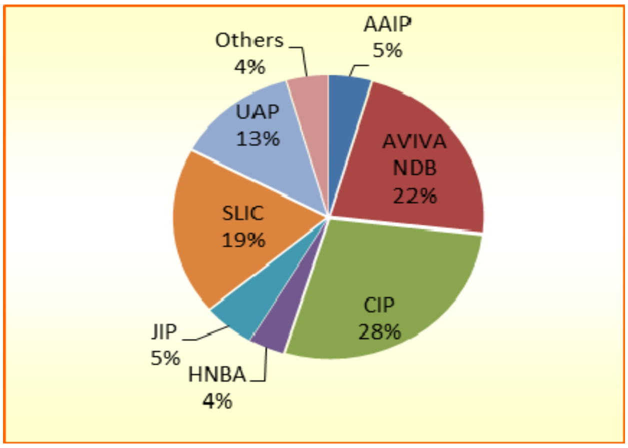


Chart 4.9: Market Share-General Insurance



Sri Lanka's insurance industry is largely dominated by one large state insurance company, Sri Lanka Insurance Corporation and one large private insurance company. The industry consists of 21 players and operates under a regulator, Insurance Board of Sri Lanka. The insurance sector grew in 2011 by Rs.7.8 billion. Sri Lanka Insurance Company Limited which was vested back with the government in 2008 accounts for 26 percent of the market share with an annual turnover of Rs 27.3 billion.

Sri Lanka Insurance Corporation (SLIC)

Sri Lanka Insurance Corporation has the largest life fund, and an asset base amounting to Rs.102 billion. Most players lost their market share in 2011 compared to 2010 as a result of stiff competition. However, SLIC increased its market share from 25 percent in 2010 to 26 percent in 2011.

SLIC achieved a Gross Written Premium (GWP) of Rs.6.7 billion in the Life Category and Rs. 11.6 billion in the Non-Life Category and a combined net profit before tax of Rs. 12 billion in 2011.

The GWP in Life insurance grew by 12.2 per cent during the year under review, increasing from Rs. 15.2 billion in 2010 to Rs. 18.4 billion in 2011. The General insurance business recorded a 25.4 per cent growth, from Rs. 9,266 million in 2010 to Rs. 11,622 million in 2011. General insurance contributed 63.3 per cent towards total GWP while Life insurance accounted for the balance 36.7 per cent. In an environment of intense competition, the company's combined GWP recorded an increase of 20.2 per cent against 12.5 per cent achieved in 2010.

Due to less capital gains and dip in proceeds of sale of shares the company's profit before tax decreased to Rs.6.6 billion in comparison to Rs. 13 billion recorded in 2010. Basic earnings per share, has declined by 27 percent from Rs.22.03 in 2010 to Rs.16.17 in 2011.

Table 4.12: Performance of Sri Lanka Insurance Corporation

	2007	2008	2009	2010	2011
Operational Performance					
Branches (Nos.)	101	108	117	122	125
Policy holders – Life (Nos.)	483,961	587,318	637,124	539,121	488,752
Policy holders – General (Nos.)	1,081,242	1,075,440	1,074,891	1,141,913	1,258,939
Financial Performance				**Rs. Billion**	
Revenue	15.1	17.5	22.3	40.5	27.7
Gross written premium	13.3	13.6	13.6	15.2	18.4
Net earned premium	9.6	10.8	11.4	11.9	14.7
Insurance claims and benefits	(12.5)	(13.4)	15.7	18.2	17.9
Investment income	5.4	6.6	10.9	28.5	13.1
Administrative expenses	1.7	2.2	2.0	1.8	1.9
Profit from operations	0.8	1.6	2.8	15.0	7.8
Profit for the year	0.2	0.5	1.5	13.0	6.6
Dividends	-	-	-	6.7	1.75
Key Performance Indicators					
Claims ratio - Life	57	75	80	83	54
Claims ratio – General	73	74	82	48	59
Solvency ratio- Life	5	5	7	6	10
Solvency ratio - General	4	5	4	2	2
Market share -general	28.4	26.4	26.2	24.8	25.7
Market share -life	21.6	19.1	20.3	19.3	20.4

Source: Sri Lanka Insurance Corporation

Chart 4.10: GWP of General Insurance (2007-2011)

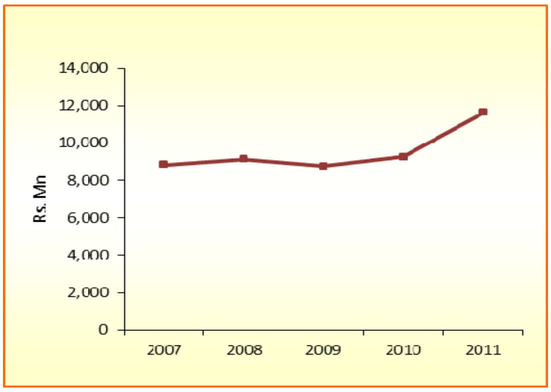


Chart 4.11 : Profitability of General Insurance (2007-2011)

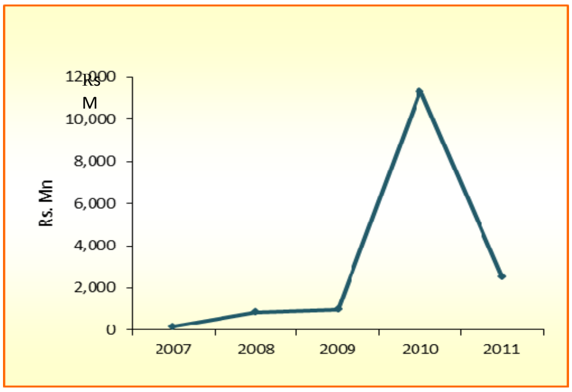


Chart 4.12: GWP-Long Term Insurance (2007-2011)

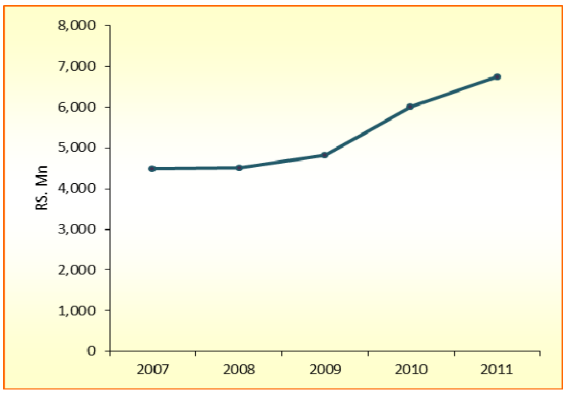
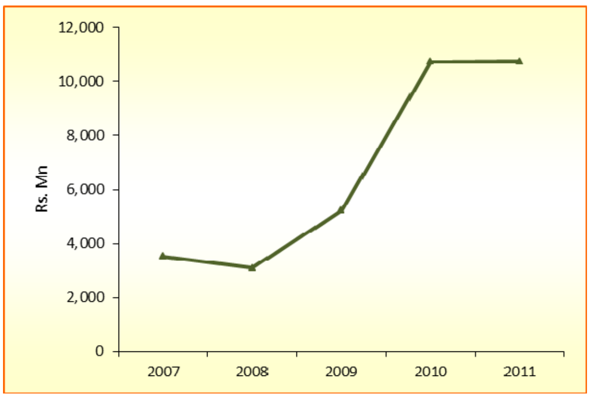


Chart: 4.13 Profitability in Long Term Insurance (2007-2011)



Chapter 5

Livestock Sector

The growth strategy for livestock sector is driven by a policy on self-sufficiency in milk supply. While 33percent of the national milk requirement is met through local production, the contribution of Milk Industries Private (Pvt) Ltd (Milco) and National Livestock Development Board (NLDB) the two SOBEs in the sector amounted to more than 50 percent. The private sector is dominated by few large entities and small dairy farmers.

However there is no clear demarcation between Milco and NLDB as both these entities are engaged in the production of dairy products such as liquid milk, yoghurt, etc. thereby competing with each other. NLDB has a tendency to engage in a variety of activities including its own farm management and existing farm development programme without optimally utilizing its resources. Therefore it would appear that NLDB should concentrate more on a developmental role, by assisting the SME sector, while MILCO develops as a manufacturing and distribution arm on a commercial basis.

MILCO (Pvt) Ltd. (MILCO)

MILCO, the government milk distribution arm has been operating in the Sri Lankan dairy industry for over 55 years. Currently, MILCO is engaged in milk collection, processing distributing and marketing.

MILCO produces a wide range of dairy products including; Pasteurized Milk, Sterilized Milk, Yoghurt, Curd, Butter, Ice Cream, Ghee, Processed Cheese and Milk Powder. MILCO was able to collect 56 million liters of milk in the year 2011 which was 55 percent of the total milk collection of the country. The milk collection network of MILCO consists of 2,992 milk collection points (Farmer manage societies) and78 milk chilling centers. The average farm gate price of milk had been around Rs. 50.00 per liter which is around a 50 percent increase compared to 2010.

MILCO is presently operating with 4 milk processing plants, 13 regional distribution centers, 9 dairy development regional offices, 1 cattle feed plant and 1 model farm. During the year, MILCO was able to commence operations at two chilling centers at Murunkan and at Katuwanwila. The sales outlet at Narahenpita was also upgraded during 2010.

During the year 2011, turnover of MILCO increased by 11 percent to Rs. 4,549 million. However, gross profit decreased by 23 percent to Rs. 541 million as the final market price of a finished product was not adjusted with the increase of the cost of liquid milk purchased from the farmers. With the decline in the number of employees from 1,523 in 2010 to 1,460 in 2011, the cost of employment has decreased by about 4 percent in 2011.

However, MILCO operates below capacity due to inadequate supply of milk. MILCO is also urgently in need of an upgrading in its machinery and production capacity if they are to meet the demand from the market, while maintaining a high quality. In this regard, MILCO should venture into raising the necessary financing from the external markets on the strength of their balance sheet and their potential to grow in the future.

Table 5.1: Performance of MILCO (Pvt) Ltd.

	2006/07	2007/08	2008/09	2009/10	2010/11
Operational Performance					
Total Milk Collection (Mn L)	48	53	54	55	53
Investment in Diary Development Activities (Rs. Mn)	51	63	89	107	137
Financial Performance Rs. Million					
Revenue	2,720	3,238	4,242	4,093	4,549
Gross Profit	257	452	731	697	541
Selling & Distribution Cost	52	60	82	100	129
Profit/ (Loss) before Taxation	21	109	352	339	103
Investments/ Short term deposits	382	527	1,024	1,032	1,284
Non-Current Assets	312	346	608	573	556
Current Assets	1,409	1,484	2,032	2,393	2,553
Non-Current Liabilities	229	261	216	234	308
Current Liabilities	846	806	917	954	945
Total Equity	646	763	1,507	1,778	1,854
Dividends	10	-	25	29	-
Key Performance Indicators					
ROE %	2.9	13.6	22.0	17.5	5.0

Source: Milco Private Limited.

National Livestock Development Board (NLDB)

NLDB is engaged in breeding and multiplication of livestock, issuing of quality breeding materials to farmers at a reasonable price, establishment and maintenance of marketing outlets to supply quality farm products at reasonable prices, sale of fresh cow milk to the public to popularize consumption of fresh milk etc.

The board presently manages 22 dairy farms,05 goat farms, 10 poultry farms, 02 swine farms and 09 buffalo farms totaling to 48 livestock and crop integrated farms and a training center. In 2011, with a view to promote liquid milk consumption, the Board opened 79 milk stalls in various parts of the country. Currently, NLDB is in the process of implementing a fresh milk promotion project, embryo project, pasture development project, maize cultivation, and compost fertilizer project.

During the year 2011, NLDB managed to produce 2.8 million liters of milk, 1.1 million layer chicks and 2.3 million broiler chicks. Revenue increased by 12 percent from Rs. 1,100 million in 2010 to Rs.1,232 million in 2011. The Board continued to be profitable in 2011 with a net profit of Rs. 250 million, an increase of 33.6 percent over 2010.

Table 5.2: Performance of National Livestock Development Board

	2006	2007	2008	2009	2010	2011
Operational Performance						
Neat Cattle Milk L (‘000)	3,100	2,900	3,200	4,100	3,200	2,868
Buffaloes Milk L (‘000)	580	650	680	630	680	635
Goat Milk L (‘000)	25	23	23	28	13	11
Curd Production L (‘000)	290	286	313	339	428	407
Yoghurt (80ml Cups) Nos. (‘000)	355	408	422	511	516	469
Financial Performance						**Rs. Million**
Total Revenue	647	870	957	890	1,100	1,232
Gross Profit /(Loss)	122	154	138	171	302	360
Profit/(Loss) Before Tax	(23)	43	20	24	187	250
Noncurrent Assets	802	856	884	911	981	1,218
Current Assets	296	298	359	321	364	422
Noncurrent liabilities	327	353	365	339	334	344
Current Liabilities	286	290	340	341	300	323
Equity	486	511	538	552	730	744
Key performance Indicators						
Gross Profit margin (%)	18.9	17.7	14.4	19	27.5	29.2
Net Profit (before Tax) margin (%)	-3.6	4.9	2.09	2.0	17	20.3

Source: National Livestock Development Board

Chapter 6

Plantation Sector

The government ownership of tea and rubber plantations is limited, while having a substantial ownership in coconut plantations. The Sri Lanka State Plantation Corporation is responsible to manage 9,695 Ha while the Janatha Estate Development Board (JEDB) is responsible to manage 11,757 Ha.

Of the total extent of rubber grown in 2011 of 45,875 ha which is 36 percent of the total extent of rubber grown of 126,600 ha was managed by the state sector. However, bearing land of state owned plantations is around 74 percent at 33,945 ha. Total production of Rubber was 158 million kg in the country of which 0.2 million kg was produced by JEDB.

In 2011, Chilaw Plantations Ltd (CPL),Kurunegala Plantations Ltd (KPL), Coconut Cultivation Board and Coconut Research Institute which manages 40 estates altogether, accounts for only 28,797 ha which is 7 percent of the total coconut grown of 394,836 ha. During the year 2011, total coconut sales of KPL and CPL, amounted to 31 million nuts attributing to only about 0.01 percent of the total coconut production in the country at 2,808 million nuts.

Table 6.1: Performance Highlights of the Plantation Sector

	JEDB			SLSPC			RPC			Small Holding Sector		
	2005	2010	2011 *	2005	2010	2011 *	2005	2010	2011 *	2005	2010	2011*
No of Estate/small holders	16	17	17	11	12	11	401	400	N/A	456,442	515,645	518,061
Extent Managed Ha	10,029	11,757	11,757	9698	9,846	9,695	230,593	230,704	N/A	N/A	N/A	N/A
Extent Cultivated Ha	5,159	6,087	6,177	6,629	6,600	6,538	163,231	164,659	N/A	184,606	199,719	200,264
Extent in Bearing Ha	4,698	4,311	4,161	4,011	3,045	2,575	124,581	121,001	N/A	164,500	179,159	180,172
Labour Force	6,917	5,810	5,807	6,112	5,043	4,812	233,046	202,204	N/A	N/A	N/A	N/A
Tea												
Total Extent Ha	4,300	4,001	3,947	4,108	4,048	4,043	86,880	76,534	N/A	116,492	120,324	120,664
Extent in Bearing Ha	4,240	3,949	3,798	4,011	2,980	2,510	78,027	72,741	N/A	110,000	116,492	116,492
Total Production (mn kg)	2.7	2.3	2.1	2.9	2.2	2.2	144	127	N/A	206	230	230
Share of National Production (%)	1	1	1	1	1	1	35	30	N/A	65	69	70
Average Yield (Kg/Ha)	647	587	562	707	669	674	1,392	1,284	N/A	1,850	1,975	1,975
Cost of Production (Rs/Kg)	177	311	375	184	291	331	191	339	N/A	149	313	350
Net Sale Average (Rs/Kg)	132.12	261.26	246.29	141.92	247.80	243.78	190.27	344.00	N/A	186	370	360
Margin (Rs/Kg)	(44.91)	(49.72)	(128.71)	(42.39)	(43.31)	(86.72)	(0.28)	5.00	N/A	37.07	57.41	9.89
Rubber												
Extent Ha	623	555	597	-	67	65	47,318	45,213	N/A	68,109	79,395	79,600
Extent in Bearing Ha	458	362	363	-	65	65	36,780	33,561	N/A	54,500	62,667	63,680
Total Production (mn Kg)	0.32	0.28	0.24	-	0.05	0.05	35	32	N/A	69	120	125
Share of National Rubber Production	-	-	-	-	-	0	34	20	N/A	66	79	79
Average Yield (Kg/Ha)	695	777	661	-	772	759	892	731	N/A	1,271	1,921	1,958
Cost of Production (Rs/Kg)	100.48	224.23	301.23	-	206	241	100	221	N/A	77	120	129
Net Sale Average (Rs/kg)	132.12	364.83	445.24	-	364	470	135	393	N/A	141	402	513
Margin (Rs/kg)	31.64	140.60	144.01	-	158.90	229	35.00	172.60	N/A	63.8	282.9	384.3

Sources: Ministry of Plantation Industries, Janatha Estate Development Board and Sri Lanka State Plantation Corporation
N/A –Not Available
- Bearing Land – Land with mature Tea Bushes or Rubber Trees
*For most of the institutions 2011 figures have not being finalized yet as their financial year ends on 31st March 2012.

Table 6.2: Performance of Chilaw, Kurunegala and Elkaduwa Plantation Companies and Kalubowitayana Tea Factory

		2006	2007	2008	2009	2010	2011*
Kurunegala Plantations Ltd	**Operational Performance**						
	Rubber Sales Quantity (kg '000)	180	203	208	203	201	228
	Coconut Sales Quantity Nuts (Mn.)	16	15	15	17	15	16
	Financial Performance						
	Total Revenue(Rs Mn)	197	294	360	337	431	510
	Rubber Sales (Rs Mn)	33	43	46	37	70	104
	Coconut Sales (Rs Mn)	162	248	306	292	354	399
	Net Profit/ (Loss) before Interest and Tax (Rs Mn)	39	100	120	126	181	254
	Dividends (Rs Mn)	-	10	20	30	40	-
Chilaw Plantations Ltd	**Operational Performance**						
	Yield of coconut Nuts (Mn)	17	18	16	19	18	15
	Bearing extent (Ha)	4,167	4,161	4,195	4,161	4,048	3,965
	Financial Performance						
	Total Revenue(Rs Mn)	171	291	311	313	423	368
	Coconut Sales(Rs Mn)	161	214	266	306	413	344
	Copra(Rs Mn)	10	77	45	7	10	24
	Net Profit/ (Loss) before Interest and Tax(Rs Mn)	60	122	53	141	137	121
	Dividends (Rs Mn)	-	-	-	30	75	75
Elkaduwa Plantations Ltd	**Operational Performance**						
	Tea Sales Quantity (MT)	3,321	3,685	3,484	3,178	3,375	3,203
	Rubber Sales Quantity (MT)	124.6	158.2	139.8	94.7	118.0	122
	Coconut Sales Quantity Nuts ('000)	1,085	1,056	1,159	1,119	1,040	1,405
	Cocoa Sales Quantity (MT)	25.3	32.2	34.2	17.2	16.9	4.8
	Financial Performance						
	Total Revenue	155	206	295	241	252	264
	Tea Sales(Rs Mn)	94	131	164	150	169	155
	Rubber Sales(Rs Mn)	24	29	33	23	47	64
	Coconut Sales(Rs Mn)		10	22	27	24	20
	Cocoa Sales(Rs Mn)	4	6	7	5	6	3
	Net Profit/ (Loss) before Interest and Tax(Rs Mn)	11	(33)	37	(55)	(4)	(30.6)
		2006/07	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12***
Kalubovitiyana Tea Factory Ltd	**Operational Performance**						
	Made Tea Production (MT)	1,552	1,418	1,195	1,173	1,264	1,334
	Sales Quantity (MT)	1,581	1,429	1,245	1,172	1,221	1,301
	Financial Performance						
	Total Revenue(Rs Mn)	414	506	482	522	547	637
	Tea sales value (Rs Mn)	409	491	458	499	548	629
	Net Profit/ (Loss) before Interest and Tax(Rs Mn)	37	49	42	72	23	82

Sources: Chilaw ,Kurunegala and Elkaduwa Plantation Companies and Kalubowitayana Tea Factory
*Draft

It is noted that the yields in the state managed estates, JEDB and SLSPC are lower than that of the RPCs and the small holdings. In this regard, both JEDB and SLSPC need to be restructure immediately focusing on reducing the cost of production and increasing their yield. The infusion of capital, along with the introduction of technology and new processes will play a pivotal role in turning around the performance of JEDB and SLSPC.

The plantation sector faces a number of issues including low level of productivity, high cost of production, low level of investment in plantation crops, declining trends of adaptation of good agricultural practices and stakeholder's high expectation of government subsidy schemes for the improvement of production. Also it is evident that the scientific knowledge available in research institutions is not linked to extension services. Another major issue encountered is a vast amount of agricultural land is sparsely used, but which otherwise has a large potential.

The COPE having examined the performance of these SOEs in the plantation sector has found lapses in the governance structure where the decisions taken have resulted in the sub optimal utilization of resources which in turn has negatively affected productivity and there by profitability. COPE highlights many instances of lapses such as eg: JEDB has not submitted Annual reports since 2006, which has jeopardized transparency and the accountability of the SOEs.

Chapter 7

Health Sector

The provision of good quality drugs into public hospitals has been entrusted to, State Pharmaceutical Corporation (SPC) and State Pharmaceutical Manufacturing Corporation (SPMC). The Sri Lanka Ayurvedic Manufacturing Corporation (SLAMC) is engaged in research and manufacturing of Ayurvedic products and services. Sri Jayewardenepura Hospital (SJH) is a fee levying government owned hospital in the country. SJH also plays a vital role as a teaching hospital, in training medical students of Sri Jayewardenepura University and nurses.

State Pharmaceuticals Corporation (SPC)

SPC is the sole supplier of drugs into the Department of Health Services (DHS). SPC handles all procurement of drugs. The retail customer is also served by the SPC through its "Osusala" network.

SPC has been a profitable venture since 1994 with a sales growth that has ranged between 33.6 percent in 2007 to 10.5 percent in 2011. Of the total osusala outlets of 24, almost 15 have been able to earn profits while 9 have been incurring losses.

During 2011 SPC purchased drugs to the value of Rs 28,968 million, an increase of 7.9 percent over 2010. Despite the continuous increase in budgetary support the lack of coordination between the SPC, DHS and the hospital network in the country coupled with an inefficient and ineffective procurement system has resulted in a shortage of drugs in hospitals and a high cost to the national budget.

Table 7.1: Performance of State Pharmaceuticals Corporation

	2006	2007	2008	2009	2010	2011
Financial Performance						Rs. Million
Total Revenue	8,563	11,437	12,241	13,322	14,476	16,065
Net Profit before Interest and Tax	386	437	456	411	484	518
Non-Current Assets	555	594	595	629	675	864
Current Assets	3,626	3,939	5,084	4,144	7,244	1,031
Current Liabilities	2,356	2,486	3,369	2,244	5,205	6,292
Non-Current Liabilities	79	87	89	93	117	86
Equity	1,745	2,032	2,276	2,418	2,598	2,922
Levies	20	20	25	25	5	15
Investment in Surplus Fund	-	-	-	-	117	101
Key Performance Indicators						
Gross Profit Ratio of retail sales (%)	27.0	25.9	27.4	26.6	28.2	25.6
Gross Profit Ratio of sales to DHS (%)	6.4	6.6	6.2	6.2	6.3	6.4
Gross Surplus to Sales (%)	12.7	11.3	11.6	11.5	11.6	11.8
Annual Sales Growth (%)	12.1	33.6	7.0	8.8	8.2	10.5
Stock Turnover Ratio (times)	3.8	3.5	3.2	3.5	3.8	3.7

Source: State Pharmaceuticals Corporation

State Pharmaceuticals Manufacturing Corporation (SPMC)

SPMC has been able to meet almost 15 – 20 percent of the total drug requirement amounting to over Rs.1,700 million of the country. SPMC has manufactured 1,431 million tablets and capsules during 2011.

SPMC has been experiencing on average a year on year growth in demand for its products of almost 3.8 percent. However, one of the major constraints on the SPMC's performance is the lack of adequate investments in plant and machinery to augment its capacity to meet the demand for its drugs both locally and internationally.

SPMC continues to be a profitable entity with a profit of Rs. 242 million in 2011 in comparison to Rs.292 million in 2010. The decrease in profits by 17 percent over 2010 is mainly due to the drop in sales margins in 2011 over 2010. Of the SPMC's total cost of production in 2011, almost 9.4 percent was in lieu of imports of raw materials.

In this regard the government has mobilized foreign financing for expansion of SPMC's production capacity. However it is recognized that an ability to compete and to survive in the pharmaceutical industry depends heavily on the research and development capacities which the SPMC will have to expand simultaneously along with its production capacities.

Table 7.2 : Performance of State Pharmaceuticals Manufacturing Corporation

Financial Performance	2006	2007	2008	2009	2010	2011 Rs Million
Total Revenue	411	599	890	1,153	1,380	1,432
Cost of Sales	371	500	765	932	1,031	1,127
Gross Profit	40	99	125	220	349	304
Net Profit before Tax	9	77	121	152	292	242
Non-Current Assets	726	702	674	1,017	1,158	865
Current Assets	350	415	577	656	694	1,031
Current Liabilities	29	18	67	67	155	70
Non-Current Liabilities	12	42	45	107	240	248
Equity	1,034	1,057	1,139	1,545	1,493	1,618
Dividend/ Levy	5	10	10	10	10	-
Key Performance Indicators						
ROE (%)	0.1	7.3	10.6	9.8	19.6	10.9

Source: State Pharmaceuticals Manufacturing Corporation

Sri Lanka Ayurvedic Drugs Manufacturing Corporation (SLAMC)

With the increase in the demand for traditional medicines the role of SLAMC is becoming increasingly important. SLAMC's portfolio of products amounted to 130 at the end of 2011, with 20 branded products. The demand for SLAMC has been on the increase with an increase of 13.2 percent in 2011 over 2010. One of the issues faced by the corporation is the scarcity of herbs and other raw materials that's used for Ayurvedic products.

The SLAMC needs to position itself to meet the growing demand of the domestic and international market for natural personal care products. Internationally, this is a market that has been growing at a compound rate of around 10percent since 2005 and the Asian market alone is expected to grow at around 15 percent through 2015. However Sri Lanka's share in this market so far has been minimal with foreign products taking the center stage in the domestic market. As such SLAMC could pioneer the research into the creation of natural personal care products that meets international standards in coordination with the private sector.

Table 7.3: Performance of Sri Lanka Ayurvedic Drugs Manufacturing Corporation

	2006	2007	2008	2009	2010	2011
Financial Performance						**Rs Million**
Total Revenue	169	184	259	295	316	358
Cost of sales	113	168	150	211	228	201
Gross Profit	56	15	109	83	87	67
Net Profit/(Loss) after Tax	1	(40)	40	9	5	24
Non-Current Assets	41	62	69	59	55	68
Current Assets	158	151	184	252	231	281
Current Liabilities	36	82	63	57	65	46
Non-Current Liabilities	27	34	36	38	38	44
Equity	135	96	155	216	180	118
Key Performance Indicators						
Gross Profit Ratio (to sales) (%)	33	8	42	28	27	44

Source: Sri Lanka Ayurvedic Drugs Manufacturing Corporation

Sri Jayewardenepura Hospital (SJH)

Despite, SJH being a fee levying hospital it continues to rely on government assistance for its operations when private sector has come up with successful a enterprising commercial model. In 2011, SJH treated 52,554 patients, an increase of 2.6 percent over 2010. The hospital's bed occupancy rate has been fluctuating between 63.8 percent in 2011 and 66 percent in 2010. The hospital has improved its facilities during the last 5 years with a new on line information system and clinical improvements. The fee structure has not changed in 2011.

SJH could be in the forefront of engaging in research ranging from clinical research to hospital administration. At the same time SJH should in conjunction with the Sri Lanka Foreign Employment Bureau also engage more proactively in training skilled nurses and other health sector professionals to meet the demand from the international market, which would positively affect the country's inflow of worker remittances.

The growing market for "e-health" is another aspect of the modern health industry that is both efficient and cost effective, with the potential to be successful in Sri Lanka, especially with IT literacy around 30percent, and with more than 280,000 accessing internet and broadband by the end of 2011. In this regard it is vital that the SJH engages the ICTA and other such entities in developing the necessary infrastructure for providing "e health" services in the country. Meeting the needs of a middle income country, SJH will have to invest more to enhance the quality of the services while adopting best practices in hospital administration. As such it is expected that SJH will be able to operate as a self-funded profitable entity providing a quality service at reasonable prices.

The COPE notes that the Audit and Management Committee of the Hospital is not constituted properly and that there are lapses in the internal control systems.

Table 7.4: Performance of Sri Jayewardenepura Hospital

Financial Performance	2006	2007	2008	2009	2010	2011 Rs. Million
Total Revenue	1,083	1,089	1,213	1,523	1,620	1,698
Treasury Grant-Recurrent	588	672	736	775	775	840
Treasury Grant-Capital	105	131	106	103	115	231
Net Profit/(Loss) after Tax	(79)	(78)	(91)	(26)	52	(23)
Investment	21	18	10	10	10	10
Non-Current Assets	786	803	807	837	804	804
Current Assets	254	250	256	273	326	425
Current Liabilities	566	638	730	806	772	755
Equity	474	416	333	304	358	472
Key Performance Indicators						
Net Profit Ratio (%)	(7.29)	(7.16)	(7.50)	(1.71)	3.21	(1.35)
Bed Occupancy (%)	72.2	69.6	73.1	74.7	66.1	63.8

Source: Sri Jayewardenepura Hospital

Chapter 8

Media Sector

Sri Lanka Rupavahini Corporation (Rupavahini), Independence Television Network (ITN) and Sri Lanka Broadcasting Corporation (SLBC) are the key state entities in the media industry.

Apart from the state owned media enterprises, there were 15 television and 31 radio stations in Sri Lanka in 2011, compared to 9 television and 12 radio stations in 2005. The increase in private stations in the media industry[8]to 46 in 2011 against 21 in 2005 indicates that the growth in media industry in Sri Lanka is dominated by the private sector.

Table 8.1: Radio and TV Stations 2005 and 2011

	Radio Stations		TV Stations	
	2005	**2011**	**2005**	**2011**
State Owned				
Sinhala	13	14	2	2
Tamil	5	5	1	2
English	2	2	1	2
Total State Owned	**20**	**21**	**4**	**6**
Private				
Sinhala	6	18	5	7
Tamil	1	3	1	3
English	5	10	3	5
Total Privately Owned	**12**	**31**	**9**	**15**
Total	**32**	**52**	**13**	**21**

Source: Ministry of Mass Media and Information

It is commendable that ITN, a state entity has been able to be the market leader in the television industry in the country since 2006 as per the ratings published by the Lanka Market Research Bureau (LMRB), a premier ratings agency in the country.

Chart 8.1: Channel Share – 2006

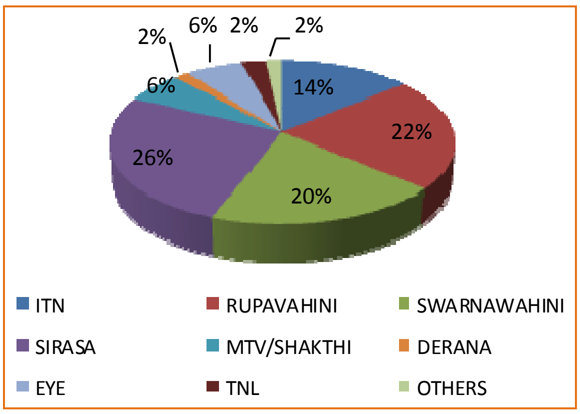
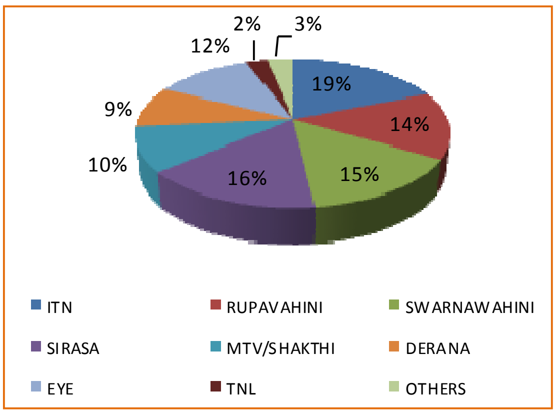


Chart 8.2: Channel Share – 2011



[8]Inclusive of both Radio and Television stations

Although, the private sector media entities are major players in the market, their broadcasting is quite often confined to one language only. This does not address the requirements of different sections of the country. However in line with the government's policy of serving all communities in the country in an equitable manner, SLBC, Rupavahini and ITN all have commenced channels in Sinhala, Tamil and English, to cater to their needs. This is vital as it facilitates the establishment of stable political and social environment that is crucial for sustainable development in the country.

The media sector in Sri Lanka, despite its long history, lacks the independent research and audience measurement mechanism which is crucial for enhancing the professionalism in the sector. Also, the technological advancements have become the key in ensuring the competiveness of the media industry. Having identified, government has taken the lead in implementing transmission from analog to digital which will create a spectrum for many wireless activities enabling the media industry to better compete in new markets.

Sri Lanka Broadcasting Corporation

SLBC provides its services through main channels, area channels, public channels and foreign channels serving all the communities who speak Sinhala, Tamil and English. Air Time Revenue of the Corporation increased by 9 percent to Rs.551 mn in the year 2011. Net profit of the Corporation decreased by 5 percent to Rs.36 mn due to an increase in the total expenses by 5 percent to Rs. 815 mn compared to the previous year.

Table 8.2: Performance of SLBC *Rs. Mn*

	2007	2008	2009	2010	2011
Total Revenue	672	72	781	824	857
Total Expenditure	694	722	736	776	815
Net Profit/ (Loss)	(37)	(18)	38	43	36
Total Assets	979	1034	1121	1193	1187
Total Liabilities	605	608	567	820	812
Number of Staff	1031	955	911	875	923

Source: Financial Statements of SLBC

Sri Lanka Rupavahini Corporation

SLRC operates with three channels namely Rupavahini, Channel Eye and NTV to cater to the Sinhala, Tamil and English speaking communities.

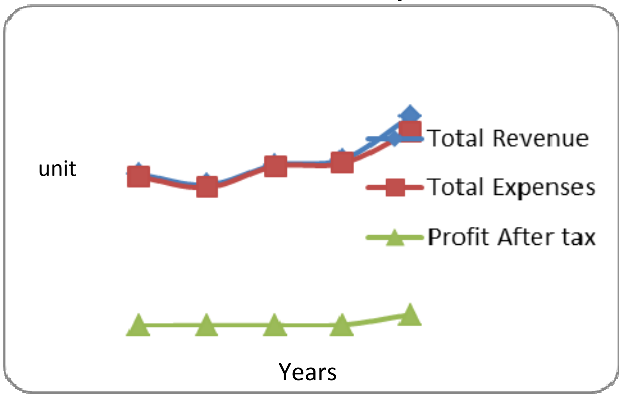
Table 8.3: Performance of SLRC *Rs. Mn*

	2007	2008	2009	2010	2011
Total Revenue	1761	1638	1867	1931	2419
Total Expenditure	1731	1608	1854	1888	2247
Net Profit/ (Loss) after tax	3	5	4.7	12	131
Total Assets	2210	2161	2151	2146	2299
Total Liabilities	499	505	460	567	622
Total Equity	1712	1656	1691	1579	1678
No of Employees	979	970	923	1013	1003

Source: Financial Statements of SLRC

Total revenue of the corporation increased by 25 percent to Rs.2419 mn of which channel Eye recorded revenue of Rs.854 mn. Reversing the loss making trend SLRC was able to record an operating profit of Rs.43 mn in 2011.

Chart 8.3 Profitability-SLRC



Independent Television Network Ltd.

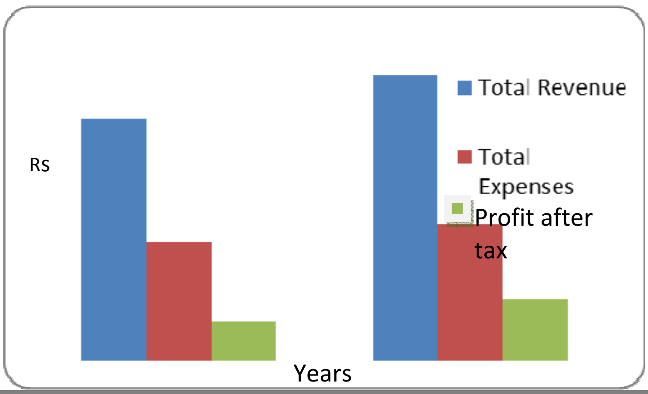
ITN has expanded its services to the Northern Province after the dawn of peace and delivers programme through 3 TV channels, namely ITN, Vasantham TV, Prime TV and 3 FM radio channels Lakhanda, Vasantham FM and Prime radio. It is commendable that ITN is the Market leader in the media industry since 2006.In 2011, ITN recorded a remarkable progress achieving a profit of Rs.481 mn in 2010. Revenue increased by 18 percent to Rs.2094 mn.

Table 8.4: Performance of ITN *Rs. Mn*

	2007	2008	2009	2010	2011
Revenue	685	1185	1499	1778	2094
Gross Profit	456	938	1130	1333	
Financial Charges	2.1	3.4	7.5	6.1	8
Marketing Expenses	80	154	248	138	265
Administration Expenses	482	573	675	767	780
Profit after tax	16	174	185	308	481
Non-Current assets	329	304	377	496	541
Current assets	394	717	961	1254	1650
Current Liabilities	154	282	455	556	568
Number of Employees	500	509	583	739	636

Source: Financial Statements of ITN

Chart 8.4 Profitability-ITN



Chapter 9

Trading Sector

In implementing government policy of achieving food security while ensuring higher reasonable producer prices for farmers, SOBEs such as Paddy Marketing Board (PMB), State Trading (Co-operative Wholesale) Co. Ltd., STC General Trading Company Limited and Lanka Sathosa Ltd (LSL) play a vital role.

LSL is continuously engaged in provision of essential items especially food at a reasonable price to consumer, while ensuring the price stability of these items.

PMB was re-established in 2007 for protecting Paddy farmers from receiving low prices for their harvest and while ensuring the availability of rice to the consumer at an affordable price. The PMB normally purchases almost 7-10 percent of the annual paddy production and maintains a safety stock.

Lanka Sathosa Limited (LSL)

Lanka Sathosa Limited, a government owned supermarket network is engaged in provisioning of essential food items to the customers at an affordable price thus creating price stability of most of the essential commodities.

LSL has expanded its operations by establishing 210 sales outlets island wide by the year 2010 and further 50 outlets were added to the outlet network in 2011 increasing the total outlets up to 260, covering the some parts of the Northern and the Eastern provinces as well.

Table 9.1 : Performance of Lanka Sathosa Limited

Units		2007	2008	2009	2010	2011*
Operating Performance						
Sales Outlets	Nos.	68	100	150	210	260
Financial Performance						
Turnover	Rs. Mn	2,213	3,649	5,808	13,028	16,551
Cost of Sales	Rs. Mn	1,949	3,251	5,276	11,848	14,957
Gross Profit	Rs. Mn	264	398	531	1,180	1,594
Other Income	Rs. Mn	6	16	82	51	82
Administration Expenses	Rs. Mn	85	140	71	119	174
Distribution Cost	Rs. Mn	174	249	510	1,051	1,409
Finance Cost	Rs. Mn	4	7	11	24	14
Operating Profit	Rs. Mn	7	22	29	58	92
Non-Current Assets	Rs. Mn	32	67	135	259	371
Current Assets	Rs. Mn	397	621	1,251	2035	2,236
Capital and Reserves	Rs. Mn	189	326	492	739	889
Non-Current Liabilities	Rs. Mn	30	32	32	23	23
Current Liabilities	Rs. Mn	209	330	863	1,531	1,695
Key Performance Indicators						
Operating Cash Cycle	Days	23	32	23	17	15
Average Turnover per Outlet	Rs. Mn	32.5	36.5	38.7	62.0	63.6
Average Profit per Outlet	Rs. Mn	0.09	0.18	0.14	0.18	0.30
Employees	Nos.	816	1,200	1,240	2,370	2,771
Average Turnover per Employee	Rs. Mn	2.7	3.0	4.7	5.5	5.9
Average Employee per Outlet	Nos.	12	12	8	11	11

Source: Lanka Sathosa Limited
*Draft

The turnover has increased by 27percent from Rs.13,028 million in 2010 to Rs. 16,551 million in 2011 as a result of the expansion of outlets. During 2011, Operating Profit has increased significantly to Rs. 92million in 2011 from Rs.58million in 2010. LSL has been able to maintain gross profit margins around 10 percent. Further the cash conversion ratio which reflects the time taken for converting purchases in to cash through sales has favorably declined to 15 days in 2011 from 17 days in 2010. LSL has invested Rs. 125 million in fixed deposits and savings accounts.

However, the non-existence of computerized accounting system, stock control system hinders a more effective Management Information System and hence the efficient performance of the company.

Chapter 10

Performance of other State Owned Business Entities

	Core Activities	Performance	Total Expenditure Rs. million
Insurance			
National Insurance Trust Fund	▪ Implements Government employees Agrahara Insurance scheme ▪ Reinsurer service	▪ Over 650,000 Agrahara policy holders contributed Rs. 623.5million and claims amounted to Rs. 1,188 million in 2011. ▪ Amalgamation with SLIC is in progress.	108.9
Sri Lanka Export Credit Insurance Corporation	▪ Export guarantees services to exporters.	▪ Total value of the businesses insured amounts to around Rs. 13 – 14 billion. ▪ The Insured business accounts for less than 2 percent of the total value of exports in the country.	116
Agriculture & Agrarian Insurance Board	▪ Implements Farmer and Fishermen pension schemes and Agriculture insurance scheme.	▪ The mismatch between the premium/contribution collected and the pension paid has demanded the consolidation of institutions	1,377
Agriculture and Fisheries			
Ceylon Fisheries Corporation	▪ Purchase and sell fish, ice and fishery by products ▪ Provides cold storage facilities	▪ Except for fish sales and importing all the other activities incurred losses. ▪ 16 percent of the total income is from non-core activities such as water and fuel sales.	693
Ceylon Fishery Harbor Corporation	▪ Manage and operate 18 harbours and anchorages.	▪ Treasury has continuously supported the operations providing capital and recurrent grants. ▪ Recurrent grant covers almost 50 percent of recurrent expenditure.	449

Sri Lanka Cashew Corporation	▪ Cultivates, processes and sells cashew and its value added products ▪ Provides professional guidance to farmers in terms of cashew cultivation, production, processing technology , value addition, research and market promotion ▪ Coordinate the government subsidy scheme	▪ Total cashew production of about 55MT (Raw cashew) accounts for less than 2 percent of the total cashew production in the country. ▪ Total production of finished cashew decreased by 13 percent to 27MT in 2011 over 2010 ▪ Earned net profit of Rs.20 million in 2011.	121
Palmyrah Development Board	▪ Cultivate , process and sell Palmyrah products ▪ Provide professional guidance to farmers to develop Palmyrah cultivation, production, value addition, research and market promotion	▪ Treasury support continued in 2011 where, Recurrent and capital grant was Rs. 55 million and Rs. 30 million respectively.	71
Trading			
State Printing Corporation	▪ Printing of School text books, security prints such as lottery tickets and etc. ▪ Manufacturing of stationery products	▪ Revenue increased by 21 percent to Rs.1,188 million in 2011. ▪ Profit before tax increased by 45 percent to Rs.133 million in 2011 from Rs.92 million in 2010.	273
Ceylon Fertilizer Company Ltd	▪ Implements the fertilizer distribution scheme for Paddy. ▪ Imports, and distributes fertilizer for plantation crops.	▪ Implemented almost 2/3rds of the fertilizer subsidy amounting to Rs 21 billion in 2010/11. ▪ Amalgamation process with the Janatha Fertilizer Enterprises Ltd is in progress.	2,329.5
Colombo Commercial Fertilizer Company	▪ Implements the fertilizer distribution scheme for Paddy.	▪ Implemented almost 1/3rd of the total fertilizer subsidy which amounted to Rs. 8 billion in 2011/12.	908.1

Paranthan Chemicals Co. Ltd	▪ Imports and sells liquid chlorine, caustic soda, solid and flakes and Hydrochloric acid	▪ Net profit from operations increased by 55 percent from Rs. 22 million in 2010 to Rs. 34 million in 2011.	157.5
Paddy Marketing Board	▪ Purchase, sell, supply, mill, hull and process paddy and rice	▪ Purchased 10 percent of the total paddy production of the country in 2011.	2,761
STC General Trading Co. Ltd	▪ Trade in consumer goods	▪ Earned a profit of Rs. 53 million in 2011.	3,032
Manufacturing			
Lanka Mineral Sands Ltd	▪ Mine, process and market heavy mineral sands. ▪ Manufacture and sell any by product which may be produced as a result of refining and processing mineral sands.	▪ Total revenue in 2011 of Rs1,567 million is an increase of 30 percent compared to 2010. ▪ Gross profit increased by 84 percent in 2011. ▪ The extended mining area reduced repeated mining resulting in better quality output.	653
Lanka Phosphate Limited	▪ Excavate process and sell rock phosphate which is used as a fertilizer for perennial agricultural crops such as Tea, Rubber and Coconut.	▪ Total Revenue in 2011 of Rs 393 million is an increase of 12 percent over 2010.	300
Kahatagaha Graphite Lanka Ltd	▪ Excavate, process and sell Graphite as industrial raw material	▪ Total revenue has increased by 4 fold to Rs.105 million in 2011 over 2010. ▪ Gross profit ratio has decreased by 9 percent in 2011.	79
North Sea Ltd	▪ Manufacture and supply fishnets And mends twine fisherman nets	▪ Despite a slight increase in turnover, net profit has reduced by 9 percent compared to 2010.	34
Cey-Nor Foundation Ltd	▪ Manufacture fishing craft and supply of fishnets / fishing gear	▪ Net loss decreased by 31 percent in 2011 compared to 2010	281

Mantai Salt Ltd	▪ Produce normal salt, crushed salt and iodized salt	▪ Market share is about 5 percent. ▪ Total sales have decreased by 43 percent in 2011 to Rs.31 million from Rs. 55 million in 2010.	30.2
Building Materials Corporation	▪ Supply building materials and equipments	▪ Profit of Rs. 48 million in 2011.	968
Education			
National Institute of Business Management	▪ Awards degrees, Diploma, Higher Diplomas in the field of Information technology and Management	▪ With an increase in the number of programmes operating income increased by 47 percent in 2011 over 2010. ▪ Net profits increased by 170 percent in 2011.	466
Post Graduate Institute of Management	▪ Awards PhD's, MBA, MPA, Master in Business Management, Customs Administration, MBA in International Trade and Logistic and Postgraduate Diploma in Public Administration	▪ Total revenue has decreased by 5 percent in 2011 over 2010.	90.7
Lotteries			
National Lotteries Board	▪ Lottery business	▪ Out of the 11 lotteries Mahajana Sampatha contributes 40 percent of the total revenue of NLB. ▪ Revenue increased by 14 percent to Rs 10,092million in 2011. ▪ Contribution to the consolidated fund amounted to Rs.1,345 million in 2011.	1,290
Development Lotteries Board	▪ Lottery business ▪ Sales proceeds are used to finance the Mahapola Higher Education Trust fund through the Presidents Fund.	▪ Total revenue increased by 21 percent in 2011 over 2010. ▪ Contribution to the President's Fund has increased by 69 percent to Rs.1,354 million in 2011.	611

Compiled by Department of Public Enterprises

Chapter 11

Financial Management

The Budgetary allocation and actual expenditure of the Department of Public Enterprises for the year 2011 are as follows.

Table 11.1: Budgetary allocation and actual expenditure for year 2010 & 2011

	Actual Expenditure		New Budgetary Provision	
	2010	**2011**	**2010**	**2011**
Recurrent				
Personal Emolument (Rs. Mn.)	23,252	18,817	24,192	19,500
Other Recurrent (Rs. Mn.)	11,415	6,518	12,269	6,900
Total (Rs. Mn.)	34,667	25,335	36,461	26,400
Capital				
Rehabilitation & Improvement				
2001 Building & Structure (Rs. Mn.)				
2002 Plant, Machinery& Equipment (Rs. Mn.)		347		500
2003 Vehicle (Rs. Mn.)				
Acquisition				
2101 Building & Structure (Rs. Mn.)				
2102 Furniture & Office Equipment (Rs. Mn.)	505	86	505	100
2103 Plant, Machinery& Equipment (Rs. Mn.)				
Capacity Building				
2401 Training & Capacity Building (Rs. Mn.)	541	851	800	900
Other				
2501 Restructuring (Rs. Mn.)	417		417	
2502 Other Investment (Rs. Mn.)				
Total (Rs. Mn.)	1,463	1,284	1,722	1,500

Source: Department of Public Enterprises

Table 11.2 Public Officers Advance Account 2011
Public Officers Advance Accounts Limits & Actual Rs.'000

	Limits Authorized	Actual at the end of the Year
Maximum Limit of Expenditure (Rs. Mn.)	4,300	1,660
Maximum Limit of Receipts (Rs. Mn.)	1,300	2,373
Maximum Limit of Debit Balance(Rs. Mn.)	18,000	11,545

Source: Audited Accounts of Department of Public Enterprises

The Annual Appropriation Account and the Annual Reconciliation Statement in respect of Advances to Public Officer's Accounts for the year 2011 have been audited by Auditor General.

Chapter 12
Human Resources Management

In 2011, PED continued to obtain the service of two officers from the Central Bank of Sri Lanka who assigned to the Financial Management Cell of this Department in 2007, which was established to closely monitor the performance of State Banks.

Table 12.1
Cadre position as at 31st December 2010

Designation	Approved Cadre	Existing Cadre	Vacant	Excess
Director General	01	01	-	-
Additional Director General	01	01	-	-
Directors	06	04	02	-
Deputy Director/ Assistant Directors	10	11	-	01
Financial Analyst	02	-	02	-
Administration Officers	01	01	-	-
Research Assistance	11	04	07	-
Management Assistance	21	13	08	-
Data Entry Operators	02	02	-	-
Drivers	08	05	03	-
K.K.S	06	06	-	-
Total	69	48	22	01

Source: Department of Public Enterprises

During this period several employees in each category was transferred to and from the Department as referred to in table 12.2

Table 12.2

Designation	Number of workers	
	Transferred to PED	Transferred from PED
Directors	01	02
Deputy Directors	-	-
Assistant Directors	-	-
Consultants	-	-
Administration Officers	-	-
Research Assistance	-	01
Development Assistant	-	-
Management Assistance	03	01
Drivers	02	03
K.K.S	05	02

Source: Department of Public Enterprises

Most of the staff members in the Department possess degree in Business Management, Business Administration, Accountancy, Commerce or Economics. Three staff officers are members of Institute of Chartered Accountants of Sri Lanka and two staff officers are associate member of Chartered Institute of Management Accountant.

Staff Officer's Profile

No.	Name		Designation
1	Mr. S. R. Attygalle	-	Director General
2.	Mrs.D. Senanayake	-	Add. D.G
3.	Mr. V.M. Ameen	-	Director
4.	Mr. D. A.P. Abesekara	-	Director
5.	Mr. D.C.Siribaddana	-	Director
6.	Mr.R.M.A.Ratnayake	-	Director
7.	Mrs. Anoma Nandani	-	Director
8.	Mr. P.A.S.Athula Kumara	-	Director
9.	Mrs.W.G.Chandrika	-	Deputy Director
10.	Mrs.S.A.Batagoda	-	Deputy Director (Act)
11.	Miss. M.T.I.V. Amarasekere	-	Deputy Director (Act)
12.	Mr. R.M.Wijesinghe Banda	-	Deputy Director (Act)
13.	Mr. H. P. M. Wasantha Kuamra	-	Asst. Director
14.	Mrs. G.M.I.U. Bandara	-	Asst. Director
15.	Mrs.D.G.N.Kumari	-	Asst. Director
16.	Mr.K.S.P.Rupasinghe	-	Asst. Director
17.	Mrs.L.G.S.Dushyanthi	-	Asst. Director
18.	Mrs.S.M.Rajapaksha	-	Asst. Director
19.	Mr.K.S.M.De Silva	-	Asst. Director
20.	Mr.Vijitha Perera	-	Asst. Director
21.	Mrs.J.P.P.Liyanage	-	Senior Manager
22.	Mrs.A.R.Wickramasinghe	-	Senior Manager
23.	Mr.D.P.Perera	-	Administrative Officer

Officers who left the department during the year 2011

1.	Mr. D. C. Siribaddana	-	Director
2.	Mr. D.A.P. Abesekara	-	Director
3.	Mr. H.P.M. Wasantha Kumara	-	Assistant Director

Table 12.3: Staff Training (Seminars/ Courses /Workshops) in the year 2011

	Title of the training	No. Of participants	Duration
Local	Work shop on change Management	03 DA/D/AD	03 days
	Diploma in computer Hardware With Network	01 MA	06 Month
	Basic Computer Skills	01 MA	05 days
	Data Base Management	03 MA /DEO	04 days
	Advanced Computer	05 DA	05 days
	Public Finance Management	04 DA	05 days
	Project Management	04 DA	03 days
	Pension Process (Sinhala)	01 MA	02 days
	E - mail & Internet Usage (Sinhala)	01 MA	01 day
	WTO & Trade Related Issues	01 AD	02 days
	Setting Goals for Personal & Professional Success	01 AD	01 day
	Liquidity Forecasting & Management	01 SM	02 days
	Entrepreneurship Development using the Blue Ocean Strategy	01 SM	02 days
	Applied Econometrics a practical Approach Using E - Views	02 yp /AD	07 days
	IBRD Financial Products & Service Available	04 /D/ACD/AD/SM	02 days
	Confronting the new Economic Lands Cape (AAT)	02 AD /DD	02 days
	Diploma in English Language	01 MA	01 year
	Training Program on Project Management	01 DA	03 days
	Speed Reading Master Courses	02 DD/AD	02 days
	International Financial Reporting Standards (IFRS) for SMES	02 AD/DD	03 days
	Diploma in Public Management Program me	01 MA	01 year
	English For Careers - Part Two	01 MA	01 year
Foreign	IMF High Level Tax Seminar	01 DG	06 days
	Public Sector Leaderships Program me at the Civil Service College	01 ADG	13 days
	Symposium & Roundtable on Investment for Balanced & Sustainable Growth	01 D	07 days
	Invitation to South Asia Region Public Procurement Forum	01 D	04 days
	The Forty Fourth Annual Meeting of the Asian Development Bank Hanoi , Vietnam	01 DG	03 days
	Macroeconomic Diagnostic Singapore	01 D	12 days
	Enhancing Organizational Capacity Achieving Service Excellence	01 DD	05 days
	Strengthening Necgotiation Capabilities Of Senior Officers from Developing Countries in Common Wealth (ASIA)	01 D	13 days
	Economic Globalization & Made in china for Developing Countries	01 DD	21 days
	Visit of Secretary of the Ministry of Finance & Planning to the World Bank Headquarters in Washington	01 DG	06 days
	International Sovereign Bond Issue	01 DD	09 days
	Strategic Management at the Lee Kuan Yew School of Public Policy	01 ADG	05 days
	Environmental Protection & Management for Officials From Developing Countries	01 DA	22 days
	Sida's International Training Program me on Public Service Management	01 SM	27 days

Source: Department of Public Enterprises

DG - Director General
D - Director
AD - Assistant Director
DA - Development Assistant
ADG - Additional Director General
DD - Deputy Director
SM - Senior Manager
MA - Management Assistant
DEO - Data Entry Operator