

**ராச்ய வ்யாகார டீபார்த்மென்ட்**  
**பொது தொழில்முயற்சிகள் திணைக்களம்**  
**DEPARTMENT OF PUBLIC ENTERPRISES**

# 2009



# கார්ය கமின வர்தாவ செயலாற்றுகை அறிக்கை Performance Report





**PERFORMANCE REPORT 2009**  
**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”**

# Director General's Message



Public Enterprises (PEs) provide various economic services to the economy ranging from essential food stuff, water, electricity, petroleum products, transport, tourism industry, insurance and pension, communication, banking and finance. The current contribution of PEs towards the GDP by way of dividend and levy is negligible, recording only 0.2% of GDP in 2009. In terms of predicted target of PEs this would increase to 0.4% of GDP in 2013. This is not sufficient to meet the government's expected GDP growth rate from 3.5% in 2009 to 10% in 2012. The government expects to increase investments from 25% in 2009 to 35% in 2012. This strategy includes the increase of private sector investment from 17.5% in 2009 to 28.5% in 2012.

More than 100 commercial PEs in the country are in a strategic position to induce private investment by creating innovative business models to develop their underutilized resources with the assistance of the private sector. In order to achieve this objective all PEs should revisit their vision, strategies, and business models in line with national objectives.

This is a difficult task that cannot be achieved unless the chairmen, boards of management and the senior management of PEs are seriously committed to achieve national objectives. The chairmen and the boards of management should be humble enough to serve the country and should not misuse the power vested in them by HE the president. They must always think, plan and make policy decision to improve the performance of the PEs. We have experienced situations where some Public Enterprises grossly violate rules and regulation of the government including the Mahinda Chinthana policy directives. Some enterprises have become defunct due to mismanagement. It is unfortunate to note that most of the boards of directors of PEs spend their time to discuss minor administrative matters than discussing strategic policy initiatives at the board meetings.

We have found some boards take affairs of the enterprise very lightly regardless of their strategic importance even in a situation where PE faces very difficult time. Since there is no formal procedure to hold the chairman and the board of directors accountable, for their weak performance or unacceptable practices, some boards act with sheer indifference in discharging their responsibility.

At a time when the country is on the threshold of moving into a middle income level country, and His Excellency the President and the government are fully committed to improve PEs, it is of utmost importance that the PEs act with vision and responsibility. Inability of the PEs to do so would have unfortunate consequences for the entire country.

The staff of Department of Public Enterprises is fully committed to improve the performance of all PEs through introducing required structural reforms. I must appreciate and thank chairmen/ chairpersons of all PEs who have supported during the year to achieve national objectives. The dedicated staff members of the PEs are recognized with gratitude.

**Dr. B.M.S. Batagoda**  
Director General  
Department of Public Enterprises

## Table of contents

|            |   |    |
|------------|---|----|
| Chapter 1  | - Overview  | 01 |
| Chapter 2  | - Contribution of Public Enterprises to Government Revenue            | 04 |
| Chapter 3  | - Finance Sector  | 06 |
| Chapter 4  | - Infrastructure Development Sector                                   | 17 |
| Chapter 5  | - Trading Sector  | 33 |
| Chapter 6  | - Agricultural Sector   | 37 |
| Chapter 7  | - Plantation Sector   | 45 |
| Chapter 8  | - Industrial Sector   | 50 |
| Chapter 9  | - Service Sector  | 60 |
| Chapter 10 | - Health Care Sector  | 64 |
| Chapter 11 | - Handling Post Privatization Matters                                 | 66 |
| Chapter 12 | - Minority Share Holding Companies                                    | 69 |
| Chapter 13 | - Financial Management  | 71 |
| Chapter 14 | - Human Resource Management, Organization Structure and Staff Profile | 73 |
| Chapter 15 | - Way Forward   | 79 |
| Annexure   |   | 81 |

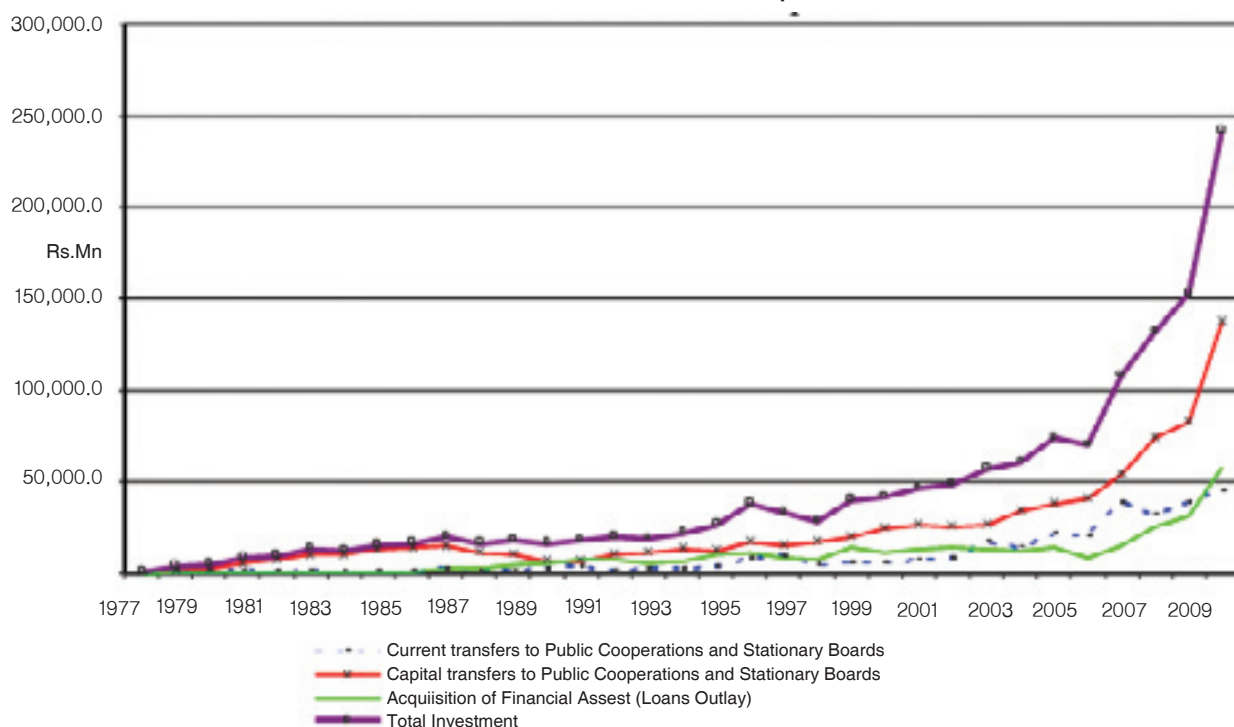
## Chapter 01 Overview

Since the present government came into power in 2005, there was a significant policy shift towards improvement of Public Enterprises (PE). This has resulted in an upward increase in the government investments in PEs sector. Since 1977, successive governments have adopted an anti-public enterprises policy discouraging deploying government investments in public enterprises. These governments have encouraged privatization of PEs. On the contrary, under both “Mahinda Chinthana Development Framework” and “Mahinda Chinthana Way Forward”, the present government has given priority for the development of PEs and taken a policy decision not to privatize any PE and instead to re-open all defunct and non-performing public enterprises with appropriate management reforms to turnaround them as performing enterprises.

In line with this policy, the government strongly encourages investments in PEs as a major economic development strategy and has invested Rs. 635,063.5 Mn during the last 4 years. This is a 237 percent increase of government investments in this sector.

Initially, PEs were loosely defined as any enterprise other than government ministries and departments. However, due to the inherent complexities of PEs, the definition has been changed and now only the enterprises of commercial nature are defined as PEs. Thus, at present, a commercial PE is defined as an organization established under any public law having legal personality, which is an autonomous or semi autonomous body and produces or provides goods or services with fully or partially self-financing basis. The government

Chart 1.1  
Government Investment on Public Enterprises



or public body corporate/agency participates by way of acquiring shares or representation in decision making process of these commercial enterprises.

The total number of commercial PEs that the government has controlling interest is 107 in 2009. In addition, the government has invested directly or indirectly in 52 subsidiary companies and 20 associate companies of the above parent PEs. The government has also purchased shares in 49 companies and is the minority shareholder of those companies. The government has "Golden Share Holding Right" in 23 regional plantation companies of which 3 companies are owned by the government with 100 percent controlling interest. The 107 enterprises in which government has interest can be classified based on their business as 26 - finance, 6 - infrastructure, 5 - port and aviation, 9 - trading, 9 - agriculture, 3 - fisheries, 11 - plantation, 16 - construction and manufacturing, 16 - service and 6 - healthcare.

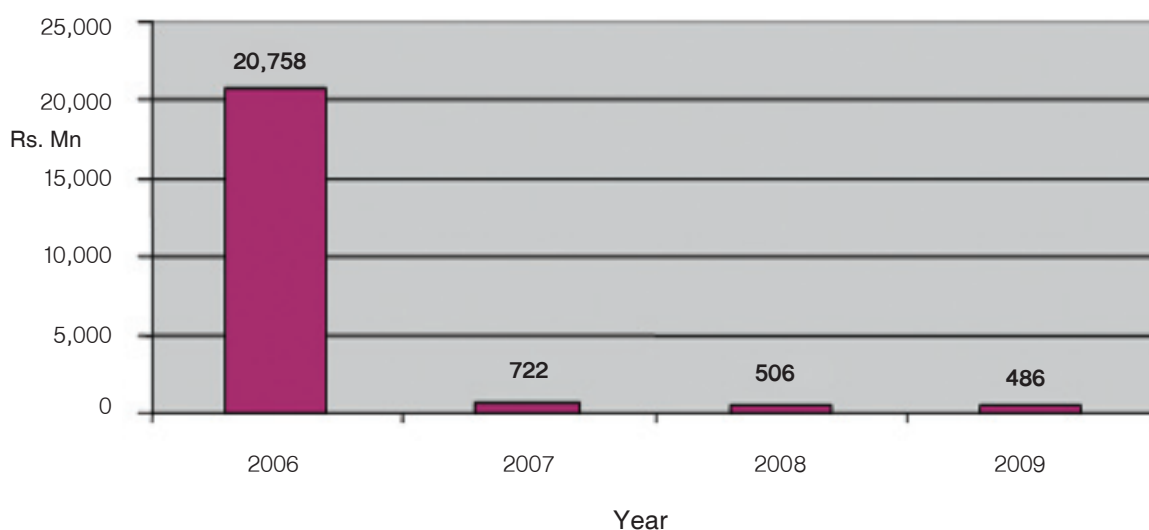
Public Enterprises make significant contribution to the Sri Lankan economy. During the year 2009, PEs recorded a turnover of Rs. 793,496 Mn from their operational activities, which is 16.8 percent of the GDP at current market prices. The 107 PEs have provided employment to 140,500 persons, which is 2 percent of the

labour force of Sri Lanka. The Treasury has collected Rs. 2,504 Mn by way of dividends and Rs. 15,379 Mn by way of levy during 2009 from commercial PEs.

In 2005, when the present government came into power, a large number of commercial PEs were making losses and 39 PEs were identified as defunct and non-functional enterprises by the Cabinet. This is mainly due to the policies of the previous governments discouraging public investments in PEs. When the present government came into power it took steps to re-open and improve these defunct and non-functional enterprises. This resulted in the government being able to venture into new business sectors and create new employment opportunities which had a positive impact on the economy.

As a result of these initiatives, some of the defunct PEs such as State Engineering Corporation, Sri Lanka Cement Corporation, Valachchenai Division of National Paper Corporation are now operating at profit. Hingurana Sugar Industries Ltd was revitalized with private investments. As a result of the government's restructuring initiatives, at present except few enterprises that have been identified as non-functional, the others are functioning on their own without Treasury contributions.

**Chart 1.2**  
**Government contribution to non functional enterprises**



The government was able to reduce its contribution (recurrent and capital) to the non functional Commercial PEs significantly from Rs. 20,758 Mn in 2006 to Rs. 486 Mn in 2009 confirming the success of the government restructuring process in PEs.

In the mean time the government took over the management of Sri Lankan AirLines Ltd. and Sri Lanka Telecom Ltd. which were under private sector management at the end of the management contract period.

The land ownership of Lanka Marine Services Ltd was vested with the government under the Supreme Court Order in year 2008, which was subsequently handed over to Jaya Container Terminal Ltd of Sri Lanka Ports Authority (SLPA) to continue the bunkering service. Further, Waters Edge Ltd (99 year lease of UDA land) was also re-vested to the government and is now managed as a subsidiary of UDA. In 2009, the ownership of the Sri Lanka Insurance Corporation Ltd (SLIC) was also re-vested with the government. SLIC has recorded the highest number of life insurance proposals received in a single day with a magnificent growth of 333 percent on 1st January 2010. This is a clear indication of the unwavering trust and confidence placed on the corporation, following its take over by the government.

The government also encouraged establishing new commercial PEs to supplement the essential services to the general public. The Mihin Lanka Ltd, Port and Aviation Information Research Institute (formerly Central Freight Bureau), Sri Lanka Savings Bank and the Polipto Lanka Ltd are some of these new PEs.

The government has also made significant investments in these PEs. In this regard Rs. 25 Bn was invested in 2009 for large power sector projects of Ceylon Electricity Board (CEB) such as Upper Kothmale Hydro Power Plant (150

MW) , Norochcholai Coal Power Plant (900 MW), Kerawalapitiya Power Plant (270 MW) and Trincomalee Coal Fired Power Plant (500 MW). Investments on port and aviation projects such as Colombo Port Expansion Project (Rs. 85 Mn), Oluvil Port Development Project (Rs. 6 Mn), Hambanthota Port Development Project (Rs. 42 Mn), Galle Port Development Project (Rs. 17 Mn), Mattala International Airport Project (Rs. 20 Mn) and Bandaranaike International Airport Expansion Project (Rs. 30 Mn) have been made through SLPA and Airport and Aviation Services Sri Lanka.

### **Facilitating Committee on Public Enterprises activities**

One of the key roles played by the Department of Public Enterprises (PED) is assisting the Committee on Public Enterprises (COPE) to implement its oversight functions on PEs by providing background information on the performance of PEs. During the year 2009, the COPE examined 21 PEs. The Department assisted the COPE by submitting performance analysis reports on these 21 PEs. The COPE critically reviews various short comings and issues of PEs and makes recommendations for PEs to take corrective actions. The Department also assisted PEs to take follow-up actions and comply with the COPE's observations/recommendations. All PEs were encouraged to upgrade their Corporate Plans and Action Plans with clear objectives and strategies. Issues and concerns identified in the Auditor General's reports were also frequently reviewed and PEs were provided guidance to take corrective measures. The Department also prepared a special report on "How State Owned Companies Comply with the COPE Requirements". Based on this report the Department is planning to introduce a new policy on the role of COPE, the Treasury and other line ministries in supervising and monitoring fully or partly government owned companies. ■

## Chapter 02

Contribution of Public Enterprises  
to Government Revenue

## Introduction

The Return On Investment (ROI) to the government from its investments in PEs is measured by the levies and dividends declared by the PEs against their profits after tax. The dividend and levy income from PEs has increased by 64 percent to Rs. 11,982 Mn in 2009 compared with Rs. 7,322 Mn in 2008.

The largest contributors to the levy and dividend income were the state owned banks, Telecommunication Regulatory Commission

and National Insurance Trust Fund. While almost all sectors of PEs noted an improvement over 2008, the partially government owned enterprises recorded a slight decline in its contribution to the government coffers by way of dividend and levy. However, in the last 5 years, the largest PEs such as Ceylon Electricity Board (CEB), Ceylon Petroleum Corporation (CPC), National Water Supply & Drainage Board (NWS&DB), Sri Lanka Ports Authority (SLPA) and Sri Lanka Transport Board (SLTB) failed to accord a positive ROI to the government.

Chart 2.1  
Dividends 2006 - 2009

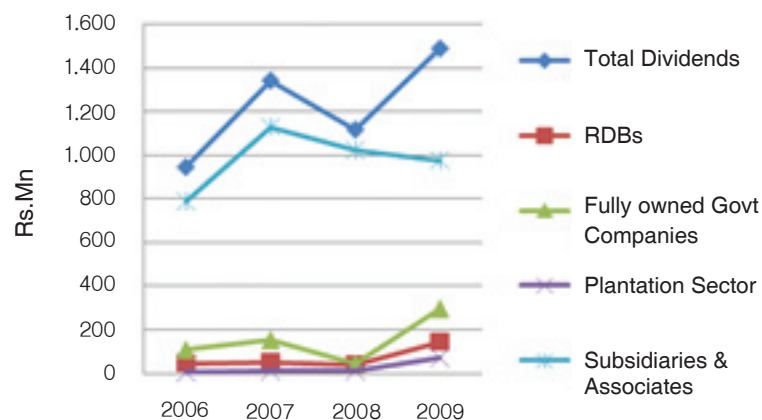


Chart 2.2  
Levy 2006 - 2009

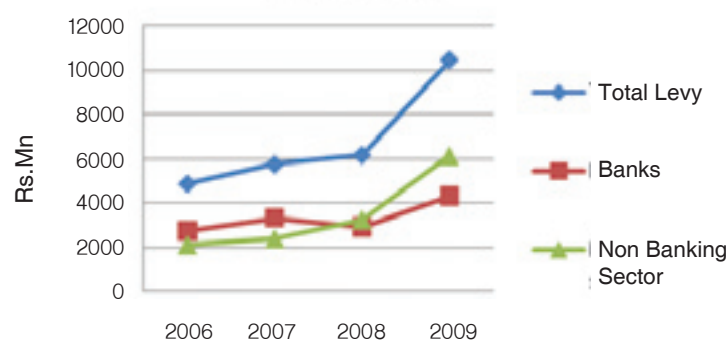




Table 2. 1  
Levy and Dividend Contribution from Public Enterprises

|  | Units | on Profit<br>of 2005 | on Profit<br>of 2006 | on Profit<br>of 2007 | on Profit<br>of 2008 | Estimated<br>Receivables<br>in 2010 on<br>profit of 2009 |
|--|-------|----------------------|----------------------|----------------------|----------------------|--|
| <b>a) Levy</b>   |       |                      |                      |                      |                      |  |
| Bank of Ceylon   | Rs.Mn | 1,173                | 846                  | 846                  | 1,346                | 2,346  |
| National Savings Bank                                  | „     | 810                  | 1,060                | 1,060                | 1,810                | 1,060  |
| People's Bank  | „     | 668                  | 1,416                | 1,016                | 1,116                | 1,816  |
| State Mortgage &<br>Investment Bank                    | „     | 116                  | 25                   | -                    | 50                   | 40   |
| <b>Sub Total- Banks</b>                                | „     | <b>2,767</b>         | <b>3,347</b>         | <b>2,922</b>         | <b>4,322</b>         | <b>5,262</b>   |
| Telecommunication<br>Regulatory Commission             | „     | 2,050                | 2,250                | 3,150                | 3,321                | 9,000  |
| State Timber Corporation                               | „     | 75                   | 150                  | 75                   | 50                   | 500  |
| National Insurance Trust Fund                          | „     | -                    | -                    | -                    | 2,250                | 5,000  |
| Geological Survey &<br>Mines Bureau                    | „     | -                    | -                    | -                    | 481                  | 300  |
| Others   | „     | 20                   | 36                   | 55                   | 67                   | 1,834  |
| <b>Sub Total-Non Banking sector</b>                    | „     | <b>2,145</b>         | <b>2,436</b>         | <b>3,280</b>         | <b>6,169</b>         | <b>16,634</b>  |
| <b>Total Levy</b>                                      | „     | <b>4,912</b>         | <b>5,783</b>         | <b>6,202</b>         | <b>10,491</b>        | <b>21,896</b>  |
| <b>b) Dividends</b>                                    |       |                      |                      |                      |                      |  |
| Ruhunu Development Bank                                | Rs.Mn | 9                    | 10                   | 15                   | 35                   | 17   |
| Rajarata Development Bank                              | „     | -                    | 6                    | 6                    | 22                   | 25   |
| Wayamba Development Bank                               | „     | 17                   | -                    | 3                    | 56                   | 25   |
| Other RDBs   | „     | 20                   | 34                   | 16                   | 31                   | 39   |
| <b>Sub Total-RDBs</b>                                  | „     | <b>46</b>            | <b>50</b>            | <b>40</b>            | <b>144</b>           | <b>106</b>   |
| Airport & Aviation Sri Lanka Ltd.                      | „     | -                    | 100                  | -                    | 200                  | 344  |
| Lanka Mineral Sands Ltd.                               | „     | 98                   | 50                   | 34                   | 60                   | 81   |
| Milco Private Ltd.                                     | „     | -                    | -                    | -                    | 28                   | 10   |
| Sri Lanka Insurance Corporation                        | „     |                      |                      |                      |                      | 500  |
| Other Fully owned companies                            | „     | 10                   | 4                    | 10                   | 10                   | 118  |
| <b>Sub Total- Fully owned<br/>Government Companies</b> | „     | <b>108</b>           | <b>154</b>           | <b>44</b>            | <b>298</b>           | <b>1,053</b>   |
| Kurunegala Plantation                                  | „     | -                    | -                    | -                    | 30                   | 20   |
| Chilaw Plantation                                      | „     | -                    | -                    | -                    | 30                   | 30   |
| Other Plantation Co's                                  | „     | 3                    | 10                   | 10                   | 11                   | 8  |
| <b>Sub Total-Plantation Sector</b>                     | „     | <b>3</b>             | <b>10</b>            | <b>10</b>            | <b>71</b>            | <b>58</b>  |
| De La Rue Lanka Pvt Ltd                                | „     | -                    | 100                  | 100                  | 38                   | 100  |
| Lanka Electricity Company                              | „     | 100                  | 75                   | -                    |                      | 100  |
| Sri Lanka Telecom                                      | „     | 670                  | 893                  | 893                  | 893                  | 240  |
| Lanka Industrial Estates                               | „     | 20                   | 62                   | 31                   | 31                   | 65   |
| Others   | „     |                      |                      |                      | 15                   | 75   |
| <b>Sub Total-Minority shareholding</b>                 | „     | <b>789</b>           | <b>1,130</b>         | <b>1,025</b>         | <b>977</b>           | <b>580</b>   |
| <b>Total Dividends</b>                                 | „     | <b>947</b>           | <b>1,344</b>         | <b>1,119</b>         | <b>1,491</b>         | <b>1,797</b>   |
| <b>Total Levy &amp; Dividends</b>                      | „     | <b>5,859</b>         | <b>7,127</b>         | <b>7,321</b>         | <b>11,981</b>        | <b>23,693</b>  |

Source: Department of Public Enterprises

- \* The levy received from Bank of Ceylon, Peoples Bank and National Savings Bank includes repayments on the restructuring bonds.

## Chapter 03

## Finance Sector

State owned banking sector comprising of two Licensed Commercial Banks and eleven Licensed Specialized Banks including six Regional Development Banks made a significant contribution to the overall economic development through its network of 1,575 service delivery points and a workforce of 22,142 in 2009. During the year 2009, state owned banks have opened several branches in Northern and Eastern Provinces after the liberalization of these two provinces.

While commercially competing in the market, state owned banks effectively continued their participation in implementation of government policies and directives in respect of finance sector which are not always financially viable, even though they have significant economic benefits. Extending housing and property loans to public servants at concessionary rates, granting direct loans to the government and state owned enterprises, providing banking services to the government and government departments, extending various development loans such as New Comprehensive Rural Credit Scheme, “Krusha Novodaya” Credit Scheme etc. are some of economic directives implemented by state banks. In 2009, state owned banks were directly involved in implementing government’s “Stimulus Packages” extended to various economic sectors to assist them to overcome the difficulties faced by these sectors following the global economic turmoil.

State owned banks took initial steps in 2009 to provide adequate financial facilities to the

regaining Northern and Eastern provinces immediately after their liberation. Opening of new branches, introducing various micro finance credit schemes, easing the requirements of collateral on development loans are several key development initiatives implemented in Northern and Eastern Provinces.

During the year 2009, preliminary action was taken to amalgamate Sri Lanka Savings Bank Ltd (SLSBL), which was established to provide a relief to the depositors of defaulted Pramuka Savings and Development Bank (PSDB), with National Development Trust Fund (NDTF) with a view to strengthening the capital base of SLSBL.

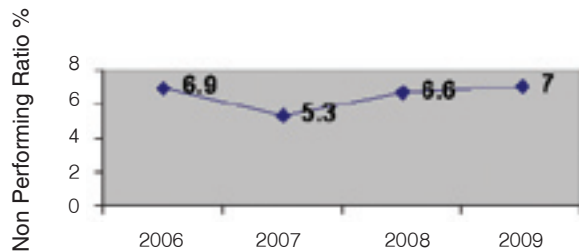
#### **Assessment of the performance of state banking sector during the year**

Total asset base of state owned banks amounted to Rs. 1,448 Bn in 2009. This is an increase by 16.0 percent over the previous year. Total asset base of state owned banks accounted for nearly 50 percent of the total asset base of entire banking industry. Total asset base of the state sector banks mainly constituted with 46.5 percent of loans and advances and 36.5 percent of investments.

Notwithstanding the effects of volatile market conditions that prevailed during the period, loans and advances of state sector banks have reported at Rs. 674 billion at the end of 2009, registering a growth of 7 percent over the year 2008 in contrary to the 3.9 percent negative growth in the industry. Two licensed commercial

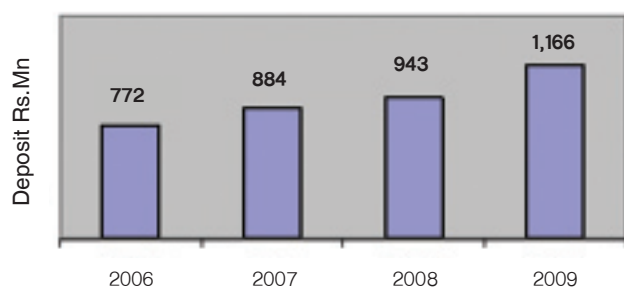
banks i.e Bank of Ceylon (BOC) and People's Bank (PB) contributed to the 81.4 percent of loans and advances disbursed by state sector banks.

**Chart 3.1**  
**Movement of Gross Non - Performing**  
**Ratio of State Owned Banks 2006 - 2009**



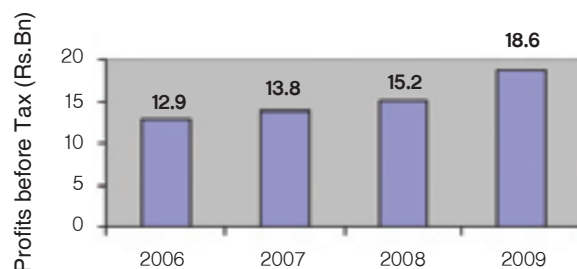
Total non performing loans of state banks amounted to Rs. 49,057 Mn by the end of 2009 registering a significant growth of 19.0 percent over the previous year. However, the Non-performing Loan Ratio (NPL Ratio) of this sector has increased marginally during the year 2009 due to the increased lending portfolio of the state banks. State owned banks reported a Non-performing Loan Ratio of 7 percent at the end of 2009 which was 6.3 percent in the year 2008. However, when non-performing loans of Sri Lanka Savings Bank vested from Pramuka Bank are taken into consideration, total non-performing loans in state sector banks would be at Rs. 50,740 Mn and non-performing Loan Ratio would be 7.2 percent at the end of the year 2009. State sector banks have been able to maintain a NPL ratio below the industry average of 8 percent in 2009.

**Chart 3.2**  
**Deposits of State Owned Banks**  
**(in Rupees Billion)**



The main source of funds of state sector banks is deposits. Total deposit base has reported at Rs. 1,168 Bn by the end of the year 2009 registering a significant annual growth of 24 percent. The growth in deposit in state bank sector is higher than the industry average of 18.8 percent in 2009. As a result of the difficulties faced by non-banking sector during the year 2008, the deposits held with non-banks were shifted to the state banks considering the explicit government guarantee on deposits made in state owned banks. This gradual increase in deposits has resulted in a significant decline in borrowings of the state sector banks by 24.2 percent and an increase in investment portfolio by 20.3 percent in 2009. Total capital funds employed by state owned banks amounted to Rs. 70,436 Mn in 2009 indicating a 11.5 percent growth over the year 2008. Infusion of fresh capital by Bank of Ceylon and People's Bank through issuing debentures and accumulation of profits are major reasons for the increase in capital funds of state owned banks.

**Chart 3.3**  
**Profitability of State Owned**  
**Banks (in Rs. billion)**



Government decision to reduce lending rates of state owned banks was a significant development in the banking industry in the later part of 2009. Accordingly, two government commercial banks and National Savings Bank immediately reduced their lending rates on several loan products. Consequently, small specialized banks i.e regional development banks also responded to this government decision by reducing their lending rates.

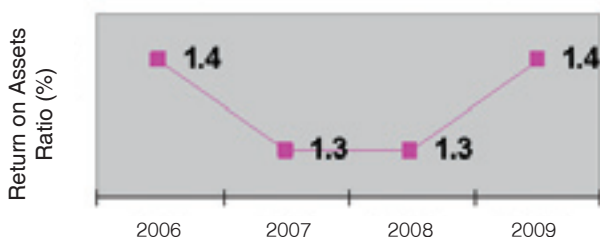
In contrary to the effects of the reduction of interest rates, total interest income of the state sector banks has grown by 14.4 percent in 2009 over the previous year, while interest expenses were showing only a 11.0 percent increase in 2009 over previous year. As a result, net interest income of state owned banks as a percentage of their average assets stood at 4.3 percent in 2009 which was at 3.9 percent in 2008. The state bank's profits before tax continued to grow in 2009 and reported as Rs. 18,841 Mn for the

year 2009 registering a significant growth by 23.6 percent. This was mainly due to the growth of net interest income. The profitability ratios of state sector banks i.e Return on Assets (ROA) and Return on Equity (ROE) have also improved during the year 2009 over the previous year.

### Bank of Ceylon (BOC)

The BOC has the highest asset base in banking industry in the country which is Rs. 538.25 Bn in 2009 and is 18.8 percent of the total assets in the banking industry. The BOC also has the largest customer base, leadership in offshore banking and largest corporate and retail lending portfolio (Rs 265 Bn). BOC provides its services to the customers with a network of 310 branches connected online and 329 ATMs. Bank has nine subsidiaries and six associates. The bank's profits (before tax) have declined from Rs. 5.2 Bn in 2008 to 4.2 Bn in 2009 mainly due to the contagion effects of the global economic slowdown.

**Chart 3.4**  
**Return on Assets of State owned Banks**



**Table 3.1**  
**Key Performance Indicators of BOC**

|                                       | 2005   | 2006   | 2007   | 2008   | 2009   |
|---------------------------------------|--------|--------|--------|--------|--------|
| Number of Branches (Nos)              | 304    | 305    | 307    | 309    | 310    |
| Number of Employees (Nos)             | 8,891  | 8,363  | 8,253  | 7,912  | 7,533  |
| Assets (Rs. Bn)                       | 319.5  | 378.3  | 437.9  | 484.9  | 538.2  |
| Deposits (Rs. Bn)                     | 232.5  | 262.6  | 308.6  | 316.1  | 408.6  |
| No. of Deposits Accounts (Nos. in Mn) | 5.8    | 6.2    | 7.0    | 7.4    | 7.5    |
| Foreign Currency Deposits (Rs. Bn)    | 91.6   | 90.3   | 106.3  | 96.6   | 126.8  |
| Corporate & Retail Lending (Rs. Bn)   | 165.7  | 223.2  | 282.4  | 271.1  | 265.0  |
| Profit before Tax (Rs. Mn)            | 3,120  | 4,137  | 4,518  | 5,231  | 4,208  |
| Profit after Tax (Rs.Mn)              | 1,894  | 2,627  | 2,843  | 3,561  | 3,084  |
| Capital Adequacy Ratio - I (%)        | 12.7   | 11.9   | 12.1   | 11.3   | 11.2   |
| Capital Adequacy Ratio - II (%)       | 13.2   | 12.3   | 13.2   | 15.7   | 14.2   |
| Non Performing Loans (Rs.Mn)          | 12,495 | 13,602 | 11,334 | 13,816 | 15,542 |
| Non Performing Loan Ratio (%)         | 7.2    | 5.8    | 3.9    | 4.9    | 5.7    |
| Rating (fitch Ika)                    | AA     | AA     | AA     | AA     | AA     |

Source: Department of Public Enterprises

The BOC's assets have grown by 11.1 percent in 2009 mainly due to growth of its investments in securities. The loan portfolio has shown a negative growth of 2 percent in 2009 in comparison to the last year.

The bank's deposits have increased by 29.2 percent in 2009 when compared with the 2.4 percent growth in deposits in 2008. The deposit base of the BOC contributes nearly to 18 percent of the total deposits of entire banking industry in the country. However, non- performing loan ratio of the bank has also increased from 4.9 percent in 2008 to 5.7 percent by the end of the year 2009.

### Peoples Bank (PB)

People's Bank operates with the largest network of 645 banking outlets catering to a broader

clientele in entire country. The bank holds 15.4 percent of total asset base of the entire banking industry. The bank has been able to increase its profits before tax to Rs.6 Bn in 2009 from Rs 5.6 Bn reported in 2008, maintaining the growth momentum for last few years. Its total assets and total deposits have also recorded a significant growth of 19.7 percent and 22.0 percent respectively during the year 2009.

The bank issued debentures amounting to Rs. 2.5 Bn in 2009 in order to mobilize capital funds. This along with the retained profits has helped the bank to improve its total Capital Adequacy Ratio (CAR) above 13 percent. Accordingly, the bank has been able to maintain its CAR over the required minimum level of 10 percent. PB won the "People's Award" for the banking and financial sector in 2009 for the consecutive fourth year.

**Table 3.2**  
**Key performance Indicators of People's Bank**

|                                      | 2005   | 2006   | 2007   | 2008   | 2009   |
|--------------------------------------|--------|--------|--------|--------|--------|
| Number of Branches                   | 624    | 630    | 639    | 642    | 645    |
| Number of Employees                  | 9,531  | 9,516  | 8,416  | 8,587  | 8,863  |
| Assets (Rs. Bn)                      | 275.3  | 338.5  | 380.6  | 397.5  | 476.2  |
| Deposits (Rs. Bn)                    | 255.6  | 269.9  | 300.9  | 324.5  | 396.0  |
| No. of Deposits Accounts (Nos in Mn) | 10.0   | 10.5   | 11.0   | 11.6   | 12.3   |
| Corporate & Retail Lending (Rs. Bn)  | 142.5  | 207.1  | 238.3  | 248.6  | 283.7  |
| Profit before Tax (Rs. Mn)           | 4,035  | 4,079  | 5,002  | 5,664  | 6,076  |
| Profit after Tax (Rs.Mn)             | 2,771  | 3,157  | 2,374  | 2,705  | 3,320  |
| Capital Adequacy Ratio (1) (%)       | 1.5    | 3.7    | 5.3    | 6.5    | 7.7    |
| Capital Adequacy Ratio (11) (%)      | 1.9    | 5.6    | 6.9    | 10.5   | 13.4   |
| Non Performing Loans (Rs.Mn)         | 16,796 | 15,951 | 14,865 | 17,857 | 20,040 |
| Non Performing Loan Ratio (%)        | 10.7   | 7.2    | 5.9    | 6.8    | 6.7    |
| Rating (fitch Ika)                   | BBB+   | A-     | BBB+   | A-     | A      |

Source: Department of Public Enterprises

### National Savings Bank (NSB)

The NSB is required to invest not less than 60 percent of its deposits in government securities in terms of the National Savings Bank Act. Accordingly, as at 31.12.2009, 70.0 percent of

bank's assets have been invested in various government investment securities while only 19.3 percent of total assets were in the form of advances. Even though the bank maintained its non-performing loan ratio at 3.5 percent at the end of the year 2009, which is lower than

the industry average, it indicates an increasing trend in the year 2009. However, the bank has been able to successfully venture into housing finance and investment in corporate debt instruments.

However, gradual reduction in market share of deposits has been a key area of concern for the bank. The bank's profit after tax has significantly increased up to Rs. 6.9 billion in 2009 which

was Rs. 3.1 Bn in 2008. Increase in income from investments in Treasury Bonds is the main reason for the boost of bank's profitability in 2009. The bank also ventured into mobilizing overseas remittances as a part of its promotion for savings. Total foreign currency deposits of the bank amounted to Rs. 3,580 Mn by the end of 2009 which is a commendable increase by 67.2 percent over the previous year.

**Table 3.3**  
**Key Performance Indicators of National Savings Bank**

|                                     | 2005  | 2006  | 2007   | 2008  | 2009  |
|-------------------------------------|-------|-------|--------|-------|-------|
| Number of Branches                  | 114   | 114   | 117    | 123   | 123   |
| Number of Employees                 | 2,890 | 2,900 | 2,867  | 2,883 | 2,915 |
| Assets (Rs. Bn)                     | 222.1 | 235.5 | 270.2  | 294.3 | 354.4 |
| Deposits (Rs. Bn)                   | 202.4 | 212.2 | 235.3  | 259.6 | 313.0 |
| Number of Deposits Accounts (Mn)    | 14.6  | 15.1  | 15.4   | 15.6  | 16.3  |
| Foreign Currency Deposits (Rs. Bn)  | 30.2  | 460.7 | 1342.8 | 2,140 | 3,580 |
| Corporate & Retail Lending (Rs. Bn) | 25.4  | 33.8  | 54.0   | 56.3  | 68.3  |
| Profit before Tax (Rs. Mn)          | 3,457 | 3,501 | 3,301  | 3,100 | 6,944 |
| Profit after Tax (Rs. Mn)           | 2,106 | 1,885 | 1,573  | 1,059 | 3,736 |
| Capital Adequacy Ratio -I (%)       | 44.9  | 40.7  | 33.3   | 34.8  | 25.56 |
| Capital Adequacy Ratio-II (%)       | 21.82 | 11.7  | 12.2   | 19.4  | 21.97 |
| Non Performing Loans (Rs. Mn)       | 700   | 521   | 740    | 1,080 | 2,381 |
| Non Performing Loan Ratio (%)       | 2.7   | 1.5   | 1.4    | 1.9   | 3.5   |
| Rating (Fitch Ika)                  | AAA   | AAA   | AAA    | AAA   | AAA   |

Source: Department of Public Enterprises

### State Mortgage & Investment Bank (SMIB)

The SMIB accounts for around 3 percent of assets of entire Licensed Specialized Banks and it predominantly concentrates on business of housing finance. Even though the SMIB Act has provisions to provide financial assistance for agriculture and other development activities, the bank has not paid much attention on lending to these operations so far.

The bank's after tax profits has increased up to Rs. 73 Mn in 2009 from Rs. 32 Mn in 2008. This

increase is a result of increase in interest income from loans and advances and investments of the bank in 2009.

The bank recorded only a marginal increase in advances during the year 2009. Total deposits of the bank has increased by 12.9 percent in 2009. However, continuation of non-performing advances at a higher level has resulted in increase of non-performing loan ratio up to the level of 39.2 percent in 2009. This is a matter of serious concern to the bank.



**Table 3.4**  
**Key Performance indicators of SMIB**

|                                     | 2005     | 2006     | 2007      | 2008       | 2009    |
|-------------------------------------|----------|----------|-----------|------------|---------|
| Number of Branches                  | 5        | 7        | 12        | 12         | 12      |
| Number of Employees                 | 304      | 349      | 339       | 328        | 320     |
| Assets (Rs. Bn)                     | 9.1      | 10.2     | 12.1      | 14.5       | 16.8    |
| Deposits (Rs. Bn)                   | 4.7      | 5.7      | 7.5       | 10.1       | 11.4    |
| Corporate & Retail Lending (Rs. Bn) | 8.4      | 9.5      | 11.0      | 13.3       | 13.5    |
| Profit before Tax (Rs. Mn)          | 415      | 318      | 124       | 41         | 119     |
| Profit after Tax (Rs.Mn)            | 312      | 213      | 83        | 32         | 73      |
| Capital Adequacy Ratio - 1 (%)      | 87.3     | 81.2     | 56.9      | 29.1       | 25.3    |
| Capital Adequacy Ratio- 11 (%)      | 88.6     | 82.5     | 57.9      | 29.6       | 26.0    |
| Non Performing Loans (Rs.Mn)        | 3,492    | 3,431    | 4,203     | 4,706      | 5,656   |
| Non Performing Loan Ratio (%)       | 40.6     | 35.8     | 37.7      | 35.2       | 39.2    |
| Rating                              | A(fitch) | A(fitch) | A (fitch) | A- (fitch) | A (RAM) |

Source: Department of Public Enterprises

### HDFC Bank (HDFCB)

The HDFC Bank, which is mandated to operate as a housing finance bank, accounts for only 0.5 percent of the total assets of the banking industry in the country.

The bank's assets have increased moderately in 2009 reflecting only a one percent growth. Bank's loans and advances portfolio indicated a two percent decline over the previous year while investments were increasing by 39.8 percent.

Ninety percent of bank's loans are for small and medium housing units. During the year, the bank has given housing loans to public servants amounting to Rs. 1,075 Mn. The deposit base of the bank has increased up to Rs. 6.1 Bn in 2009 from Rs 4.9 Bn in 2008. However, the bank could make before tax profit of Rs. 92 Mn in 2009 as against the loss of Rs. 94 Mn incurred during the year 2008. The bank's non-performing loans ratio continued to increase during the year 2009 and reported at 22.9 percent in 2009, which is much higher than the industry average.

**Table 3.5**  
**Key Performance indicators of HDFC Bank**

|                                   | 2005   | 2006   | 2007   | 2008    | 2009    |
|-----------------------------------|--------|--------|--------|---------|---------|
| Number of Branches                | 20     | 20     | 21     | 21      | 26      |
| Number of Employees               | 290    | 205    | 286    | 289     | 355     |
| Assets (Rs. Bn)                   | 8.8    | 10.7   | 13.4   | 14.1    | 14.3    |
| Deposits (Rs. Bn)                 | 1.5    | 2.5    | 4.9    | 4.9     | 6.1     |
| Number of Deposits Accounts (Nos) | 62,407 | 71,538 | 74,637 | 142,407 | 177,354 |
| Corporate & Retail Lending(Rs.Bn) | 8.1    | 10.1   | 11.9   | 11.9    | 11.9    |
| Profit before Tax (Rs. Mn)        | 162    | 239    | 47     | (94)    | 92      |
| Profit after Tax (Rs.Mn)          | 117    | 172    | 21     | (92)    | 57      |
| Capital Adequacy Ratio-1 (%)      | 42.1   | 37.6   | 31.0   | 25.4    | 17.6    |
| Capital Adequacy Ratio-11 (%)     | 42.4   | 37.8   | 31.8   | 26.5    | 18.7    |
| Non Performing Loans (Rs.Mn)      | 1,465  | 1,892  | 2,099  | 2,500   | 2,743   |
| Non Performing Loan Ratio (%)     | 18     | 18.6   | 17.6   | 20.7    | 22.6    |
| Rating (fitch Ika)                | A      | A      | A      | BBB+    | BBB+    |

Source: Department of Public Enterprises



**Lankaputhra Development Bank (LDB)**

The LDB, which started its operations in February 2006, has made a growth in its operations during its short time span. While focusing on development oriented lending, the bank has adopted a selective approach in expanding its loan portfolio.

The bank made a significant profit of Rs. 250 Mn in 2009 in comparison to the profit of Rs. 227 Mn in 2008. The great portion of this profit is earned from investment in the government securities only.

Being a new bank the LDB's presence is still limited to several districts. The bank's asset base is Rs. 6.8 Bn in 2009. Total advances portfolio is Rs. 3.5 Bn in 2009, which indicates a significant increase by 45 percent in 2009. Total deposits mobilized by LDB amounted to Rs. 280 Mn in 2009 indicating an increase over the year 2008. Amidst this growth figures, bank's non-performing loan ratio of 21.5 percent in 2008 has further increased up to 37 percent which is higher than the industry average in 2009.

**Table 3.6**  
**Key Performance indicators of Lankaputhra Development Bank**

|                                     | 2006  | 2007  | 2008  | 2009  |
|-------------------------------------|-------|-------|-------|-------|
| Number of Branches                  | 3     | 5     | 4     | 4     |
| Number of Employees                 | 62    | 114   | 166   | 165   |
| Assets (Rs. Mn)                     | 2,132 | 4,175 | 6,568 | 6,855 |
| Deposits (Rs. Mn)                   | 259   | 1,994 | 133   | 281   |
| Corporate & Retail Lending (Rs. Mn) | 427   | 1,656 | 2,430 | 2,336 |
| Profit before Tax (Rs. Mn)          | 52    | 58    | 227   | 250   |
| Profit after Tax (Rs.Mn)            | 23    | 23    | 76    | 83    |
| Capital Adequacy Ratio-1 (%)        | 229   | 62.8  | 91    | 71.9  |
| Capital Adequacy Ratio-11 (%)       | 229   | 63.1  | 91.5  | 72.2  |
| Non Performing Loans (Rs.Mn)        | -     | 85    | 618   | 1,579 |
| Non Performing Loan Ratio (%)       | -     | 5     | 19.2  | 55.9  |
| Rating (fitch Ika)                  | -     | -     | -     | A     |

Source: Department of Public Enterprises

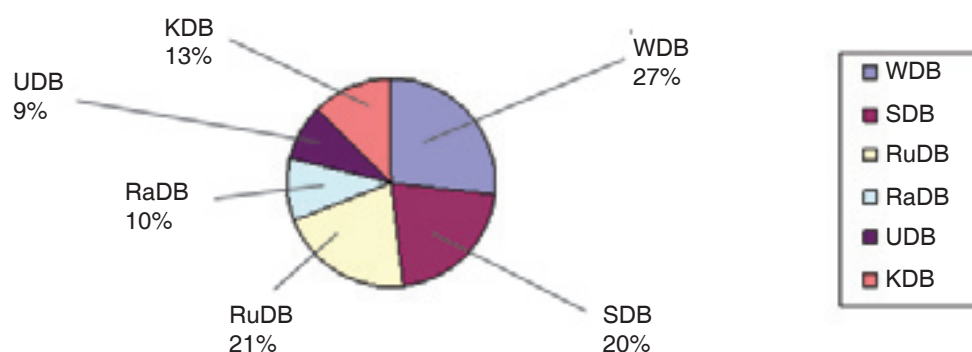
**Regional Development Banks (RDBs)**

Six Regional Development Banks (RDBs) viz Wayamba (WDB), Ruhuna (RuDB), Kanduarata (KDB), Uva (UDB), Sabaragamuwa (SDB) and Rajarata (RaDB), which were established with the view to develop the rural economy are operating at present with a network of 215 branches in the respective regions.

RDBs maintain a 1.8% of total assets of the banking industry in the country. RDBs also accounts for 7.9% of total assets base of licensed specialized banking sector in Sri Lanka.

Total assets of all RDBs at the end of the year 2009 were Rs. 38,630 Mn. This is an increase of 13.4 percent over the previous year. The majority of assets of RDBs constituted with loans and advances (67.6 percent) and investments in government securities (18.9 percent). The UDB has recorded the highest rate of growth of assets (37.6 percent) in 2009 among all RDBs due to the increase in loans and advances by 17 percent and increase in investment by 152 percent. In the mean time, WDB recorded the lowest growth of assets (7.7 percent) in 2009.

**Chart 3.6**  
**Distribution of assets of RDBs in 2009**



### Loans and advances of RDBs

Net advances of RDBs which is Rs. 28,181 Mn at the end of 2009 indicate a moderate growth momentum of 7.1 percent in 2009 over 16.8 percent growth of the previous year.

RDBs are also engaging in pawning business. The demand for pawning advances remains at a higher level as in the past due to the lack of proper securities in rural areas.

Pawning advances to total loan portfolio of RDBs has increased from 29.6 percent in 2008 to 33.5 percent in 2009. This ratio exceeded 40 percent in the case of SDB and RaDB in 2009. A significant portion of RDB's loans amounting to 27 percent has been granted as housing loans while a 16.7 percent has been granted for agriculture related activities. Small industrial sector has received only 10 percent in 2009.

**Table 3.7**  
**Key Performance indicators of RDBs**

|                                     | 2005     | 2006      | 2007     | 2008       | 2009       |
|-------------------------------------|----------|-----------|----------|------------|------------|
| Number of Branches                  | 203      | 209       | 211      | 215        | 223        |
| Number of Employees                 | 1,717    | 1,908     | 1,986    | 1,934      | 1,933      |
| Assets (Rs. Bn)                     | 20.7     | 26.1      | 31.0     | 34.4       | 39.3       |
| Deposits (Rs. Bn)                   | 14.2     | 18.7      | 21.9     | 25.9       | 30.9       |
| Corporate & Retail Lending (Rs. Bn) | 15.7     | 19.3      | 23.0     | 26.3       | 28.1       |
| Profit before Tax (Rs. Mn)          | 658      | 633       | 814      | 1,037      | 942        |
| Profit after Tax (Rs. Mn)           | 381      | 299       | 416      | 424        | 407        |
| Capital Adequacy Ratio -1 (%)       | 8.7-15.4 | 9-14.4    | 8.2-15.1 | 8.4 - 15.8 | 9.5 - 13.0 |
| Capital Adequacy Ratio - 11 (%)     | 11.5-17  | 11.4-18.1 | 9.8-15.7 | 8.9 -16.7  | 8.9 - 14.2 |
| Non Performing Loans (Rs.Mn)        | 1,140    | 1,161     | 1,252    | 1,214      | 1,270      |
| Non Performing Loan Ratio (%)       | 6.8      | 5.6       | 5.3      | 4.5        | 4.4        |
| Rating (fitch)                      | BBB+     | BBB+      | BBB+     | BBB+       | BBB+       |

Source: Department of Public Enterprises

**Table 3.8**  
**Sector wise credit concentration of RDBs**

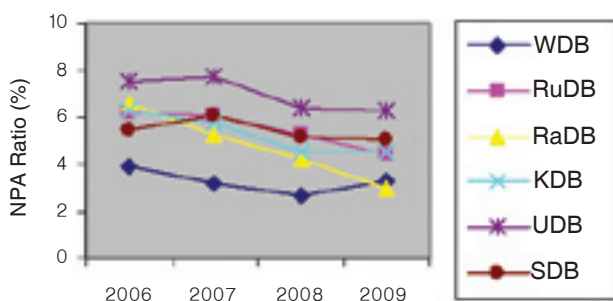
|                     | WDB   |     | RuDB  |     | SDB   |     | UDB   |     | RaDB  |     | KDB   |     | Total |     |
|---------------------|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|
|                     | RS.Mn | (%) | RS.Mn | (%) | RS.Mn | (%) | RS.Mn | (%) | RS.Mn | (%) | RS.Mn | (%) | RS.Mn | (%) |
| Agriculture         | 1712  | 23  | 1,348 | 22  | 868   | 15  | 547   | 20  | 1,526 | 50  | 816   | 22  | 6817  | 23  |
| Animal Husbandry    | 382   | 5   | 24    | 0   | 43    | 1   | 25    | 1   | 32    | 1   | 0     | 0   | 506   | 2   |
| Fisheries           | 104   | 1   | 78    | 1   | 5     | 0   | 1     | 0   | 2     | 0   | 0     | 0   | 190   | 1   |
| Industries          | 1067  | 14  | 727   | 12  | 516   | 9   | 444   | 16  | 43    | 1   | 344   | 9   | 3141  | 11  |
| Business & Commerce | 1432  | 19  | 1,174 | 19  | 1,237 | 21  | 483   | 18  | 220   | 7   | 670   | 18  | 5216  | 18  |
| Housing             | 2086  | 27  | 1,491 | 24  | 1,263 | 22  | 571   | 21  | 460   | 15  | 1,483 | 40  | 7354  | 25  |
| Consumption         | 289   | 4   | 786   | 13  | 0     | 0   | 622   | 23  | 0     | 0   | 188   | 5   | 1885  | 6   |
| Others              | 521   | 7   | 541   | 9   | 1,863 | 32  | 46    | 2   | 779   | 25  | 231   | 6   | 3981  | 14  |
| Total               | 7,593 | 100 | 6,169 | 100 | 5,795 | 100 | 2739  | 100 | 3,062 | 100 | 3,732 | 100 | 29090 | 100 |

Source: Department of Public Enterprises

### Non-Performing Loans (NPL) of the RDB Sector

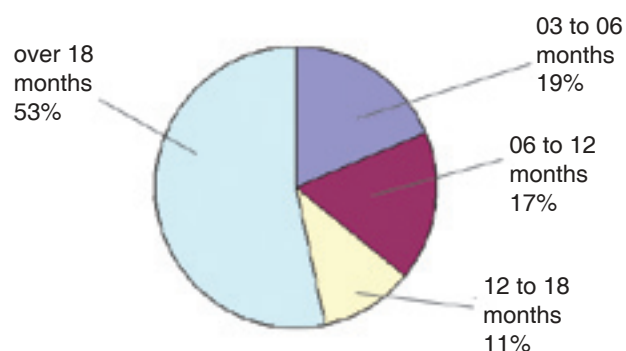
The non performing advances have marginally increased from Rs. 1,234 Mn in 2008 to Rs. 1,270 Mn at the end of 2009. However, the improvement in assets quality of RDBs has contributed towards the reduction of non-performing loan ratio in many RDBs. The average Gross Non-performing Loan Ratio (NPL) in the RDB's sector declined from 4.5 percent in 2008 to 4.4 percent in 2009 mainly due to the increase in total advances by 7.2 percent during the period concerned.

**Chart 3.7**  
**NPL Ratio of RDBs**



The highest NPL Ratio among all RDBs has reported in UDB which is 6.3 percent. SDB, UDB and KDB have also maintained a higher NPL ratio than the sector average NPL ratio of 4.4 percent.

**Chart 3.8**  
**Aging of NPLs of RDB's Sector**



However, NPL ratios of all RDBs except in the case of WDB have reported a declining trend during the year 2009 due to the increase in loans and advances. Non-performing loans of WDB have increased by 29.6 percent in 2009.

Age analysis of RDB's non-performing advances reveals that more than 54 percent non performing advances are over 18 months old. This is mainly due to difficulties in realizing the

securities. However, adequate provisions for hardcore NPLs have been made by banks, as indicated by the higher provision coverage of 72 percent in 2009. Accordingly, net exposure of banks (net non performing advances) declined to Rs. 356 Mn by the end of 2009 from Rs. 397 Mn in 2008.

**Table 3.9**  
**Capital Funds of RDBs**

|       | 2008<br>(Rs. mn) | 2009<br>(Rs. mn) | Change<br>(%) |
|-------|------------------|------------------|---------------|
| RuDB  | 786              | 825              | 4.9           |
| WDB   | 761              | 846              | 11.1          |
| SDB   | 447              | 528              | 18.1          |
| UDB   | 254              | 269              | 5.9           |
| RaDB  | 314              | 354              | 12.7          |
| KDB   | 307              | 345              | 12.3          |
| Total | 2,869            | 3,167            | 10.4          |

Source: Department of Public Enterprises

Total capital funds employed in RDBs amounted to Rs. 3,167 Mn at the end of 2009 which is an increase by 10.4 percent over the year 2008. The highest capital growth has been reported in SDB. The capital generation of RuDB is marginal in 2009 due to decline in retained profits. The Capital Adequacy Ratio (CAR) of RaDB was below the minimum requirement of CBSL and has reported at 9.5 percent. Other RDBs have been able to maintain the CAR at the required level through managing their risk weighted asset portfolio.

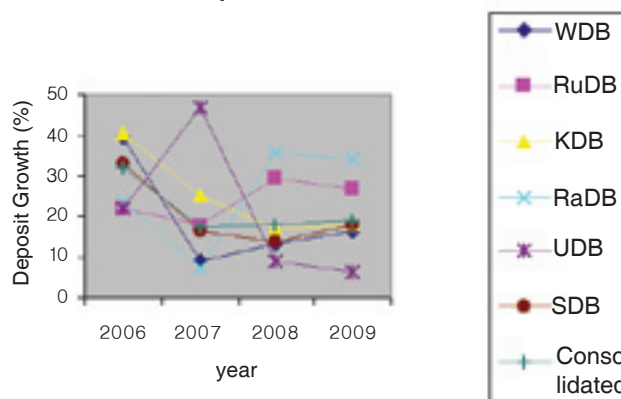
### Liquidity Position of RDB's Sector

All RDBs have been able to maintain a Statutory Liquid Assets Ratio (SLAR) at the required level as per the regulations of the Central Bank of Sri Lanka at the end of 2009. The consolidated Credit Deposit Ratio of RDBs has also declined to 94.2 percent in 2009 from 104 percent in 2008. Banks have invested excess of funds in government securities and investments in government securities have increased by 40.7 percent in 2009.

RDB's borrowings have shown a negative growth of 23.1 percent in 2009 over the previous year.

Banks have repaid short term borrowing using excess funds mobilized by way of deposits.

**Chart 3.9**  
**Deposit Growth in RDBs**



Total deposits mobilized by RDBs have grown by 19.2 percent over the previous year, amidst the competition in the financial sector.

The WDB has mobilized the highest deposits amounting to Rs 8,401 Mn. This is 27.1 percent of total deposits of RDB sector. Around 51.2 percent of total deposits mobilized by RDBs consist of fixed deposits enabling the banks to forecast their funding capacity.

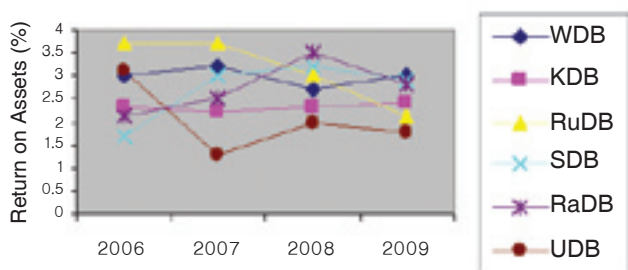
The entire RDBs' income constitutes with the interest income from its loan portfolio and interest income on investment in Treasury Bills. The net interest income of consolidated RDBs as a percentage of average assets (Interest Margin) remained at 9.6 percent due to the higher yield from pawning advances (29.6 percent of total advances) and lower cost on savings deposits (48.8 percent of total deposits).

The operational cost of RDBs has significantly increased by 19.2 percent in 2009 over the year 2008 and it amounted to Rs. 2,184 Mn in 2009. The majority of operational cost of RDBs is the staff cost as most of RDBs have not automated their functions adequately. The increase in staff cost around 20 percent in 2009 which is due to the increase in salaries in terms of the collective agreement signed by the management and the staff union has resulted in increasing the operational expenses. As a result the Cost

Income Ratio of RDBs has also increased from 75.5 percent in 2008 to 77.1 percent. The Cost/Income Ratio of UDB and RuDB have reported more than 80 percent in 2009.

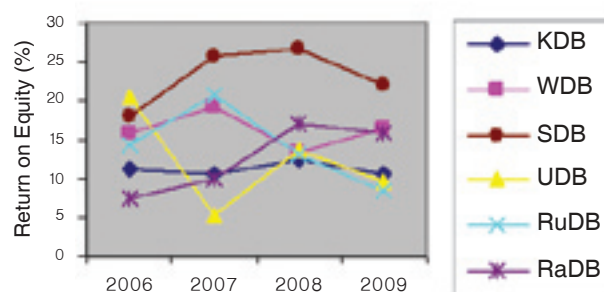
The profitability of consolidated RDBs has also grown by 4.1 percent during the year 2009 in comparison to the previous year. This was mainly due to the increase in interest income from loans and advances followed by the growth of loan demand. The profits before tax of all RDBs have accounted for Rs. 942 Mn in 2009. Out of the total before tax profits of all RDBs, 31.7 percent was contributed by WDB. All RDBs except UDB have reported a growth in profit before taxation.

**Chart 3.10**  
**Return on Assets in RDBs**



The Return on Average Assets Ratio (ROA) of the RDBs has improved from 2.7 percent in 2008 to 3.2 percent in 2009. Only RuDB and WDB have reported a higher ROA than the average ROA of RDBs. Return on Equity Ratio (ROE) of RDBs has also increased from 13.23 percent to 16.55 percent in the concerned period.

**Chart 3.11**  
**Return on Equity of RDBs**



## Chapter 04

# Infrastructure Development Sector

### Ceylon Electricity Board (CEB)

In line with the target set by the Mahinda Chinthana development framework to provide electricity to the entire country by 2012, CEB has already provided electricity to 87 percent of the households in the country by 2009. This indicates CEB's ability of achieving the target of full electricity coverage by 2012 as planned. CEB has also been able to provide uninterrupted electricity during the past years while the South Asian region as a whole has been experiencing power cuts.

Provision of electricity is a major component of the development programmes in the country. In this context, CEB has made a significant contribution to economy in 2009 particularly participating actively in the implementation of the post war accelerated development programmes "Uthuru wasanthaya " and " Negenahira Udanaya" while implementing large number of rural electrification programmes through out the country.

Total consumer accounts of CEB have increased to 4.11 Mn in 2009. However, the demand for electricity has been increased marginally to 8,432 GWh in 2009 from 8,418 GWh in 2008. While electricity consumption of the domestic and general purpose categories have increased slightly, due to economic recession experienced by the country, the demand for electricity by the industrial sector has declined marginally in 2009.

The performance of CEB has significantly improved with operational losses decreasing by 78 percent to Rs. 7,440 Mn<sup>1</sup> in 2009 from Rs. 33,870 Mn in 2008.

In 2009, CEB has been able to reduce its cost of production significantly to Rs. 14.71 per unit of electricity from Rs. 18.21 per unit of electricity in 2008. This was mainly due to the government decision to sell Heavy Fuel (HF) for power generation at a concessionary price of Rs. 25 per liter while the actual HF price was Rs.45 per liter. This fuel price concession given by the government to the CEB has resulted in CEB's expenditure on fuel to decline from Rs. 88,586 Mn in 2008 to Rs. 55,390 Mn in 2009. Had the government not intervened with the fuel prices providing HF at concessionary rate, the cost of power production of CEB would have increased to Rs. 16.48 per unit of electricity from Rs. 14.71 per unit of electricity.

One of the major problems of CEB is that its electricity sale tariff (Rs. 13.11 per unit in 2009) has always been below the cost of production of electricity (Rs. 14.71 per unit in 2009). The average sale tariff per unit of electricity has declined marginally to Rs.13.11 per unit in 2009 from Rs. 13.22 per unit in 2008 due to removal of the Fuel Adjustment Charge (FAC) for the industrial and the hotel categories. The government removed FAC from the hotel and the industrial categories until November 2009 as an interim measure to address the difficulties faced by these sectors during the

1. Source: CEB Draft Accounts 2009



global economic downturn. However, this decision further weakened CEB's financial position costing the CEB around Rs. 6,500 Mn in 2009. As such, CEB was forced to finance its operations mostly through debt which at the end of 2009 has increased to Rs. 240,874 Mn from Rs. 195,159 Mn in 2008. Outstanding debt to CPC further increased to Rs. 51,500 Mn in 2009 from Rs. 45,400 Mn in 2008. At the end of 2009 the total outstanding debts from CEB to the Treasury amounted to Rs. 86,801 Mn<sup>2</sup>. The Treasury has given a debt moratorium to the CEB in 2006 which continued into its fourth consecutive year. The government incurs a cost of Rs. 7,000 - Rs. 10,000 Mn per annum on this debt moratorium.

In addition, during 2009, the government extended its assistance further to CEB by issuing a Treasury guarantee amounting to Rs. 8,000 Mn in favour of the CEB, which enabled the CEB to borrow Rs. 8,000 Mn from the Peoples Bank, in order to ease its liquidity constraints. Therefore at the end of 2009, the total value of the guarantees issued in favor of CEB amounted to Rs. 43,000 Mn.

Since 2006, the government investments in

the electricity sector through budgetary support have increased significantly. These investment funds were channeled to CEB from the Treasury using the on lending mechanism. In 2009, Rs. 25,274 Mn has been given to CEB on lent through budgetary allocations to meet their capital investment in the sector. Some of the major projects undertaken by the CEB includes the Upper Kotmale Hydro Power Plant (Rs. 29,032 Mn), Norochcholoi Coal Power Plant (Rs. 56,650 Mn), Clean Energy and Access Improvement Project, (Rs. 15,569 Mn) and Kilinochchi Chunnakam Transmission Line (Rs. 3,275 Mn). These large investments have helped the CEB to increase access to electricity by households and improving the efficiency of the system through reducing the system losses<sup>3</sup>.

With the commissioning of the Norochcholoi Coal Fired Power Plant and the combined cycle Kerwelapitiya Power Plant the cost of production of CEB will decrease significantly, since these two plants will replace expensive thermal plants. When these new plants are commissioned, CEB is expected to achieve a breakeven level by the year 2014.



**Kerwelapitiya Power Plant**

2. Source: Department of Treasury Operations

3. CEBs system losses of 14.11 percent at the end of 2009 remain the lowest in the South Asian region at the end of 2009



Chart 4.1  
Household Electricity Coverage

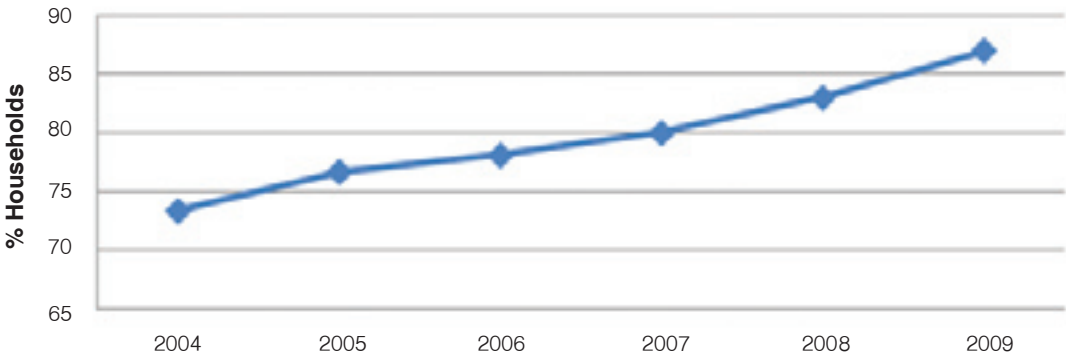


Chart 4.2  
Capital Investment in the Electricity Sector

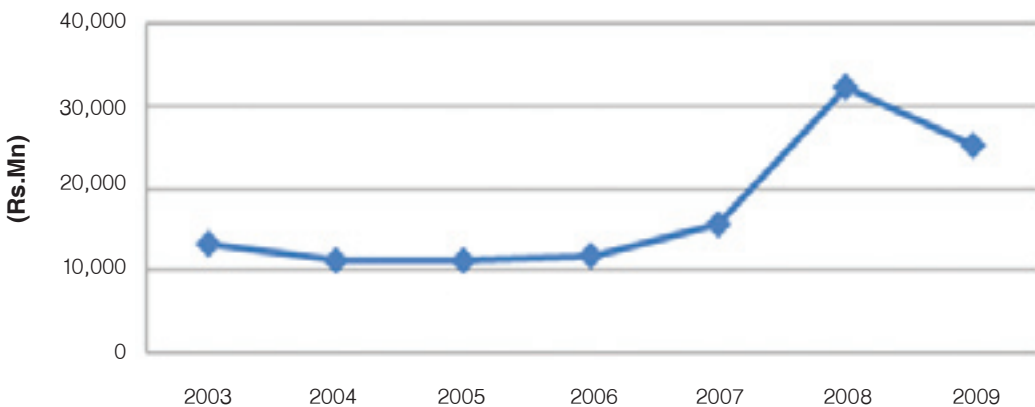


Chart 4.3  
System Energy Losses at CEB

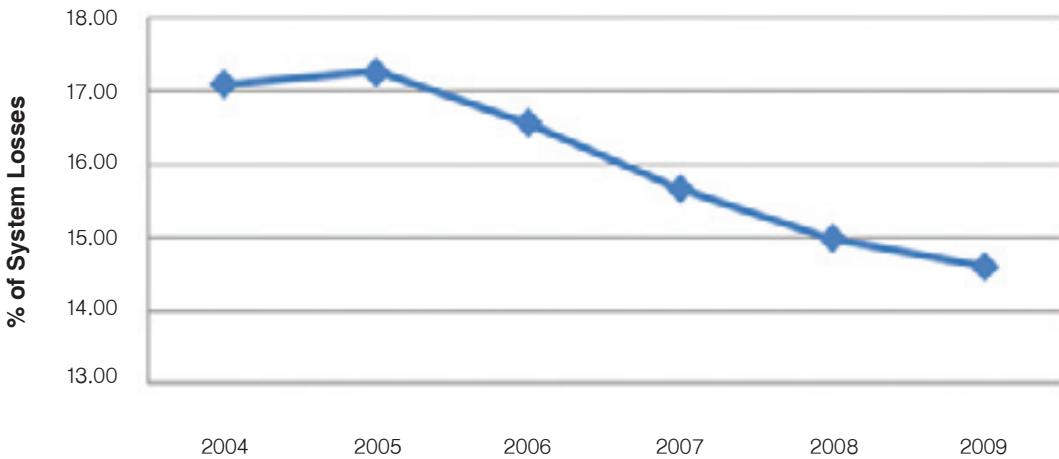


Table 4.1

| Ceylon Electricity Board      |          |        |        |         |         |               |
|-------------------------------|----------|--------|--------|---------|---------|---------------|
| Category                      | Unit     | 2006   | 2007   | 2008    | 2009    | 2010 (budget) |
| <b>Installed Capacity</b>     | MW       | 2,434  | 2,443  | 2,645   | 2,695   | 2,795         |
| CEB Hydro                     | „        | 1,207  | 1,207  | 1,207   | 1,207   | 1,207         |
| CEB Thermal                   | „        | 548    | 548    | 548     | 548     | 548           |
| CEB Wind                      | „        | 3      | 3      | 3       | 3       | 3             |
| IPP Hydro                     | „        | 107    | 116    | 138     | 158     | 158           |
| IPP Thermal                   | „        | 567    | 567    | 749     | 779     | 879           |
| <b>Electricity Generation</b> | GWh      | 9,388  | 9,814  | 9,912   | 9,881   | 10,743        |
| CEB Hydro                     | „        | 4,290  | 3,603  | 3,700   | 3,355   | 3,560         |
| CEB Thermal                   | „        | 1,669  | 2,336  | 2,336   | 2,091   | 1,878         |
| CEB Wind                      | „        | 2      | 2      | 2       | 3       |               |
| IPP Hydro                     | „        | 345    | 345    | 345     | 547     | 500           |
| IPP Thermal                   | „        | 3,082  | 3,528  | 3,529   | 3,885   | 4,802         |
| <b>Total Sales by CEB</b>     | „        | 7,831  | 8,398  | 8,336   | 8,432   | 9,133         |
| Domestic and Religion         | „        | 2,622  | 2,771  | 2,831   | 2,925   | 3,168         |
| Industrial                    | „        | 2,605  | 2,627  | 2,518   | 2,518   | 2,727         |
| General Purpose               | „        | 1,395  | 1,626  | 1,636   | 1,636   | 1,772         |
| Local Authorities /LECO       | „        | 1,111  | 1,144  | 1,120   | 1,120   | 1,213         |
| Street Lighting               | „        | 98     | 108    | 108     | 108     | 117           |
| Hotel                         | „        | 0      | 122    | 123     | 125     | 136           |
| Total Revenue                 | Rs.Mn    | 69,941 | 87,575 | 111,287 | 110,518 | 127,848       |
| Consumers                     | No.Mn    | 3.64   | 3.86   | 3.96    | 4.11    | 4.32          |
| Average Unit Cost             | Rs./Unit | 10.88  | 13.48  | 18.21   | 14.71   | 17.92         |
| Average Unit Selling Price    | „        | 8.99   | 10.58  | 13.22   | 13.11   | 14.00         |
| Operational Losses            | Rs.Mn    | 14,176 | 22,314 | 33,870  | 7,440   | 32,055        |
| Investments                   | „        | 3,152  | 3,882  | 4,539   | 4,678   | 4,678         |
| Bank Borrowings               | „        | 7,669  | 7,075  | 3,778   | 12,507  | 13,323        |

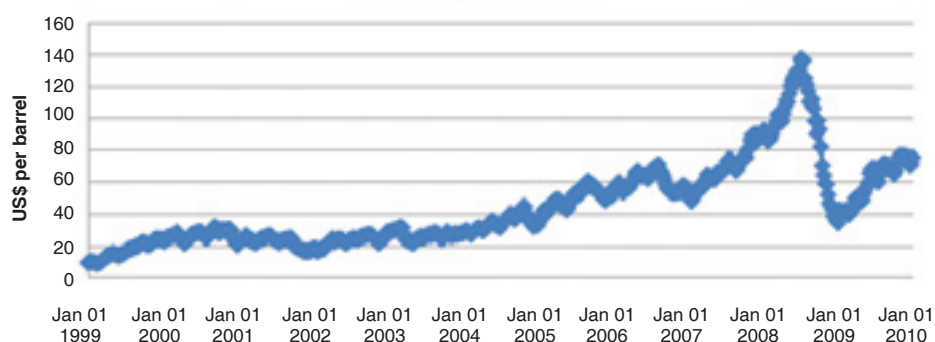
Source : Ceylon Electricity Board

### Ceylon Petroleum Corporation (CPC)

The CPC was relieved by stabilization of global oil prices in 2009 after the unprecedented increase in oil prices in 2008. The CPC's

average purchase price of crude oil has decreased by 36 percent to US\$ 63/bbl in 2009 from to US\$ 98/bbl in 2008. As a result, the value of total imports of both crude & refined products has also decreased by 40 percent to

Chart 4.3  
World Crude oil Price 1999 - 2010



Rs. 98,172 Mn in 2009 from Rs.167,940 Mn in 2008. In 2009, CPC continued to be the single largest importer to the country. CPC imports about 20 percent of the total oil imports. The total oil import value of CPC is estimated to be almost 5 percent of GDP.

In 2009, the government decided to pass on the benefits of declined world crude oil prices to the consumers. As a result the average prices of all petroleum products were reduced in 2009.

CPC's performance has improved significantly in 2009. CPC recorded a net loss of Rs. 12, 324

**Table 4.2**  
**Performance of Ceylon Petroleum Corporation**

| Category                            | Unit      | 2006     | 2007    | 2008     | 2009     | 2010 Budgeted |
|-------------------------------------|-----------|----------|---------|----------|----------|---------------|
| <b>Quantity Imported</b>            |           |          |         |          |          |               |
| Crude Oil                           | MT '000   | 2,146    | 1,939   | 1,854    | 1,931    | 2,015         |
| Refined Products                    | MT '000   | 1,926    | 1,603   | 1,588    | 1,525    | 2,066         |
| <b>Value of Imports (C &amp; F)</b> |           |          |         |          |          |               |
| Crude Oil                           | Rs. Mn.   | 107,160  | 114,320 | 144,505  | 102,646  | 125,804       |
|                                     | US\$ Mn.  | 1,028    | 1,024   | 1,331    | 889      | 1,066         |
| Refined Products                    | Rs. Mn.   | 114,822  | 110,873 | 157,338  | 90,949   | 135,290       |
|                                     | US\$ Mn.  | 1,078    | 996     | 1,450    | 787      | 1,147         |
| Average Price of Crude Oil (C&F)    | Rs/ bbl.  | 6,748    | 8,037   | 10,602   | 7,223    | 8,437         |
|                                     | US\$/bbl. | 65       | 72      | 98       | 63       | 72            |
| Quantity of Exports                 | MT '000   | 162      | 95      | 148      | 120      | -             |
| Value of Exports                    | US\$ Mn.  | 86       | 75      | 104      | 56       | -             |
| <b>Total Revenue</b>                |           |          |         |          |          |               |
| Domestic Sales                      | Rs. Mn.   | 199,869  | 245,080 | 345,096  | 251,095  | 326,777       |
| Exports                             | „         | 8,714    | 8,265   | 12,906   | 6,413    | -             |
| Direct Production Cost              | „         | 187,231  | 108,237 | 154,036  | 103,266  | 295,384       |
| Overheads                           | „         | 10,360   | 3,641   | 5,558    | 4,520    | 18,436        |
| Operational Profit/(Loss)           | „         | (1,915)  | 3,984   | (14,735) | (12,343) | 12,957        |
| <b>Local Sales</b>                  |           |          |         |          |          |               |
| Petrol (90 Octane)                  | MT '000   | 454      | 361     | 363      | 399      | 422           |
| Petrol (95 Octane)                  | „         | 24       | 21      | 20       | 16       | 20            |
| Auto Diesel                         | „         | 1,633    | 1,450   | 1,371    | 1,428    | 1,501         |
| Super Diesel                        | „         | 9        | 5       | 7        | 8        | 8             |
| Kerosene                            | „         | 206      | 168     | 151      | 151      | 150           |
| Furnace Oil                         | „         | 912      | 985     | 994      | 973      | 1,421         |
| Aviation Fuel                       | „         | 255      | 302     | 286      | 229      | 226           |
| Naphtha                             | „         | 60       | 97      | 142      | 110      | 120           |
| Bitumen                             | „         | 69       | 67      | 81       | 88       | 94            |
| SBP                                 | „         | 5        | 4       | 2        | 1        | 2             |
| L.P. Gas                            | „         | 17       | 17      | 15       | 23       | 17            |
| <b>Local Price (End Period)</b>     |           |          |         |          |          |               |
| Petrol (90 Octane)                  | Rs/l      | 92-95.00 | 117.00  | 120.00   | 115.00   | -             |
| Petrol (95 Octane)                  | „         | 95.00    | 120.00  | 133.00   | 133.00   | -             |
| Auto Diesel                         | „         | 60.00    | 75.00   | 70.00    | 73.00    | -             |
| Super Diesel                        | „         | 65.30    | 80.30   | 85.30    | 88.30    | -             |
| Kerosene                            | „         | 48.00    | 68.00   | 50.00    | 51.00    | -             |
| Furnace Oil - 1500 sec.             | „         | 41-46.30 | 51.70   | 31.70    | 31.70    | -             |
| <b>Refinery Capacity</b>            | MT '000   | 2,300    | 5,419   | 5,847    | 5,574    | -             |
| <b>Storage Capacity</b>             | MT '000   | 39       | 447     | 447      | 448      | 448           |
| <b>Refinery Output</b>              | MT '000   | 2,048    | 1,799   | 1,774    | 1,892    | 1,914         |
| <b>Value of Production</b>          | Rs. Mn.   | 110,639  | 111,807 | 159,545  | 107,740  | 134,270       |

Source : Ceylon Petroleum Corporation

Mn in 2009 while its loss in 2008 was Rs.14,735 Mn. However CPC's operational profit has recorded a marginal decrease to Rs. 3,082 Mn in 2009 from Rs. 3,157 Mn in 2008 mainly due to the decline in overall average sales price of petroleum products.<sup>4</sup>

In compliance with a budget proposal of 2009, the CPC had to sell Heavy Fuel for both CEB and Independent Power Producers (IPP) at Rs. 25 per liter for the generation of electricity. As a result, in 2009, on the sale of HF alone the CPC has incurred a loss of around Rs. 15,000 Mn. The Iranian Credit Line for fuel purchase has helped CPC significantly in easing out the liquidity constraints that the CPC faced with due to the loss incurred on the subsidized sale of HF and the large amount of unpaid dues from CEB. The unpaid dues to CPC from CEB has increased to Rs. 51,500 Mn at the end of 2009 from Rs.45,400 Mn at the end of 2008.

During the year, CPC engaged in the preliminary work of the Sapugaskanda Oil Refinery Expansion and Modernization (SOREM) Project. This project is expected to expand the current processing capacity of the Sapugaskanda Oil Refinery from 50,000 barrels per steam day

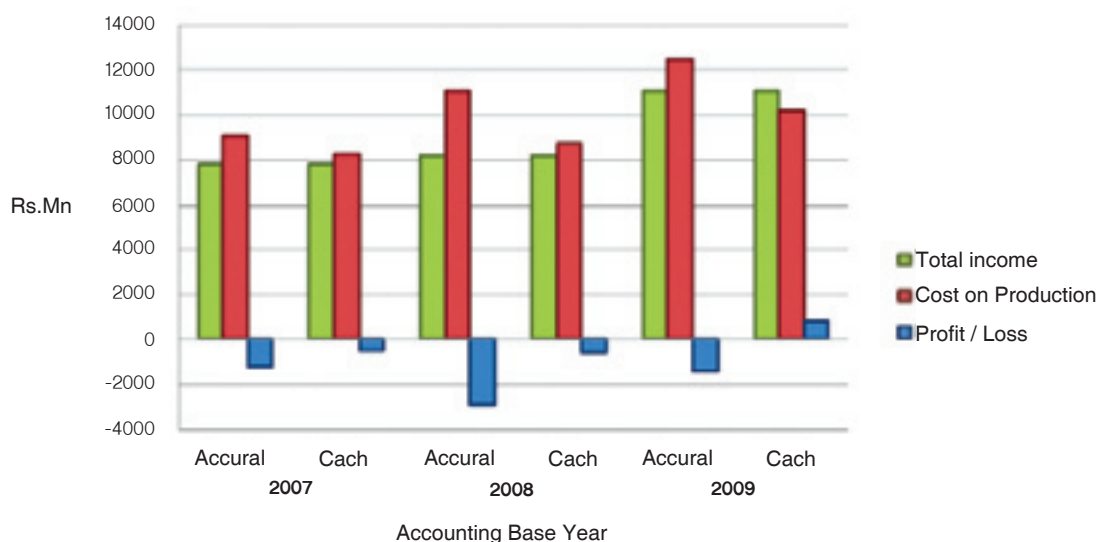
(bpsd) to 100,000 bpsd with bottom upgrading to maximize diesel production and other products. The SOREM project is expected to improve the commercial viability of the CPC as well as the energy security of the country. The government is negotiating with the Government of Iran on the possibility of financing this project.

### National Water Supply & Drainage Board (NWS&DB)

The National Water Supply & Drainage Board operates 312 water supply schemes that reach to 37 percent of the total population in the country. During 2009, total water connections have increased to 1,266,328 from 1,186,931 in 2008.

In 2009, the unit cost of production of water has also increased significantly to Rs. 28 per unit from Rs.25.25 per unit in 2008. However the water selling tariff is higher than the unit cost of production. NWS&DB earned an income of Rs.36.00 per unit of water sold. Although the selling price of a water unit exceeds the cost of water unit produced, NWS&DB incurred a loss of Rs.3.16 per water production unit due to water wastage. It is estimated that 31 percent of the total water production is wasted.

Chart 4.5  
Performance of the National Supply & Drainage Board



4. Source : EPC Draft Annual Accounts 2009.

The value of total assets of the NWS&DB as at end 2009 is estimated at Rs.150,966 Mn. This was Rs.130,822 Mn in 2008. The total revenue generated from sale of water in 2009 is amounted to Rs.9,670 Mn which is a significant increase by 43% over the previous year. The revision of water tariff in 2009 was the main reason for the increase of revenue. Operating expenses and administration expenses have marginally increased by 4 percent and 8 percent respectively in 2009. Interest expenditure has increased by 32 percent to Rs. 1,569 Mn increase compared to year 2008.

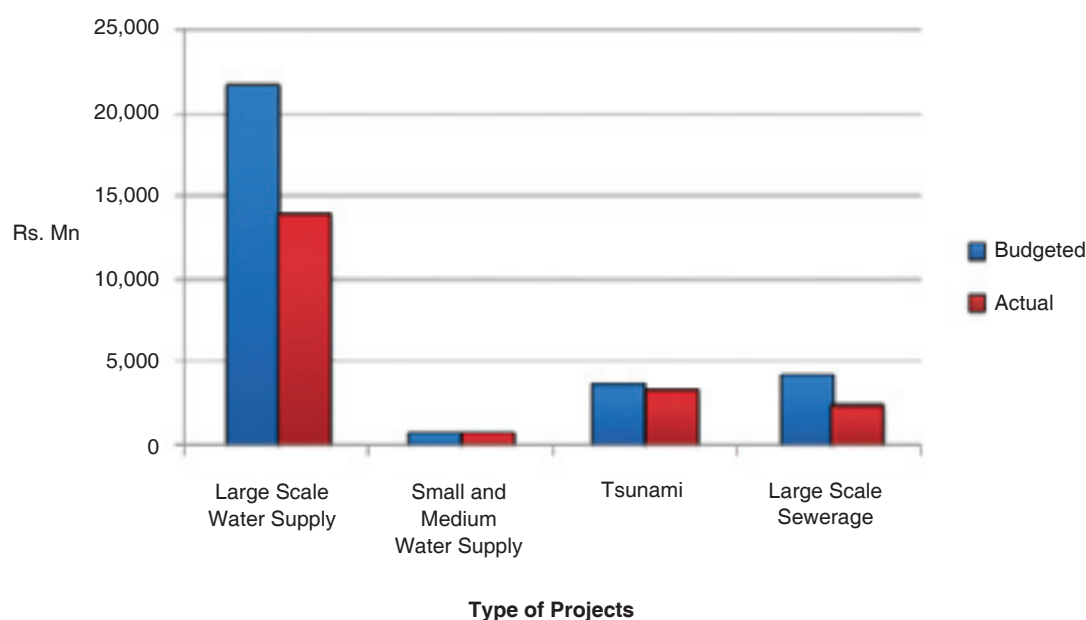
The Board employed 9,063 employees at a cost of Rs.4,330 Mn in 2009. This indicates a 20%

increase in the salary bill in 2009 compared to year 2008. The number of employees per 1000 connections has decreased to 7 in 2009 from 8 in 2008.

The NWS&DB was unable to repay the loans obtained from General Treasury amounting to Rs.2,792 Mn in the year 2009 due to liquidity issues.

The utilization of donor funded projects by NWS&DB is only 62 percent in 2009. NWS&DB should consider seriously on utilization of capital funds effectively and should focus more on timely completion of the development projects.

**Table 4.6**  
**Performance of Major Water Projects of National Water Supply & Drainage Board**



**Table 4.3**  
**Performance of National Water Supply & Drainage Board**

| Description                          | Unit    | 2005    | 2006    | 2007      | 2008      | 2009<br>(Provision) |
|--------------------------------------|---------|---------|---------|-----------|-----------|---------------------|
| Asset value                          | Rs.Mn.  | 77,435  | 89,991  | 100,697   | 115,177   | 135,901             |
| Water Connections                    | Nos     | 907,622 | 989,395 | 1,081,392 | 1,186,931 | 1,266,328           |
| Cost per unit sold                   | Rs./cbm | 28.70   | 23.30   | 21.45     | 25.25     | 27.91               |
| Water Production                     | Mn./cbm | 383     | 398     | 424       | 440       | 449                 |
| Water Supply Schemes (Revenue units) | Nos.    | 291     | 295     | 308       | 309       | 312                 |
| Turnover (Sales of Water)            | Rs.Mn.  | 5,447   | 5,869   | 6,482     | 8,134     | 9,670               |
| Total Income                         | „       | 6,261   | 6,944   | 7,611     | 8134      | 11,067              |
| Non –Operating Income                | „       | 32.6    | 114.5   | 203       | 60        | 49                  |
| Investments                          | „       | 672.6   | 1,650   | 966       | 514       | 381                 |
| Cost of Production                   | „       | 5,825   | 6,689   | 8,186     | 11,042    | 12,444              |
| Direct Operating Cost                | „       | 3,604   | 4,081   | 4,903     | 6,089     | 6,322               |
| Administration Overheads             | „       | 999     | 1,349   | 1,763     | 1,895     | 2,054               |
| Finance Cost                         | „       | 492     | 512     | 852       | 1,193     | 1,569               |
| Operating Profit/ (loss)             | „       | 436     | 255     | (575)     | (1,715)   | 192                 |
| Net Profit/ (loss)                   | „       | (91.9)  | (214)   | (1,278)   | (2,915)   | (1,417)             |
| Revenue per Employee/ month          | Rs.     | 57,348  | 59,251  | 61,606    | 62,396    | 88,914              |
| Cost of Employment / Employee/ month | Rs.     | 26,756  | 29,497  | 35,479    | 36,647    | 39,820              |
| Cost of Production/ Employee /month  | Rs.     | 37,950  | 41,192  | 46,595    | 56,341    | 58,130              |
| Energy Cost                          | Rs. Mn. | 1,218   | 1,361   | 1,588     | 2,105     | 2,026               |
| Total Employees                      | Nos.    | 7,914   | 8,255   | 8,768     | 9,006     | 9,063               |
| Managerial Employees                 | Nos.    | 512     | 549     | 766       | 856       | 773                 |
| Other                                | Nos.    | 7,402   | 7,706   | 8,002     | 8,150     | 8,290               |

Source : National Water Supply & Drainage Board & Department of Public Enterprises

### **Airport and Aviation Services (Sri Lanka) Ltd (AASL)**

Being the company that provides all air navigational support services, including fire services and security for aircrafts and air passengers within the Sri Lankan Flight Information Region (FIR) and development of airport infrastructure facilities, the AASL plays a key role in the government's development strategy in developing Sri Lanka as an aviation hub.

The company recorded a total revenue of Rs. 5,352 Mn in 2009 which is a decrease of 8 percent compared to Rs. 5,832 Mn recorded in 2008. The main reasons for this decrease is due to the drop in aircraft movement at Bandaranayeke International Airport (BIA) in 2009 by 10 percent and the drop in total

passenger movements by 9 percent. In addition the sky rocketing oil prices experienced during the first half of the year and the global economic recession that existed during 2009 affected the air traffic industry.

In the year 2009 AASL derived 32.8 percent of its revenue from aeronautical sources, 0.2 percent from other sources (which comprise of short term investments on government securities, interest income from fixed deposits and foreign currency account) while the balance 67 percent was from non-aeronautical sources.

Although there was a 21 percent decrease in operating profit for the year 2009 compared to the year 2008, AASL continued to be a profit earning entity in 2009 too, earning an operating profit of Rs. 1, 377 Mn.

During the year 2009, AASL has initiated implementation of two major projects in the air port & aviation sector. The development of the second international airport in Hambanthota is one of the main capital investments of AASL. During the year 2009, AASL contributed Rs. 80.5 Mn to this project and is expected to make an investment of Rs. 1,758 Mn in 2010. The total project cost is estimated at US\$ 190 Mn and the project

is expected to be completed by the year 2012.

The second phase of the BIA Expansion Project includes expanding the terminal, roadways and increasing the cargo handling capacity of the airport from 250,000 MT to 500,000 MT.

Total cost of the project is estimated at Rs. 35 Bn and the project is expected to be completed by the year 2014.

Chart 4.7  
Performance of AASL

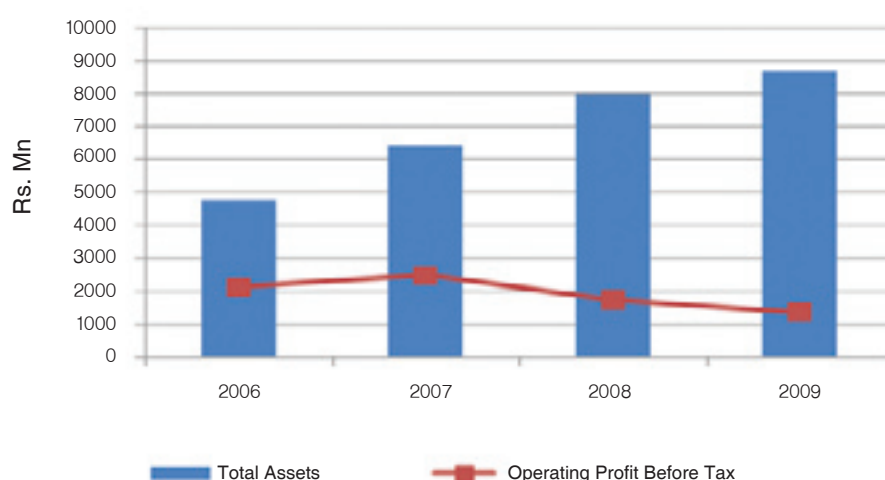


Table 4.4  
Financial Highlights of AASL

|                                    | Units  | 2005    | 2006    | 2007    | 2008    | 2009 (Draft) |
|------------------------------------|--------|---------|---------|---------|---------|--------------|
| <b>Total Revenue</b>               | Rs. Mn | 2,619   | 4,454   | 5,340   | 5,832   | 5,352        |
| <b>Total Expenditure</b>           | "      | (1,950) | (2,334) | (2,871) | (4,090) | (3,976)      |
| Staff Cost                         | "      | (1,325) | (1,576) | (1,985) | (2,935) | (2,652)      |
| Other Cost                         | "      | (625)   | (758)   | (886)   | (1,155) | (1,324)      |
| <b>Operating Profit Before Tax</b> | "      | 669     | 2,120   | 2,469   | 1,742   | 1,377        |
| <b>Profit/(Loss) after Tax</b>     | "      | 423     | 1,373   | 1,508   | 1,169   | 937          |
| <b>Total Assets</b>                | "      | 2,608   | 4,759   | 6,415   | 7,993   | 8,687        |
| <b>Total Non Current Assets</b>    | "      | 128     | 477     | 576     | 1,054   | 1,200        |
| Property Plant & Equipments        | "      | 128     | 109     | 160     | 377     | 505          |
| Differed Income Tax Assets         | "      | -       | 368     | 416     | 677     | 695          |
| <b>Total Current Assets</b>        | "      | 2,480   | 4,282   | 5,838   | 6,948   | 7,487        |
| Inventories                        | "      | 153     | 148     | 148     | 183     | 232          |
| Short Term Investments             | "      | 1,563   | 2,764   | 4,069   | 4,583   | 4,564        |
| Cash & Bank Balances               | "      | 121     | 530     | 548     | 416     | 397          |
| Trade & Other Receivables          | "      | 643     | 840     | 1,072   | 1,765   | 2,293        |
| <b>Equity</b>                      | "      | 1,097   | 2,772   | 4,190   | 5,167   | 5,904        |
| Earnings Per Share                 | Rs     | 2,115   | 6,865   | 7,542   | 5,843   | 4,686        |
| Return on Net Assets               | %      | 39      | 50      | 36      | 23      | 16           |
| Net Profit Ratio                   | %      | 16      | 31      | 28      | 20      | 18           |

Source: Department of Public Enterprises



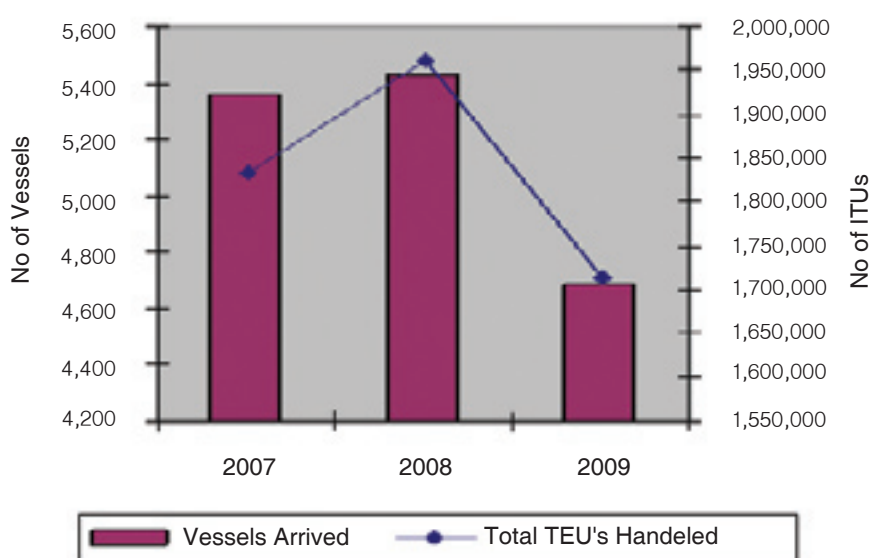
**Sri Lanka Ports Authority (SLPA)**

In spite of unpredictable market conditions prevailed due to global economic recession and other unfavorable local factors experienced in the 1st half of the year, SLPA achieved a throughput target of 1,714,488 Twenty-Foot Equivalent Units (TEUs) in 2009. However the revenue of SLPA declined by 5.39 percent in

2009 compared to the revenue in 2008.

The SLPA has been able to reduce its cost of employment by 8.57 percent in 2009 compared to the year 2008. Further responding to the global crisis the overall cost of operations has decreased to Rs. 21, 410 Mn which is a decrease of 3.59 percent compared to the year 2008.

**Chart 4.8**  
**Performance of Ports Service**



SLPA witnessed an increase in the value of its total assets by 14.17 percent as a result of capitalization of its expansion projects. In the meantime its total liabilities have also increased by 14.17 percent as most of the expansion projects were financed through on lending by the Treasury.

The government in line with its development plans disbursed Rs. 22, 536.34 Mn to SLPA for the expansion of the Colombo South Port Development, Construction of Colombo South Breakwater, Galle Regional Port and Hambantota Port Development.

SLPA incurred a significant foreign exchange loss in 2008 in relation to JBIC Yen loan

repayment while SLPA has made foreign exchange gain of Rs. 150.2 Mn during the year 2009.

The SLPA's total foreign loans outstanding as at end of the year 2009 was Rs. 68,915 Mn.

In 2009, SLPA experienced a decrease in profitability compared to the previous years and made no contribution to the government's Consolidated Fund in the form of levy/dividend.

During the year the intense competition from South Asian Gateway Terminal (SAGT) has been witnessed indicating the need for strong strategies and the necessity to review and re-look at SPLA's operational efficiency.

**Table 4.5**  
**Performance of SLPA**

|                            | Unit   | 2005       | 2006       | 2007      | 2008      | 2009      |
|----------------------------|--------|------------|------------|-----------|-----------|-----------|
| Vessals Arrived            | Nos    | 5,092      | 5,117      | 5,366     | 5,430     | 4,682     |
| Colombo                    | „      | 4,425      | 4,623      | 4,760     | 4,771     | 4,080     |
| Galle                      | „      | 258        | 267        | 304       | 333       | 222       |
| Trincomalee                | „      | 409        | 267        | 302       | 326       | 380       |
| Total TEU's Handled        | MTs    | 27,663,247 | 30,817,953 | 1,834,734 | 1,960,898 | 1,714,488 |
| Revenue                    | Rs.Mn  | 20,550     | 23,004     | 25,913    | 25,143    | 23,787    |
| Colombo                    | „      | 19,789     | 22,318     | 25,296    | 24,561    | 23,257    |
| Galle                      | „      | 449        | 465        | 361       | 268       | 169       |
| Trincomalee                | „      | 312        | 221        | 256       | 314       | 361       |
| Total Expenditure          | „      | 14,370     | 18,217     | 23,562    | 23,398    | 21,774    |
| Colombo                    | „      | 13,589     | 17,196     | 22,565    | 22,159    | 20,533    |
| Galle                      | „      | 370        | 515        | 636       | 613       | 544       |
| Trincomalee                | „      | 411        | 506        | 620       | 550       | 597       |
| Revenue per Employee       | „      | 1.5        | 1.7        | 1.69      | 1.8       | 1.7       |
| Cost per Employee          | „      | 1.0        | 1.3        | 1.7       | 1.7       | 1.6       |
| Total Cost of Employment   | „      | 6,943      | 8,936      | 14,013    | 13,388    | 12,245    |
| Net Profit                 | Rs/Ton | 223        | 155        | 74        | 52        | 55.3      |
| Foreign Loan               | Rs Mn  | 40,248     | 38,521     | 39,334    | 51,202    | 53,842    |
| Interest of Foreign Loan   | „      | 1,186      | 1,115      | 1,147     | 1,211     | 1,337     |
| Foreign Exchange gain/loss | „      | 7058       | (1,168)    | (3,944)   | (17,790)  | 150.2     |

Source: Department of Public Enterprises

### Sri Lankan Airlines Ltd (SLA)

With the vision to be the most preferred Airline in Asia, Sri Lankan Airlines aspires to provide its customers with a reliable and pleasant travel experience and to meet shareholders expectations of profitably, while marketing Sri Lanka to the world and contributing towards development of the economy. Currently, Sri Lankan Airlines flies to as many as 29 destinations in 20 countries across Asia, the Middle East and Europe. The Airline operates a modern fleet with 12 aircrafts, namely (3) Airbus A320-200, (4) Airbus A330-200 and (5) Airbus A340-300.

As a result of global financial crisis prevailed during the last 2 years which had a direct impact on the airline industry, the SLA reported a net

loss of Rs. 9,269 Mn in 2009. Taking this as a serious issue the Treasury as a shareholder of SLA together with the Ministry of Ports & Aviation is in the process of developing a strategic business policy for the development of SLA as a national carrier. This initiative is in line with directions of His Excellency the President to develop Sri Lanka as an aviation hub. The government recognizes the significant role of SLA in creating Sri Lanka as an aviation hub. During the year 2009, the Emirates as the joint shareholder of SLA has been playing a passive role, which is not beneficial to the future of SLA. In view of this the government as the main shareholder is negotiating with the Emirates on the use of their 43 percent of the shares of SLA to the maximum benefit of the airline.

Table 4.6  
Performance of SLA

|                              | Unit  | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
|------------------------------|-------|---------|---------|---------|---------|
| Revenue                      | Rs/Mn | 61,160  | 67,964  | 79,128  | 73,298  |
| Total Expenditure            | "     | 61,955  | 67,280  | 74,631  | 76,606  |
| Gross profit                 | "     | 9,173   | 7,652   | 7,009   | (3,308) |
| Net profit before Tax        | "     | 795     | 684     | 4,497   | (9,269) |
| Cost of Employment           | "     | 9,370   | 7,867   | 11,425  | 10,135  |
| Capital Expenditure          | "     | 5,893   | 6,305   | 11,025  | 7,913   |
| Non Current Assets           | "     | 16,137  | 16,509  | 15,730  | 17,489  |
| Current Assets               | "     | 21,866  | 21,347  | 32,210  | 16,852  |
| Non Current Liabilities      | "     | 1,407   | 1,801   | 3,269   | 3,099   |
| Current Liabilities          | "     | 25,485  | 25,006  | 29,135  | 25,012  |
| Equity as at the end         | "     | 11,111  | 11,108  | 15,536  | 6,230   |
| No of Employees              | No    | 5,163   | 5,272   | 5,113   | 4,837   |
| Employment Cost per employee | Rs Mn | 1.81    | 1.49    | 2.23    | 2.1     |

Source: Department of Public Enterprises

The government is planning to develop an integrated policy to develop SLA, integrating tourism, hotel industry, airport & aviation industry, all export industries, foreign employment agencies, investment promotion agencies with Sri Lankan Airlines for their mutual benefit and assisting them to work as a team to achieve their corporate goals.

As an important measure of developing SLA as a national career, action has been already taken to integrate Mihin Lankan Ltd as a budget carrier of SLA. Intention of the government is that Mihin Lanka Ltd and Sri Lankan Airlines Ltd should work as one team.

Table 4.7  
Mihin Lanka ( pvt) Ltd-Financial performance

|                       | Unit  | 2007  | 2008    | 2009    |
|-----------------------|-------|-------|---------|---------|
| Total Revenue         | Rs/Mn | -     | 2,570   | 373     |
| Gross Profit          | "     | (195) | (2,339) | (707)   |
| Recurrent Expenditure | "     | (195) | (5,731) | (1,673) |
| Capital Expenditure   | "     | 23    | 25      | -       |
| Net Profit before tax | "     | (195) | (3,160) | (1,300) |
| Total Assets          | "     | 404   | 302     | 441     |
| Long Term Liabilities | "     | 550   | 303     | 2,758   |
| Current Liabilities   | "     | 599   | 2,805   | 2,089   |
| Contribution to C/F   | "     | -     | -       | -       |

Source: Department of Public Enterprises

### Sri Lanka Transport Board (SLTB)

Number of Buses operated by the SLTB in 2009 has increased to 4,482 reflecting an increase of 236 buses from the total buses of 4,246 in 2008. Operated passengers per day has also increased from 857,033 Km in 2008 to 915,476

Km in the year 2009. However, as in the past, total revenue was inadequate to meet the total operational expenditure of SLTB for year 2009 also. The failure to implement proposed Voluntary Retirement Scheme (VRS) was the main reason for SLTB not being able to achieve the breakeven level.

**Table 4.8**  
**Performance of SLTB**

|                                      | Unit         | 2005          | 2006          | 2007          | 2008          | 2009          |
|--------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| No of Operated Buses                 | No           | 3,557         | 3,776         | 4,129         | 4,246         | 4,482         |
| Operated Passenger                   | Km/Day       | 663,340       | 713,753       | 835,313       | 857,033       | 951,476       |
| Revenue Per Km                       | Rs/Km.       | 40.37         | 46.56         | 35.08         | 41.47         | 41.36         |
| <b>Total Revenue</b>                 | <b>Rs/Mn</b> | <b>10,007</b> | <b>12,665</b> | <b>15,963</b> | <b>19,651</b> | <b>20,608</b> |
| Waybill                              | "            | 6,417         | 7,917         | 10,695        | 12,973        | 13,442        |
| Season Tickets                       | "            | 285           | 199           | 359           | 528           | 536           |
| Special Hires                        | "            | 137           | 150           | 233           | 326           | 559           |
| School Season Tickets Subsidy        | "            | 226           | 227           | 500           | 600           | 1,383         |
| Uneconomic Route Subsidy             | "            | 175           | 197           | 281           | 358           | 255           |
| Other Income                         | "            | 251           | 422           | 345           | 503           | 904           |
| Salary Subsidy                       | "            | 2,512         | 3,547         | 3,545         | 4,362         | 3,527         |
| <b>Total Expenditure</b>             | <b>"</b>     | <b>11,147</b> | <b>13,653</b> | <b>16,287</b> | <b>20,132</b> | <b>20,906</b> |
| Fuel Cost                            | "            | 3,632         | 4,696         | 6,228         | 8,505         | 7,134         |
| Cost of Tyres & Tubes                | "            | 1,362         | 1,576         | 1,886         | 1,126         | 1,333         |
| Salaries & Wages                     | "            | -             | -             | 5,954         | 6,803         | 8,807         |
| <b>Total Government Contribution</b> | <b>"</b>     | <b>5,328</b>  | <b>8,960</b>  | <b>6,157</b>  | <b>6,726</b>  | <b>4,188</b>  |
| Recurrent                            | "            | 3,891         | 4,976         | 3,545         | 4,842         | 3,527         |
| Capital                              | "            | 1,437         | 3,984         | 2,612         | 1,884         | 661           |
| Net Loss                             | "            | -             | (984)         | (325)         | (481)         | (297)         |
| Total Number of Employees            | No           | 41,944        | 38,952        | 37,149        | 36,773        | 35,365        |
| Employment Cost per Employee         | Rs'000       | 92,312        | 121,820       | 160,273       | 185,000       | 249,031       |
| Revenue per Employee                 | Rs'000       | 238,580       | 325,144       | 429,702       | 534,387       | 582,723       |

Source: Department of Public Enterprises

SLTB is planning to increase its market share of passenger transportation from 25 percent to 33 percent during the year 2010 and measures are being taken to increase revenue and reduce operational expenditure to make SLTB a commercially viable entity. The Treasury has advised SLTB to develop profit centers in each depot as well as in each route. This is important for SLTB to identify the non commercial routes and depots.

As an important measure to make SLTB a commercially viable entity it should either phase out some of the uneconomical routes or develop a mechanism to recover the excess cost that will incur due to serving the uneconomical routes from the Treasury or any other means.

### **Sri Lanka Telecom PLC (SLT)**

Sri Lanka Telecom is one of the most successful Public Private Partnership (PPP) initiatives of

the Government of Sri Lanka. Whilst Global Telecommunication Holdings N.V. of Netherlands owns 44.9 percent stake in Sri Lanka Telecom (SLT), the Government of Sri Lanka owns 49.5 percent of the shares and balance shares are owned by the general public.

The company provides a portfolio of telecommunication services including domestic and international fixed telephone and mobile telephone services, internet services, Internet Protocol Television (IPTV), data services, domestic and international leased circuits, frame relay, satellite uplink and maritime transmission.

The company has an annual turnover in excess of Rs. 40 Bn. In 2009, SLT group has a customer base of over 4 Mn including multinational corporations, large and small corporates, retail and domestic customers. Market share for fixed line operations of SLT is 41.7 percent while SLT taken as a percentage of the entire

telecommunication industry holds 8 percent of the market share.

The company uses the subsidiary structure in order to maximize opportunities and benefits from emerging market. Mobitel (Pvt) Limited, Sri Lanka Telecom (Services) Limited, SLT

(Hong Kong) Limited, SLT Publications (Pvt) Limited, SLT Manpower Solutions (Pvt) Limited, SLT Vision Com (Pvt) Limited, and Sky Network (Pvt) Limited are the seven subsidiary companies established under SLT group to engage in various related businesses.

**Table 4.9**  
**A summary of the Financial Performance of Sri Lanka Telecom Plc (Group)**

| Category                         | Unit   | 2005   | 2006   | 2007   | 2008   | 2009   |
|----------------------------------|--------|--------|--------|--------|--------|--------|
| Total Income                     | Rs. Mn | 33,325 | 40,691 | 43,234 | 47,044 | 48,265 |
| Interest Income                  | "      | 648    | 1,036  | 1,286  | 1,279  | 1,164  |
| Operating Cost                   | "      | 15,512 | 30,796 | 20,748 | 25,095 | 30,786 |
| Interest Expenses & Finance Cost | "      | 2,085  | 1,884  | 2,232  | 2,130  | 2,024  |
| Net Profit before Tax            | "      | 4,812  | 9,227  | 8,399  | 9,560  | 1,395  |
| Net Profit after Tax             | "      | 3,093  | 5,438  | 5,640  | 7,367  | 778    |
| Non-Current Assets               | "      | 57,677 | 56,750 | 56,763 | 60,809 | 70,658 |
| Current Assets                   | "      | 23,843 | 27,292 | 28,609 | 32,389 | 19,650 |
| Stocks                           | "      | 844    | 1,419  | 1,476  | 2,583  | 1,982  |
| Current Liabilities              | "      | 13,892 | 16,370 | 16,830 | 32,819 | 27,203 |
| Borrowings                       | "      | 22,840 | 20,785 | 19,285 | 21,716 | 13,351 |
| Dividend                         | "      | 899    | 1,354  | 1,805  | 1,805  | -      |
| Equity                           | "      | 33,793 | 37,866 | 41,900 | 47,555 | 46,599 |
| Earning per Share                | "      | 1.71   | 3.0    | 3.1    | 4.08   | 0.44   |
| Quick Assets Ratio               | %      | 1.66   | 1.58   | 1.61   | 0.91   | 0.65   |

Source: Department of Public Enterprises

Pressure on prices due to the aggressive competition and cost conscious behavior of subscribers have resulted in a revenue drop by 6 percent during the year 2009, compared to the year 2008. However, as a result of the positive impact of measures taken by the company throughout the year to arrest the situation, the revenue declining trend has been mitigated.

During the year, the company experienced a 21 percent increase in its operating costs and spent Rs. 480 Mn on another Voluntary Retirement Scheme (VRS) for 310 employees. The company expects to derive the benefits of the VRS Scheme.

SLT was the 1st corporate entered in to the International Bond Market. In 2004, the

Company issued bonds to the value of US\$ 100 Mn. During the year 2009, the company repaid the entire value of the bonds, using the sinking fund built up in this way. This has resulted in building confidence on the company amongst the investing community.

#### **Sri Lanka Insurance Corporation Limited. (SLIC)**

SLIC was privatized in April 2003 in keeping with the government policy on reforming Public Enterprises. However, consequent to the judgment of the Supreme Court dated 4th June 2009, SLIC was re-vested with the Secretary to the Treasury on behalf of the government and currently operating as a government owned company in the financial services sector.

The objective of SLIC is to provide a range of insurance products including life and general insurance to cover different risk categories of individual and corporate customers at competitive price levels.

SLIC operated in an immense competitive environment with 17 insurance companies engaging in general insurance business and 13 insurance companies engaging in life insurance business in the year 2009. Market share for major insurance players in 2009 are as follows;

**Table 4.10**  
**Market Share for Major Insurance Companies**

| Company                             | Long term insurance Business | General insurance Business |
|-------------------------------------|------------------------------|----------------------------|
| Sri Lanka Insurance Corporation Ltd | %<br>19.94                   | %<br>25.97                 |
| Ceylinco Insurance PLC.             | 31.13                        | 26.90                      |
| Union Assurance PLC                 | 11.50                        | 9.51                       |
| AVIVA NDB Insurance PLC             | 19.17                        | 7.42                       |
| Janashakthi Insurance PLC           | 5.56                         | 12.66                      |

*Source: Insurance Board of Sri Lanka, Performance of the Insurance Industry - 2009*

With 40 years of experience using 14 regional offices, over 120 branches and around 9,800 in forced agents island wide, having around 2,100 employees, SLIC ranked second in the market. The premium income of SLIC as a percentage of GDP is around 0.3 while in total industry it is 1.23 in the year 2009. SLIC is the first and only insurance company in Sri Lanka awarded with a prime AA- rating for insurers financial strength from the global rating agency Fitch Ratings, London.

Although the company is enjoying a strong brand image in life insurance, it has been loosing the market share from 42 percent in 2001 to 19.94 percent in 2009. However, the government expects that SLIC will substantially

gain its market share in the future being a strong and dynamic market player in the industry while protecting its policy holders' insurance interest.

In terms of the aforesaid Supreme Court order, government is in the process of issuing bonds for paying back the purchase consideration of Rs 6,715.86 Mn pertaining to 90 percent shares and employee's shares. In addition, profit of SLIC for the privatized period from 11th April 2003 to 4th June 2009 is to be paid to the investor. The Auditor General is in the process of re-computing and auditing the profits for this purpose.

The draft accounts of SLIC for the year 2009 disclose the following financial position;

**Table 4.11**  
**Performance of SLIC**

|                                    | 2009 (As at 31 <sup>st</sup> Dec.) |           |         | 2008(As at 31 <sup>st</sup> Dec.)* |          |         |
|------------------------------------|------------------------------------|-----------|---------|------------------------------------|----------|---------|
|                                    | Long Term                          | Non Life  | Company | Long Term                          | Non Life | Company |
| No. of Policies (Nos)              | 667,069                            | 1,076,696 | -       | -                                  | -        | -       |
| Total Assets (Rs.Mn)               | 48,081                             | 26,361    | 74,442  | 41,978                             | 23,230   | 65,209  |
| Total Liabilities (Rs.Mn)          | 48,080                             | 15,797    | 63,877  | 41,978                             | 13,694   | 55,672  |
| Total Shareholders' Equity (Rs.Mn) | -                                  | 10,564    | 10,564  | -                                  | 9,537    | 9,537   |



Table 4.12  
Financial Performance of SLIC

| Income Generation  | 2009      |          |         | 2008      |          |         |
|--|-----------|----------|---------|-----------|----------|---------|
|  | Long Term | Non Life | Company | Long Term | Non Life | Company |
| Gross Written Premium (Rs.Mn)  | 4,745     | 9,058    | 13,803  | 3,493     | 6,955    | 10,448  |
| Net Earned Premium (Rs.Mn)   | 4,703     | 6,097    | 10,800  | 3,388     | 5,264    | 8,652   |
| Profit from Operations (Rs.Mn)   | 6,291     | 1,405    | 7,696   | 4,361     | 974      | 5,335   |
| Income Tax (Rs.Mn)   | (1,258)   | (377)    | (1,635) | (776)     | 337      | (439)   |
| Net Profit for the period (Rs.Mn)  | 5,033     | 1,028    | 6,061   | 3,585     | 637      | 4,222   |
| <p>* The above accounts for 2009 prepared on provisional basis, subject to adjustments and changes when finalising accounts as at 04th June 2009, the date on which the ownership changed to state and as at 31st December 2009.</p> <p>** Consequent to the subsequent adjustments identified, the Net Profit after tax for the year 2009 on Non-Life is now stand at Rs. 443 Mn.</p> |           |          |         |           |          |         |

Major change of ownership and management of SLIC is yet to be settled. Government take over has resulted in leaving the Company by managerial persons who developed by private ownership and organizing employees unions. Moreover, SLIC is required to introduce a new governance structure as a matter of priority.

With all these challenges government expects SLIC to perform in a highly professional manner, setting an example to the other private and public sector companies with its experience of being under the management of both government and private ownership.

## Chapter 05 Trading Sector

The trading sector represents of mainly two industries i.e Trading and Fisheries. Public Enterprises in trading sector play a significant role in providing essential commodities to the people at a reasonable price. By providing imported rice at the beginning of 2010 when a rice shortage existed in local market, the STC General Trading Company played a significant role against that worst situation.

The public enterprises in fisheries sector consist of Ceylon Fisheries Corporation, Cey-Nor Foundation, and Ceylon Fisheries Harbour Corporation. The main objectives of these organizations are to facilitate the fishermen to increase the fish harvest while providing the fresh fish to Sri Lankan people at reasonable prices. However, as the performance of above

PEs were not a satisfactory level during recent past, a special attention has been paid on the development of these enterprises under the “Mahinda Chinthana Development Policy”

### State Timber Corporation (STC)

The State Timber Corporation (STC) is a well equipped state organization which operates saw mills, impregnation plants, seasoning plants, furniture factories and timber sales depots through out the country. All the timber from forest plantations owned by the Forest Department are harvested and marketed by the STC.

The main operations of the corporation are extracting and purchasing of timber and converting them in to various products such

**Table 5.1**  
**Financial Performance of State Timber Corporation**

| Description                  | Unit  | 2005  | 2006  | 2007  | 2008  | 2009  |
|------------------------------|-------|-------|-------|-------|-------|-------|
| Turnover                     | Rs/Mn | 1,445 | 1,878 | 2,298 | 2,737 | 3,134 |
| Other Income                 | "     | 101   | 227   | 233   | 250   | 311   |
| Cost of Sales                | "     | 545   | 912   | 1,133 | 1,526 | 1,782 |
| Gross Profit                 | "     | 900   | 966   | 1,165 | 1,211 | 1,352 |
| Expenditure                  | "     | 544   | 713   | 909   | 814   | 852   |
| Net Profit before Tax & Levy | "     | 457   | 480   | 489   | 647   | 811   |
| Taxes and Levy               | "     | 234   | 342   | 339   | 365   | 452   |
| Net Profit after Tax & levy  | "     | 223   | 138   | 150   | 282   | 359   |
| <b>Non-Current assets</b>    | "     | 1,373 | 1,580 | 1,339 | 1,524 | 1,793 |
| Current Assets               | "     | 853   | 963   | 1,545 | 1,407 | 2,080 |
| Non-Current Liabilities      | "     | 285   | 342   | 371   | 362   | 365   |
| Current Liabilities          | "     | 286   | 528   | 691   | 455   | 1,029 |
| <b>Capital and Reserves</b>  | "     | 1,655 | 1,673 | 1,823 | 2,113 | 2,479 |

Source: State Timber Corporation Annual Accounts

Chart 5.1  
Profitability of State Timber Corporation



as Logs, Sawn Timbers, Railway Sleepers, Electrical Transmission Poles, Round Poles, Fence Posts, Furniture and Scrap Sales as firewood. STC is the single supplier of railway sleepers for Railway Department and transmission poles for and the Ceylon Electricity Board, respectively

Although the turnover has increased by 15 percent in 2009 when compared to the 2008, gross profit margin has slightly decreased from 44.25 percent to 43.14 percent in 2008 to

2009. However, net profit margin has marginally increased by 2 percent in 2009. The utilization of assets compared to the turnover decreased from 93.38 percent in 2008 to 80.92% in 2009. This indicates that the utilization of assets in operational activities has been marginally dropped. Although the liquidity ratios decreased in 2009, STC could maintain than within industry norms. Cash cycle in 2007 was 85 days. This adversely increased up to 130 days in the year 2009 mainly due to inefficient debt management.

Table 5.2  
Ratio Analysis of State Timber Corporation

|                           | 2007  | 2008  | 2009  |
|---------------------------|-------|-------|-------|
| <b>Profitability</b>      |       |       |       |
| Gross Profit Ratio (%)    | 50.70 | 44.25 | 43.14 |
| Net Profit Ratio (%)      | 19.32 | 21.66 | 23.54 |
| Return on Equity (%)      | 26.82 | 30.62 | 32.71 |
| Sales on Assets Ratio (%) | 79.68 | 93.38 | 80.92 |
| <b>Liquidity</b>          |       |       |       |
| Current Ratio (%)         | 2.24  | 3.09  | 2.02  |
| Acid Test Ratio (%)       | 1.47  | 1.85  | 1.35  |
| Cash Cycle (days)         | 85    | 129   | 130   |
| <b>Gearing</b>            |       |       |       |
| Debt Equity Ratio (%)     | 58.26 | 38.67 | 56.23 |

Source: State Timber Corporation Annual Accounts

**Table 5.3**  
**Contribution to the Consolidated Fund by State Timber Corporation**

|                            | Units | 2005 | 2006 | 2007  | 2008  | 2009  |
|----------------------------|-------|------|------|-------|-------|-------|
| Stumpage                   | Rs.Mn | 380  | 371  | 544   | 607   | 750   |
| BTT/DL/VAT                 | "     | 178  | 277  | 339   | 405   | 448   |
| Income Tax                 | "     | 104  | 267  | 189   | 290   | 402   |
| Special Levy               | "     | 50   | 75   | 150   | 75    | 50    |
| Total                      | "     | 712  | 990  | 1,222 | 1,377 | 1,650 |
| Percentage to the Turnover | %     | 49   | 53   | 53    | 50    | 53    |

Source: State Timber Corporation Annual Accounts

In the year 2009, the corporation contributed Rs.1,650 Mn to the Consolidated Fund indicating an increase of 16.5 percent over the previous year.

#### **STC General Trading Company Ltd.**

STC General Trading Company engages in supplying office equipment and stationery, household electrical and electronic equipment, tires and batteries, and IT related equipments to government and private sector at competitive prices.

Although the food distribution does not come under their scope, STC engaged in distribution

of imported rice at reasonable prices through Lanka Sathosa and co-operative outlets to overcome the rice shortage prevailed during in the later part of 2009. Further, they introduced the "Budget Pack" which contained essential food items such as rice, sugar, dhal, kadala and canned fish at discounted price to provide economic relief for general public.

In addition to that, STC General Trading Company expended its operational activities by opening showrooms in Vauniya, Killinochchi and Jaffna under the "Uthuru Wasanthaya" programme.

**Table 5.4**  
**Financial Performance of STC General Trading Co. Ltd.**

|                         | Units | 2006/07 | 2007/08 | 2008/09 |
|-------------------------|-------|---------|---------|---------|
| Turnover                | Rs/Mn | 243.7   | 313.9   | 494.9   |
| Gross Profit            | "     | 41.3    | 58.7    | 74.2    |
| Other Income            | "     | 20.1    | 25.6    | 55.2    |
| Operational Expenses    | "     | 112.1   | 81.2    | 97.6    |
| Finance Cost            | "     | 7.6     | 3.4     | 3.9     |
| Profit Before Tax       | "     | (58.3)  | 0.4     | 28.0    |
| Non-Current Assets      | "     | 256.7   | 256.5   | 258.2   |
| Current Assets          | "     | 271.5   | 254.4   | 304.3   |
| Non-Current Liabilities | "     | 22.9    | 23.1    | 25.8    |
| Current Liabilities     | "     | 156.5   | 138.6   | 169.2   |
| Capital & Reserves      | "     | 348.9   | 349.3   | 367.5   |

Source: STC General Trading Co. Ltd. Annual Accounts

**Table 5.5**  
**Ratio Analysis of STC General Trading Co. Ltd.**

|                           | 2006/07 | 2007/08 | 2008/09 |
|---------------------------|---------|---------|---------|
| <b>Profitability</b>      |         |         |         |
| Gross Profit Ratio (%)    | 16.95   | 18.70   | 14.99   |
| Net Profit Ratio (%)      | -23.92  | 0.13    | 0.57    |
| Return on Equity (%)      | -16.71  | 0.11    | 0.76    |
| Sales on Assets Ratio (%) | 46.14   | 61.44   | 87.98   |
| <b>Liquidity</b>          |         |         |         |
| Current Ratio (%)         | 1.73    | 1.84    | 1.80    |
| Acid Test Ratio (%)       | 1.11    | 0.81    | 0.61    |
| <b>Gearing</b>            |         |         |         |
| Debt Equity Ratio (%)     | 51.42   | 46.29   | 53.06   |

*Source: STC General Trading Co. Ltd. Annual Accounts*

The total of turnover increased by 57.7 percent from 2007/08 to 2008/09; gross profit margin decreased from 18.7 percent to 15 percent as a result of reduction of selling prices of essential commodities. Even though, gross profit was not sufficient to cover its operational expenses, net profit increased Rs.0.4 Mn in 2008 to Rs.28 Mn in 2009 due to other income from Mobitel transactions, management fees from Abans, and interest income. Asset Turnover Ratio

has increased by 26.54 percent in 2008/09 against 2007/08. It is indicating effective assets utilization for operating activities. However liquidity ratios of the corporation reported below the industry averages. The company is required to increase its turnover up to Rs.677 Mn to reach the breakeven point while maintaining the gross profit ratio at 15 percent. Therefore, STC should seek possibility of expanding its business in northern and eastern provinces.

## Chapter 06

# Agricultural Sector

**P**erformances of the paddy sector have recorded a considerable decline of 5.8 percent during the year 2009 in comparison to the previous year. This has resulted to moderate the growth in overall agriculture sector of 3.2 percent in 2009 compared with the higher growth of 7.5 percent reported in the year 2008.

Insufficient water supply for cultivation and the delay in monsoon in the Yala season resulted to the decline in paddy harvest from 925,000 hectares in 2008 to 842,000 in 2009.

The national policy on agriculture resulted in the revival of the Paddy Marketing Board (PMB), which is vital in ensuring a stable income for the farmers of the country while benefiting the consumers in controlling inflationary pressures in food prices in the future. Accordingly PMB was able to set the market price per 1 Kg of paddy at the range of Rs28/- to Rs.30/- at Yala and Maha seasons in 2009.

Out of total paddy production of 3,652 millions metric tons during the year 2009 PMB has purchased 10,972 metric tons of Samba rice and 39,432 metric tons of Nadu rice at a price range of Rs.17.50 to Rs. 30/-

### **Milk Industries Lanka Ltd. (Milco)**

Milco, the government milk distribution arm is engaging in Sri Lankan dairy industry for over

54 years. Currently core business of Milco consists with milk collection, processing and marketing.

Total milk production of the country has gone up by 12.1 percent in 2009 over previous year and the Milco have been able to achieve 22 percent of the total milk collection of the country via an island wide milk collection network of 2,100 farmer managed societies and 73 milk chilling centers. During the period the average price for one liter of milk to the farmer maintained at Rs. 32/-

Milco is presently operating with 4 milk processing plants, 8 regional distribution centers, 9 regional dairy development centers, 1 cattle feed plant and 1 model farm. During the year, rehabilitation of four main factories was initiated to strengthen island wide milk collection network. In addition two Yoghurt Filling Machines and two Effluent Treatment Plants were purchased in 2009. With the support of humanitarian agencies, 02 new chilling centers were opened in Eastern Province.

Milco produces a wider range of dairy products including; Pasteurised Milk, Sterilised Milk, Yoghurt, Curd, Butter, Ice Cream, Ghee, Processed Cheese and Milk Powder. At present the price of Cheese & Curd are below cost of production with view to maintain market share.



**Chart 6.1**  
**Financial and Operational review of Milco**

| Description  | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
|--|---------|---------|---------|---------|---------|
| Total Turnover (Rs. Mn)                              | 2,079   | 2,240   | 2,720   | 3,206   | 4,242   |
| Gross Profit /(Loss) (Rs. Mn)                        | 267     | 273     | 257     | 428     | 731     |
| Profit Before Tax (Rs. Mn)                           | 92      | 96      | 21      | 132     | 351     |
| Total Cost of Employment for the year (Rs. Mn)       | 349     | 399     | 502     | 556     | 647     |
| Current Assets as at end of the year (Rs. Mn)        | 1,226   | 1,361   | 1,408   | 1473    | 2,032   |
| Current Liabilities as at end of the year (Rs. Mn)   | 720     | 757     | 846     | 784     | 917     |
| Amount spent on dairy development activities (Rs.Mn) | 51      | 63      | 89      | 112     | 98      |
| Total Milk Collection (Ltrs. Mn)                     | 48      | 53      | 54      | 52      | 53      |
| Number of Employees as at end of the year (No.s)     | 1,277   | 1,449   | 1,483   | 1411    | 1,490   |
| <b>Ratio Analysis</b>                                |         |         |         |         |         |
| Gross Profit (%)                                     | 12.84   | 12.19   | 9.45    | 13.34   | 17.24   |
| Net Profit (Before Tax) (%)                          | 4.40    | 3.96    | 0.68    | 4.04    | 7.83    |
| Current Ratio (%)                                    | 1.71    | 1.81    | 1.67    | 1.88    | 2.22    |
| Return On Assets (%)                                 | 6.39    | 5.51    | 1.07    | 7.00    | -       |
| Total Cost of Employment per Employee (Rs.'000)      | 273.38  | 275.11  | 338.29  | 394.04  | 434.22  |

Source: Milk Industries Lanka Ltd Annual Accounts

Asset base and equity of Milco have increased marginally due to the increase in current liability. During the year 2009, turnover of Milco increased in 32percent. As a result, gross profit increased by 70 percent. However, cost of employment increased considerably in 2009 due to the increase in number of employees.

Milco can earn a higher income through replacing modern machineries, suitable promotion campaigns and proper human resource management.

### **National Livestock Development Board (NLDB)**

NLDB mainly focus on arresting the dwindling national herd of cattle and buffaloes by concentrating on a planned intensive programme.

The company engages 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 19 dairy farms, 4 goat farms, 3 poultry farms, 2 swine farms and 2 buffalo farms totaling to 30 livestock and crop integrated farms and a training centre. Further the Board has opened 84 milk stalls in various parts of the country during the year with a view to promote liquid milk consumption in the country. The board intends to increase its liquid milk production as a remedy to the increase in price of produced milk in both local and international market.

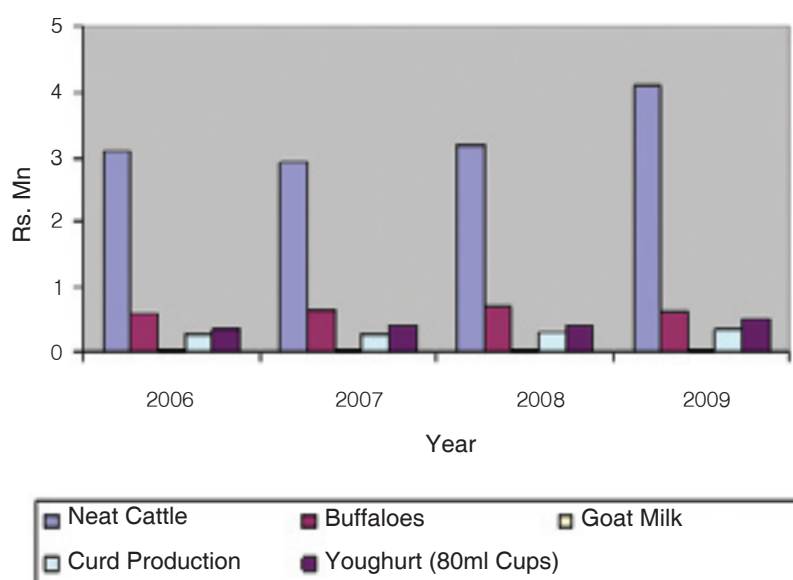
Fresh Milk Promotion Project, Embryo Project, Pasture Development Project, Maize Cultivation, Compost Project are major projects currently operating by NLBD.

**Table 6.2**  
**Milk Production of NLDB**

|                     | Units     | 2006  | 2007  | 2008  | 2009  |
|---------------------|-----------|-------|-------|-------|-------|
| Neat Cattle         | Ltrs (Mn) | 3.1   | 2.9   | 3.2   | 4.1   |
| Buffaloes           | "         | 0.58  | 0.65  | 0.68  | 0.63  |
| Goat Milk           | "         | 0.025 | 0.023 | 0.023 | 0.028 |
| Curd Production     | "         | 0.290 | 0.286 | 0.313 | 0.339 |
| Yoghurt (80ml Cups) | Nos. (Mn) | 0.355 | 0.408 | 0.422 | 0.511 |

Source: National Livestock Development Board Annual Accounts

**Chart 6.1**  
**Milk Production of NLDB (2006 – 2009)**

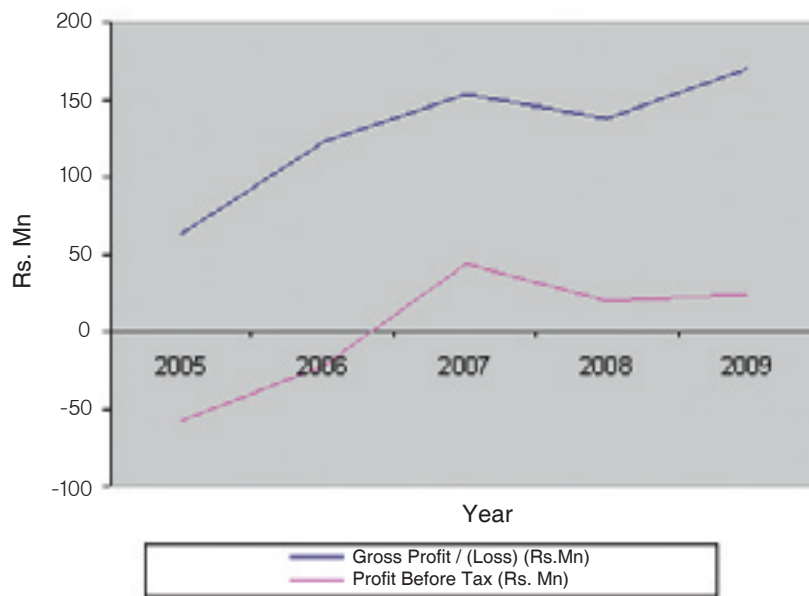


**Table 6.3**  
**Financial & Operational Review of NLDB**

|                                   | 2005   | 2006   | 2007   | 2008   | 2009   |
|-----------------------------------|--------|--------|--------|--------|--------|
| Total Revenue (Rs. Mn)            | 543    | 647    | 870    | 957    | 890    |
| Gross Profit /(Loss) (Rs. Mn)     | 64     | 122    | 154    | 138    | 171    |
| Profit Before Tax (Rs. Mn)        | (58)   | (23)   | 43     | 20     | 24     |
| Total Cost of Employment (Rs. Mn) | 206    | 264    | 315    | 385    | 334    |
| Current Assets (Rs. Mn)           | 245    | 296    | 298    | 359    | 321    |
| Current Liabilities (Rs. Mn)      | 231    | 286    | 290    | 342    | 341    |
| Number of Employees (Nos)         | 2,493  | 2,448  | 2,449  | 2,617  | 2449   |
| <b>Ratio Analysis</b>             |        |        |        |        |        |
| Gross Profit (%)                  | 11.79  | 18.86  | 17.70  | 14.42  | 19.00  |
| Net Profit (Before Tax) (%)       | -10.68 | -3.55  | 4.94   | 2.09   | 2.0    |
| Current Ratio (%)                 | 1.06   | 1.03   | 1.03   | 1.05   | 0.93   |
| Cost per Employee (Rs.'000)       | 82.63  | 107.84 | 128.62 | 147.11 | 136.38 |

Source: National Livestock Development Board Annual Accounts

Chart.6.2  
Financial Performance of NLDB



Despite the decline in revenue, NLDB could maintain an increase in gross profit margin and the net profit margin during the year 2009 due to decrease in overall cost elements including cost of employment.

Net profit of NLDB increased from Rs.20 Mn in 2008 to Rs.24 Mn in 2009. The board has not generated maximum revenue due to the under utilization of its assets and lack of proper maintenance. Therefore necessary management reform should be adopted to mitigate existing financial and operational weaknesses of NLDB.

#### Ceylon Fertilizer Co. Ltd. (CFCL)

The Ceylon Fertilizer Co. Ltd is the pioneer distribution arm of the Fertilizer Subsidy Scheme introduced under the “Mahinda Chinthana” Development Programme. The Company engages in importing, blending and distributing fertilizers with a total of 393 employees.

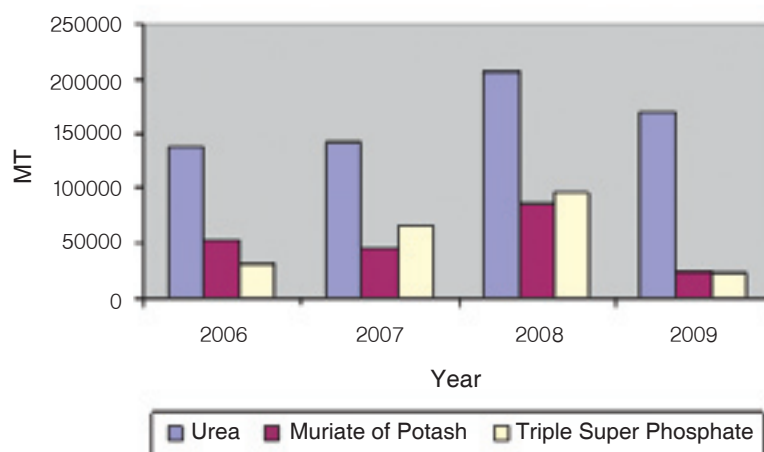
The company imports fertilizer mainly from United Arab Emirates, China, Ukraine, Egypt and State of Qatar. In addition to that Dolomite and Eppawala Rock Phosphate are purchased locally. The distribution network covers the entire island inclusive of the Northern and Eastern Provinces.

**Table 6.4**  
**Financial and Operational Review of Ceylon Fertilizer Co. Ltd.**

|                                       | 2005    | 2006    | 2007    | 2008    | 2009    |
|---------------------------------------|---------|---------|---------|---------|---------|
| Total Revenue (Rs. Mn)                | 2,124   | 1,739   | 1,598   | 1,920   | 1,904   |
| Gross Profit /(Loss) (Rs. Mn)         | 226     | 124     | 236     | 283     | 351     |
| Profit Before Interest & Tax (Rs. Mn) | 171     | 60      | 117     | 151     | 135     |
| Profit Before Tax (Rs. Mn)            | 47      | 21      | 6       | 38      | 63      |
| Total Cost of Employment (Rs. Mn)     | 95      | 133     | 147     | 149     | 185     |
| Current Assets (Rs. Mn)               | 2,591   | 4,091   | 6,621   | 25,875  | 23,879  |
| Current Liabilities (Rs. Mn)          | 1,991   | 3,490   | 6,038   | 25,202  | 23,205  |
| Purchase of Fertilizer - Imports (MT) | 122,338 | 221,834 | 252,112 | 380,676 | 221,237 |
| Local (MT)                            | 4,959   | 1,656   | 2,202   | 727     | 987     |
| Sale of Fertilizer (MT)               | 151,372 | 245,106 | 231,039 | 296,384 | 277,811 |
| Number of Employees (Nos)             | 337     | 331     | 490     | 393     | 403     |
| Ratio Analysis                        |         |         |         |         |         |
| Gross Profit (%)                      | 11      | 7       | 15      | 15      | 18      |
| Net Profit (Before Tax) (%)           | 2       | 1       | 0.2     | 2       | 7       |
| Current Ratio                         | 1.3     | 1.17    | 1.1     | 1.02    | 1.03    |
| Cost per Employee (Rs.'000)           | 283.01  | 402.44  | 299.38  | 379.135 | 459     |

Source: Ceylon Fertilizer Co. Ltd Annual Accounts

**Chart 6.3**  
**Import of Fertilizer 2006 - 2009**



Importation of fertilizer declined in 2009 due to the bad weather condition prevailed during the period. Both gross profit margin and net profit margin reported an increase in 2009 by 20 percent and 250 percent respectively due to the increase in turnover and other operating income. Total cost of employment also increased marginally due to increase in salaries, over time

payment and number of employees. Therefore, the company needs a proper assessment on its carder requirement. Current Ratio of the company remained between 1 – 2 over the period concerned. The credit repayment of the company on timely basis has been backed by the government.

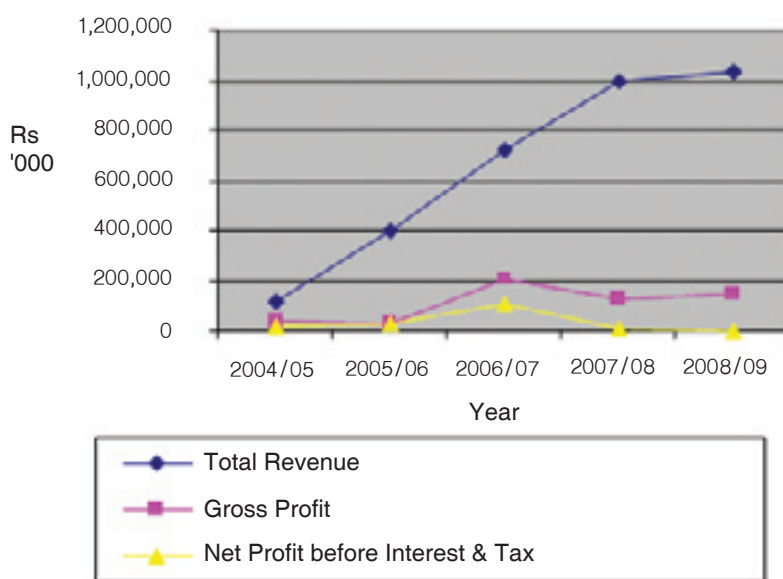
**Colombo Commercial Fertilizer Co. Ltd. (CCFCL)**

The company engages in importing fertilizer, mixing of neat fertilizer as prescribed for each plantation sectors and on customer requests, distribution of fertilizer mixtures via its distribution centers and dealers, and testing of

fertilizer mixtures for its quality.

At present 1/3 of fertilizer subsidy scheme is handled by Colombo Commercial Fertilizer Co. Ltd. The company has distributed 99,791.054MT of Urea, 28,675.719MT of TSP and 32,657.421 MT of MOP in the period of 2008/2009

**Chart 6.4**  
**Revenue and Profits of CCFCL**

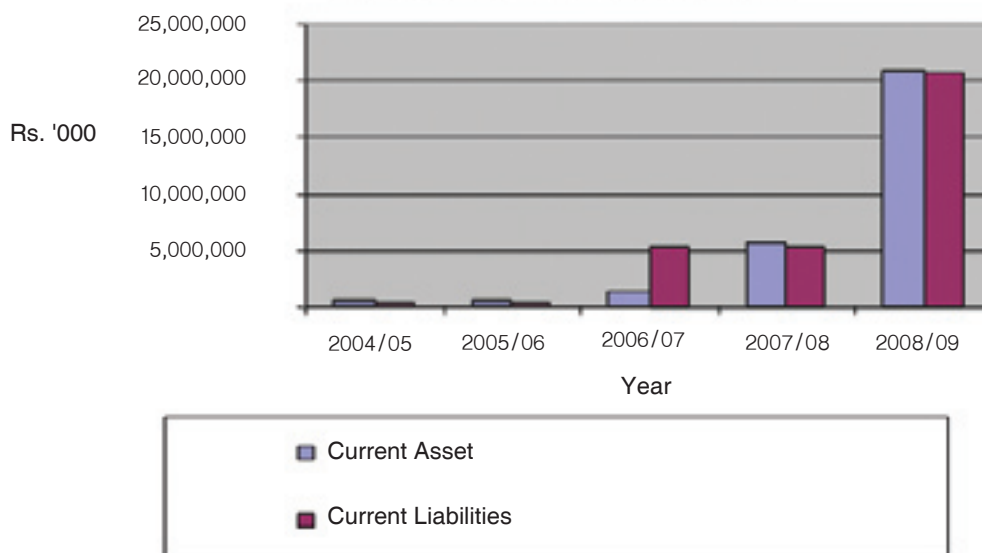


**Table 6.5**  
**Performance of CCFCL**

| Absolute Value   | 2005/06 | 2006/07 | 2007/08 | 2008/09  |
|--|---------|---------|---------|----------|
| Total Revenue (Rs.Mn)  | 401.7   | 722.6   | 992.0   | 1,035.0  |
| Gross Profit (Rs.Mn)   | 31.9    | 201.2   | 122.5   | 150.0    |
| Net Profit before Interest & Tax (Rs.Mn)                     | 31.2    | 107.8   | 12.1    | .2       |
| Financial Charges (Rs.Mn)                                    | 20.9    | 20.6    | 18.2    | 41.6     |
| Total Cost of Employment (Rs.Mn)                             | 9.1     | 22.6    | 23.6    | 31.2     |
| Capital Expenditure (Rs.Mn)                                  | .1      | .2      | 8.8     | 3.1      |
| Non Current Asset (Rs.Mn)                                    | 115.8   | 214.2   | 212.9   | 205.3    |
| Current Asset (Rs.Mn)  | 597.4   | 1,378.1 | 5,620.3 | 20,888.8 |
| Current Liabilities (Rs.Mn)                                  | 485.1   | 5,355.5 | 5,421.3 | 20,724.3 |
| Non Current Liabilities (Rs.Mn)                              | 228.2   | 408.6   | 412.0   | 369.7    |
| Equity (Rs.Mn)   | 100.0   | 100.0   | 100.0   | 100.0    |
| No of employees  | -       | -       | 117     | 114      |
| <b>Ratio Analysis</b>  |         |         |         |          |
| Net Profit before Interest Tax to Equity (%)                 | 31.21   | 107.85  | 12.07   | 0.22     |
| Net Profit Before Financial Charges & Tax to Total Asset (%) | 4.38    | 6.54    | 0.21    | 0.001    |
| Current Ratio (%)  | 123.16  | 25.73   | 103.67  | 100.79   |
| Cost per Employee (Rs.'000)                                  | 258.04  | 422.61  | 427.3   | 433.82   |

Source: Colombo Commercial Fertilizer Co. Ltd Annual Accounts

**Chart 6.5**  
**Current Assets & Liabilities of CCFCL**



The company reported its highest revenue of Rs.1,035,026 thousands in 2008/2009. Accordingly, gross profit also increased up to Rs.150,002 thousand in 2009 indicating an increase of 22.43 percent over the previous year. However, the cost of sales of the company amounted to 85.5 percent of total revenue.

Net profit before interest & tax decreased to Rs.217,000 indicating a negative trend over the period due to the increases in distribution and finance cost and other expenses of the company. Finance Cost of the company increased by 127.95 percent over the previous year due to significant increase in short term loan interest and non payment of bill value interest.

Current assets and current liabilities of the company increased more than three times in comparison to the period of 2007/08 due to the increase of credit sales and purchases. Government provided Rs 21,649,253,196/= during the year 2008/09 to the company under "Subsidiary Scheme".

#### **Agricultural and Agrarian Insurance Board (AAIB)**

Agricultural and Agrarian Insurance Board (AAIB) was established under the Agricultural Insurance Law No.27 of 1973 as subsequently repealed by the Agricultural and Agrarian Insurance Act No. 20 of 1999.

The objective of the Board is to establish and operate a comprehensive insurance scheme for agriculturists, in respect of crops, including plantation crops, medicinal plants, fisheries, forestry and livestock industries with a view to providing stability to agriculturists and promoting agricultural products.

In line with above objectives, AAIB currently operates following schemes.

- \* Farmer's Pension Fund and Social Security Benefit Scheme.
- \* Fisherman's Pension Fund and Social Security Benefit Scheme.
- \* Agricultural and Agrarian Insurance.



Table 6.6

| Discription                                | Farmer's Pension Fund | Fisherman's Pension Fund | Agriculture and Agrarian insurance | Life Insurance Fund |
|--|-----------------------|--------------------------|------------------------------------|---------------------|
| Members (Nos)                              | 954,689               | 63,950                   | -                                  | 954,689             |
| Balance of the Fund as at 31.03.10 (Rs Mn) | 582.156               | 566.0                    | 199.0                              | 351.0               |
| Pension beneficiaries (Nos)                | 75,876                | 1,495                    | -                                  | -                   |
| Pension Cost per month (Rs.Mn)             | 105.0                 | 1.8                      | 2.5                                | 1.2                 |
| Fund Investment Income per month (Rs.Mn)   | 3.4                   | 6.0                      | 2.2                                | 3.3                 |
| Premium Collection per month (Rs.Mn)       | 13.5                  | 0.6                      | 7.0                                | 3.0                 |
| Deficit per month (Rs.Mn)                  | 88.1                  | 5.5                      | 6.7                                | 5.1                 |

Source: Agricultural and Agrarian Insurance Board Annual Accounts

The balance of the Farmer's Pension Fund amounted to Rs. 582.15 Mn at the end of 31.03.2010 while Fisherman's Pension Fund was maintaining a balance of Rs. 566.0 Mn. However both funds are diluting due to the inadequate cash flow resulting the increase in pension benefit to the farmers from Rs.200/= to Rs.1000/= while insurance premium remaining constantly.

Under the Agricultural and Agrarian Insurance Scheme, the farmers are provided with insurance cover for paddy and other 25 kinds of crops, cattles, goats and sheeps, agricultural sores, agricultural equipments including tractors and Suwasetha Health Insurance. The balance of the fund as at 31.03.2010 was Rs. 199.0 Mn and it is proposed to introduce life insurance for the farmers other than pensioners.

Table 6.7  
Financial Information of AAIB

|  | 2005    | 2006    | 2007    | 2008    | 2009     |
|--|---------|---------|---------|---------|----------|
| Total Revenue (Rs.Mn)                      | 442.6   | 580.6   | 587.8   | 598.9   | 498.9    |
| Operational Surplus/(Deficit) (Rs.Mn)      | -40.7   | -128.6  | -293.9  | -343.7  | -1,574.4 |
| Net Surplus/ (Deficit) (Rs.Mn)             | -137.1  | -170.4  | -315.6  | -171.2  | -609.8   |
| Financial Charges (Rs.Mn)                  | 0.128   | 0.403   | 0.950   | 4.0     | 3.2      |
| Total Cost of Employment (Rs.Mn)           | 69.8    | 87.7    | 88.5    | 111.7   | 103.1    |
| Capital Expenditure (Rs.Mn)                | 4.5     | 6.7     | 8.5     | 13.6    | 6.1      |
| Non-Current Assets (Rs.Mn)                 | 2,916.2 | 2,458.5 | 2,187.3 | 2,157.7 | 1,687.5  |
| Current Assets (Rs.Mn)                     | 161.7   | 434.4   | 432.7   | 358.1   | 287.7    |
| Current Liabilities (Rs.Mn)                | 66.7    | 94.3    | 84.0    | 60.3    | 84.4     |
| Non-Current Liabilities (Rs.Mn)            | 84.2    | 98.4    | 111.4   | 110.0   | 116.1    |
| Equity (Rs.Mn)                             | 2,926.0 | 2,700.3 | 2,424.6 | 2,321.3 | 1,795.7  |
| Number of Employees (Nos)                  | 395     | 446     | 400     | 370     | 372      |
| <b>Key Performance Indicators</b>          |         |         |         |         |          |
| Net Surplus/(Deficit) to Equity (%)        | -4.68   | -6.31   | -13.02  | -7.37   | -33.96   |
| Net Surplus/(Deficit) bef finan. Charges & |         |         |         |         |          |
| Tax to Total Assets (%)                    | -4.45   | -5.87   | -12.01  | -6.65   | -30.71   |
| Current Ratio (%)                          | 242     | 461     | 515     | 594     | 341      |
| Cost per Employee (Rs '000')               | 177     | 197     | 221     | 302     | 277      |

Source: Agricultural and Agrarian Insurance Board Ltd Annual Accounts

Total revenue of the AAIB has been decreased by 16 percent with considering the previous year. In addition to this both operational deficit and net deficit increased by considerable percentages which shows the increase of negative impact in

the financial position of the entity. This situation was happened due to increase of payments made to beneficiaries. Even though AAIB received grants from the government, it incurred continuous loss.

## Chapter 07 Plantation Sector

The PEs relating to the plantation sector comprise with 05 fully government owned enterprises i.e Sri Lanka State Plantation Corporation, Janatha Estate Development Board, Chilaw Plantations Private Ltd, Kurunegala Plantations Private Ltd and Elkaduwa Plantations Private Ltd and 23 Regional Plantations Companies (RPC).

The world economic crisis together with high drought prevailed at the beginning of the year 2009 adversely affected to the performance of tea sector. This resulted to the performance of overall plantations sector in comparing to the previous year. Regional plantation companies

recorded worst ever performance in 2009 since their privatization. Further the wage cost of this sector increased in 2009 due to the increase in daily wage rate by 42.5 percent as per the collective agreement signed in the latter part of the year.

However, plantation sector could received production increase in the fourth quarter of 2009 due to suitable weather condition, increased market opportunities and other stimulus back ages extended by the government. RPCs paid Rs.443, 098.639 to the government in 2009 as lease rentals.

Table 7.1  
Contribution of plantation sector to the National Production

| Year | Production<br>(Mn/Kg) | Tea<br>HighGrown/<br>Rs.Kg | LowGrown/<br>Rs.kg | Mn/Kg | Rubber<br>Rs/Kg | Coconuts<br>Mn/Nuts |
|------|-----------------------|----------------------------|--------------------|-------|-----------------|---------------------|
| 2000 | 305.80                | 128.46                     | 144.79             | 87.6  | 66.87           | 3,096               |
| 2001 | 295.09                | 135.56                     | 154.50             | 86.2  | 66.17           | 2,769               |
| 2002 | 310.03                | 141.73                     | 160.55             | 90.5  | 69.21           | 2,392               |
| 2003 | 303.20                | 138.31                     | 160.86             | 92.0  | 105.30          | 2,562               |
| 2004 | 308.09                | 171.78                     | 189.86             | 94.7  | 127.41          | 2,591               |
| 2005 | 317.19                | 172.24                     | 199.01             | 104.4 | 148.07          | 2,515               |
| 2006 | 310.80                | 204.58                     | 204.50             | 109.2 | 201.57          | 2,785               |
| 2007 | 304.60                | 252.46                     | 298.66             | 117.6 | 234.65          | 2,869               |
| 2008 | 318.47                | 273.83                     | 336.38             | 129.2 | 267.90          | 2,909               |

Source: Department of Public Enterprises

### Regional Plantation Companies (RPCs)

Out of 23 Regional Plantation Companies, 20 companies are privatized Companies operating under the management companies while the rest three companies are fully owned by the

government. Accordingly the government receives share of dividend proportionately to its share holding and agreed upon lease rentals. Lease rentals received from RPCs for last four years are as follows.

**Table 7.2**  
**Lease rentals received from RPCs**

| Company         | 2006<br>(Rs. Mn) | 2007<br>(Rs. Mn) | 2008<br>(Rs. Mn) | 2009<br>(Rs. Mn) |
|-----------------|------------------|------------------|------------------|------------------|
| Hapugastenna    | 15.18            | 25.30            | 20.24            | 20.24            |
| Watawala        | 34.31            | 40.56            | 14.52            | 29.04            |
| Balangoda       | 12.96            | 21.83            | 12.52            | 23.88            |
| Kahawatte       | -                | 15.01            | 3.02             | 9.82             |
| Bogawantalawa   | 24.75            | 82.63            | 20.03            | 66.41            |
| Malwatte Valley | 30.69            | 24.55            | 9.21             | 3.07             |
| Maskeliya       | 16.11            | 17.72            | 14.88            | 22.37            |
| Agalawatte      | 4.00             | 31.64            | 14.52            | 39.41            |
| Talawakelle     | 9.58             | 16.30            | 11.50            | 14.38            |
| Kelani Valley   | 25.84            | 26.41            | 25.76            | 25.84            |
| Horana          | 7.47             | 9.34             | 17.24            | 7.47             |
| Maturata        | 1.00             | 2.99             | -                | 32.14            |
| Elpitiya        | 12.91            | 22.95            | 38.48            | 19.69            |
| Madulsima       | 3.47             | 6.33             | 4.3115           | 8.23             |
| Kegalle         | 20.76            | 20.76            | 15.57            | 15.57            |
| Pussellawa      | 29.96            | 43.44            | 42.75            | 17.94            |
| Kotagala        | 28.63            | 54.97            | 67.13            | 36.54            |
| Namunukula      | 3.81             | 4.07             | 29.31            | 14.13            |
| Chilaw          | 15.12            | 16.64            | 9.12             | 14.57            |
| Kurunegala      | 15.52            | 29.14            | 5.00             | 15.16            |
| Elkaduwa        | -                | -                | -                | -                |
| Agarapathana    | -                | -                | -                | --               |
| Udupussallawa   | -                | -                | -                | 7.20             |
| Total           | 310.06           | 512.59           | 375.11           | 443.10           |

Source: Department of Public Enterprises

### Fully Government owned Regional Plantations Companies

Kurunegala Plantations Limited, Chilaw Plantations Limited and Elkaduwa Plantations Limited are fully government owned RPCs.

### Kurunegala Plantations Limited (KPL)

Total revenue of KPL indicates of decline of 4.4 percent in 2009 over the previous year and reported at Rs. 344 Mn. However it could achieve higher revenue than its budgeted target of Rs. 339 Mn. Net profit of the company increased by 7.8 percent reporting the Earning per Share (EPS) ratio at 7.9 percent.

**Table 7.3**  
**Financial Performance of KPL**

|  | 2005   | 2006   | 2007   | 2008   | 2009    |
|--|--------|--------|--------|--------|---------|
| Total Revenue (Rs.Mn)  | 153.82 | 196.62 | 293.54 | 360.29 | 344.19  |
| Cost of Sale (Rs.Mn)   | 106.99 | 146.06 | 169.36 | 211.24 | 215.90  |
| Gross Profit/(loss) (Rs.Mn)  | 46.83  | 50.56  | 124.17 | 144.39 | 132.945 |
| Net Profit (Rs.Mn)   | 23.75  | 19.75  | 81.65  | 95.87  | 103.36  |
| Finance Charges (Rs.Mn)  | 14.21  | 16.03  | 18.32  | 20.46  | 23.87   |
| Operating Profit (Rs.Mn)   | 33.97  | 39.78  | 100.35 | 118.80 | 128.36  |
| Total Assets (Rs.Mn)   | 542.15 | 596.62 | 666.7  | 768.70 | 860.60  |
| Non Current Liabilities (Rs.Mn)                                      | 149.22 | 152.86 | 161.20 | 164.21 | 162.93  |
| Current Liabilities (Rs.Mn)  | 79.56  | 106.93 | 92.135 | 105.16 | 114.92  |
| Share Capital (Rs.Mn)  | 200.00 | 200.00 | 200.00 | 200.00 | 200.00  |
| <b>Contribution To the Consolidated Fund (Rs.Mn)</b>                 | -      | -      | 10     | 20     | 25      |
| <b>Profitability Ratios</b>  |        |        |        |        |         |
| Gross Profit (%)   | 30.64  | 25.71  | 41.3   | 40.07  | 38.62   |
| Net Profit (%)   | 15.44  | 10.04  | 27.81  | 26.60  | 30.02   |
| Operating Profit (%)   | 22.08  | 20.23  | 34.18  | 32.97  | 37.29   |
| Return on Capital Employed (ROCE) (Issued average share capital) (%) | 11.87  | 9.87   | 40.82  | 47.93  | 51.68   |
| Return on Total Assets (%)   | 4.38   | 3.31   | 12.24  | 12.47  | 12.01   |
| <b>Liquidity ratios</b>  |        |        |        |        |         |
| Current Assets (%)   | 0.57:1 | 0.66:1 | 1.1:1  | 1.63:1 | 2.07:1  |
| Acid Test (%)  | 0.43:1 | 0.49:1 | 0.89:1 | 1.21:1 | 1.82:1  |
| <b>Efficiency Ratios</b>   |        |        |        |        |         |
| Total Assets Turnover (%)  | 28.37  | 32.9   | 44     | 46.8   | 39      |

Source: Kurunegala Plantations Limited Annual Accounts

### Chilaw Plantations Limited (CPL)

The CPL company was managed by the Wayamba Plantation Company until the government vested its controlling power in 2007.

Turnover of CPL stagnated in 2009 due to unfavourable market condition at the beginning of 2009.

**Table 7.4**  
**Financial Performance of CPL**

|   | 2006   | 2007   | 2008   | 2009   |
|---|--------|--------|--------|--------|
| Total Revenue (Rs.Mn)   | 171.08 | 291.20 | 310.98 | 312.68 |
| Cost of Sale (Rs.Mn)  | 108.93 | 149.59 | 139.53 | 198.23 |
| Gross Profit/(loss) (Rs.Mn)   | 62.15  | 141.61 | 171.45 | 114.45 |
| Net Profit (Rs.Mn)  | 36.90  | 105.40 | 10.50  | 92.61  |
| Finance Charges (Rs.Mn)   | 13.76  | 15.29  | 17.79  | 20.50  |
| Operating Profit (Rs.Mn)  | 14.51  | 49.78  | 70.58  | 23.51  |
| Total Assets (Rs.Mn)  | 744.58 | 876.69 | 868.75 | 932.79 |
| Non Current Liabilities (Rs.Mn)   | 167.25 | 159.96 | 164.57 | 167.71 |
| Current Liabilities (Rs.Mn)   | 50.699 | 84.69  | 61.63  | 59.92  |
| Share Capital (Rs.Mn)   | 200.00 | 200.00 | 200.00 | 200.00 |
| <b>Contribution to the Consolidated Fund (Rs.Mn)</b>                    | -      | -      | -      | 30     |
| <b>Profitability Ratios</b>   |        |        |        |        |
| Gross Profit (%)  | 36.32  | 48.6   | 55.13  | 36.6   |
| Net Profit (%)  | 21.56  | 36.19  | 3.23   | 29.61  |
| Operating Profit (%)  | 8.48   | 17.09  | 22.69  | 7.51   |
| Return on Capital Employed (ROCE)<br>(Issued average share capital) (%) | 18.45  | 52.7   | 5.25   | 46.3   |
| Return on Total Assets (%)  | 4.95%  | 12.02  | 1.20   | 9.92   |
| <b>Liquidity ratios</b>   |        |        |        |        |
| Current Assets (%)  | 7.53:1 | 5.9:1  | 7.7:1  | 8.2:1  |
| Acid Test (%)   | 6.75:1 | 5.27:1 | 69:1   | 7.5:1  |
| <b>Efficiency Ratios</b>  |        |        |        |        |
| Total Assets Turnover (%)   | 22.9   | 33.2   | 35.7   | 33.5   |

Source: Chilaw Plantations Limited Annual Accounts

**Fully Government owned Plantations Entities**  
**Sri Lanka State Plantation Corporation. (SLSPC)**

Sri Lanka State Plantation Corporation is currently maintaining 12 estates which were not handed over to RPCs.

Tea cultivation had been made in 4,051.53 Hectares of total extended of lands belonged to SLSPC.

Utilization of SLSPL's lands are as follows,

**Table 7.5**

|                   | Extent (Hectares) | Percentage (%) |
|-------------------|-------------------|----------------|
| Tea cultivate     | 4,051.53          | 41.8%          |
| Other cultivate   | 2,562.96          | 26.4%          |
| Unproductive land | 3,075.48          | 31.8%          |
| Total             | 9,689.97          | 100            |

**Table 7.6**  
**Financial Performances of SPC**

|   | 2005     | 2006     | 2007    | 2008     | 2009     |
|---|----------|----------|---------|----------|----------|
| Total Revenue (Rs.Mn)   | 410.06   | 459.94   | 499.76  | 587.67   | 527.15   |
| Cost of Sale (Rs.Mn)  | 517.79   | 532.61   | 490.46  | 627.85   | 583.75   |
| Gross Profit/(loss) (Rs.Mn)   | (107.73) | (72.67)  | 9.29    | (40.17)  | (56.6)   |
| Net Profit (Rs.Mn)  | (84.15)  | (83.37)  | 45.89   | (4.13)   | 34.14    |
| Finance Charges (Rs.Mn)   | 0.08     | 0.09     | 0.15    | 0.16     | -        |
| Operating Profit (Rs.Mn)  | (154.71) | (119.62) | (98.39) | (141.99) | (140.81) |
| Total Assets (Rs.Mn)  | 1344.25  | 1319.78  | 940.02  | 956.32   | 1130.45  |
| Non Current Liabilities (Rs.Mn)   | (2.71)   | (8.82)   | 490.54  | 509.85   | 541.69   |
| Current Liabilities (Rs.Mn)   | 535.1    | 574.4    | 634.84  | 698.26   | 762.11   |
| Share Capital (Rs.Mn)   | 3897     | 3897     | 3897    | 3897     | 3897     |
| <b>Profitability Ratios</b>   |          |          |         |          |          |
| Gross Profit (%)  | -26.27   | -15.79   | 1.85    | -6.8     | -10.7    |
| Net Profit (%)  | -20.52   | -18.12   | 9.18    | -0.70    | 6.47     |
| Operating Profit (%)  | -37.72   | -26.00   | 19.68   | 24.16    | 26.71    |
| Return on Capital Employed (ROCE)<br>(Issued average share capital) (%) | -2.15    | -2.13    | 1.17    | -0.10    | 0.87     |
| Return on Total Assets (%)  | -6.26    | -6.31    | 4.8     | -0.39    | 3.02     |
| <b>Liquidity ratios</b>   |          |          |         |          |          |
| Current Assets (%)  | 1.69:1   | 1.55:1   | 0.81:1  | 0.80:1   | 0.81:1   |
| Acid Test (%)   |          |          |         |          |          |
| <b>Efficiency Ratios</b>  |          |          |         |          |          |
| Total Assets Turnover (%)   | 30.50    | 34.84    | 53.16   | 56.73    | 46.63    |

Source: State Plantations Corporation Annual Account

**Table 7.7**  
**Financial Performance of JEDB**

|                                 | 2006     | 2007     | 2008     |
|---------------------------------|----------|----------|----------|
| Total Revenue (Rs.Mn)           | 419.6    | 594.4    | 626.8    |
| Gross Profit (Rs.Mn)            | (86.9)   | (26.2)   | -54.1    |
| Net Profit /Loss (Rs.Mn)        | (153.3)  | (112.1)  | (63.5)   |
| Current Assets (Rs.Mn)          | 1113.1   | 1174.2   | 618.5    |
| Total Assets (Rs.Mn)            | 1596.0   | 1677.6   | 1163.0   |
| Total Equity (Rs.Mn)            | (617.2)  | (2668.1) | (1743.4) |
| Current Liabilities (Rs.Mn)     | 2213.6   | 2626.6   | 1175.9   |
| Investment (Rs.Mn)              | -        | -        | -        |
| Debtors (Rs.Mn)                 | 1005.9   | 1011.1   | 483.6    |
| Cash & Cash Equivalents (Rs.Mn) | (413.3)  | (455.4)  | (361.8)  |
| Fixed Assets (Rs.Mn)            | 483.5    | 505,828  | 544.4    |
| Working Capital (Rs.Mn)         | (1100.4) | (1217.8) | (557.3)  |
| Creditors (Rs.Mn)               | 1410.3   | 1437.5   | 303.1    |
| <b>Profitability Ratios</b>     |          |          |          |
| Gross Profit (%)                | -20.7    | -4.4     | -8.1     |
| Net Profit (%)                  | -36.5    | -18.8    | -10.1    |
| Return on Assets (%)            | -9.6     | 6.67     | -5.46    |
| <b>Liquidity Ratios</b>         |          |          |          |
| Current Assets (%)              | 0.50:1   | 0.45:1   | 0.52:1   |
| Acid Test (%)                   | 0.48:1   | 0.44:1   | 0.45:1   |
| <b>Efficiency Ratios</b>        |          |          |          |
| Total Assets Turnover (%)       | 26.3     | 35.4     | 53.8     |

Source: Janatha Estate Development Board Annual Accounts

The company has deployed 6,273 employees. Gross profit margin of the SLSPC remains negative for the last few years. The liquidity ratio such as Current Ratio and Quick Ratio are also deteriorating makes serious issues on going concern of the entity. The company has not utilized its assets to generate maximum revenue.

### Janatha Estate Development Board (JEDB)

JEDB is currently maintaining their 17 estates which were not handed over to RPCs.

JEDB's has incurred losses during the previous years. The existing negative working capital of the Board indicates going concern issues of the entity. Therefore the Board is required to adopt effective internal control system and necessary management reform to arrest this situation.



## Chapter 08

# Industrial Sector

**12** public enterprises which engage in constructing, mining and manufacturing activities have been classified as industrial sector PEs. Of these PEs, 07 companies made profits in 2009.

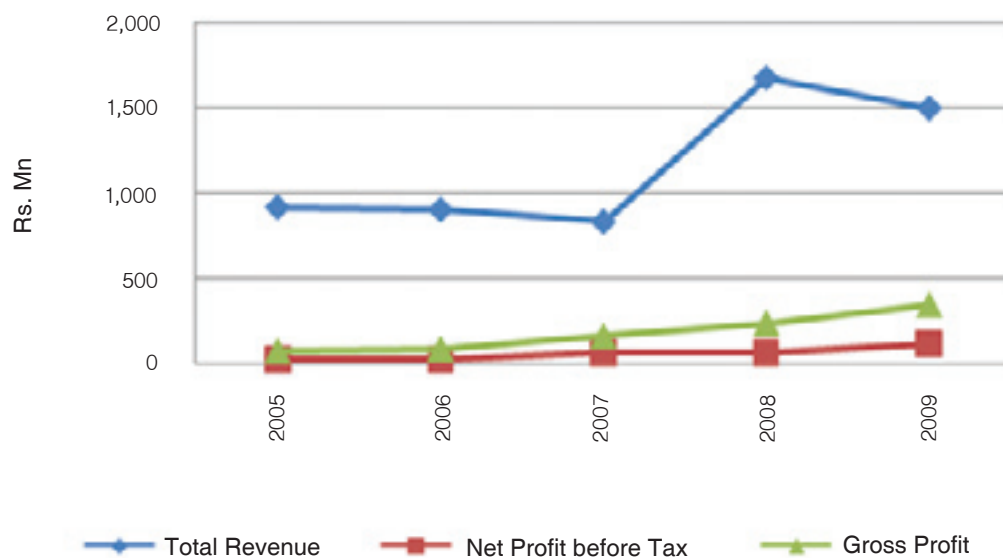
Airport & Aviation Services (Company) Ltd, Paranthan Chemicals Co. Ltd, Lanka Mineral Sands Limited, Manthai Salt Ltd and Lanka Phosphate Ltd contributed Rs. 271.5 Mn to the Treasury as dividends in 2009.

### State Development and Construction Corporation (SD&CC)

The State Development & Construction Corporation was established in 1971 under the Industrial Corporation Act No 49 of 1957 to undertake heavy civil engineering contracts.

The Corporation handles all types of civil engineering projects in highways, irrigation, hydropower, land development and etc. SD&CC undertakes engineering projects on “Design and Build” basis.

**Chart 8.1**  
**Total Revenue and Profit of SD & CC**



**Table 8.1**  
**Financial Highlights of SD & CC**

|                                       | 2005  | 2006   | 2007  | 2008  | 2009  |
|---------------------------------------|-------|--------|-------|-------|-------|
| Turnover (Rs.Mn)                      | 895   | 867    | 802   | 1,635 | 1,466 |
| Other Income (Rs.Mn)                  | 20    | 35     | 30    | 36    | 28    |
| Total Revenue (Rs.Mn)                 | 916   | 902    | 831   | 1,671 | 1,494 |
| Gross Profit (Rs.Mn)                  | 74    | 88     | 161   | 236   | 344   |
| Net Profit before Tax (Rs.Mn)         | 20    | 22     | 64    | 62    | 114   |
| Financial Charges (Rs.Mn)             | 9     | 15     | 18    | 77    | 119   |
| Non-Current Assets (Rs.Mn)            | 910   | 938    | 907   | 896   | 874   |
| Current Assets (Rs.Mn)                | 694   | 881    | 1,208 | 1,537 | 1,766 |
| Current Liabilities (Rs.Mn)           | 541   | 734    | 989   | 1,178 | 1,190 |
| Non-Current Liabilities (Rs.Mn)       | 138   | 151    | 165   | 243   | 345   |
| Equity (Rs.Mn)                        | 925   | 934    | 960   | 74    | 1,030 |
| Investment (Rs.Mn)                    | 98    | 101    | 65    | 53    | 50    |
| Number of Employees (Nos)             | 586   | 588    | 565   | 570   | 531   |
| <b>Key Performance Indicators</b>     |       |        |       |       |       |
| Gross Profit Ratio (%)                | 8.28  | 10.19  | 20.07 | 14.45 | 23.44 |
| Net Profit Ratio (%)                  | 2.24  | 2.46   | 7.69  | 3.74  | 7.65  |
| Return on Capital Employed (ROCE) (%) | 1.73  | (0.02) | 0.98  | 0.98  | 1.98  |
| Return on Assets (%)                  | 1.28  | 1.22   | 3.03  | 2.57  | 4.33  |
| Administration Cost Ratio (%)         | 88.05 | 80.96  | 68.49 | 59.70 | 47.54 |
| Current Ratio (%)                     | 1.28  | 1.20   | 1.22  | 1.30  | 1.48  |

Source: Annual Reports & Accounts, SD&CC

The gross profit and net profit of SD&CC increased by 8.99 percent and 3.91 percent in 2009 despite the decline in its turnover.

#### Central Engineering Consultancy Bureau (CECB)

Central Engineering Consultancy Bureau

(CECB) was established on 10<sup>th</sup> April 1973, under the State Industrial Corporation Act No.49 of 1957 to undertake, carry out and perform consultancy and turnkey construction projects relating to engineering activities.

**Chart 8.2**  
**Total Revenue and Profit of CECB**



**Table 8.2**  
**Financial Highlights of CECB**

|  | 2004  | 2005  | 2006  | 2007  | 2008  |
|--|-------|-------|-------|-------|-------|
| Total Revenue including Other Income (Rs.Mn) | 1789  | 1607  | 3395  | 3474  | 4267  |
| Gross Profit (Rs.Mn)                         | 411   | 439   | 589   | 872   | 1212  |
| Net Profit before Interest and Tax (Rs.Mn)   | 13    | 45    | 23    | 5     | 199   |
| Financial Charges (Rs.Mn)                    | 22    | 15    | 28    | 39    | 39    |
| Cost of Employment (Rs.Mn)                   | 242   | 278   | 381   | 535   | 631   |
| Non-Current Assets (Rs.Mn)                   | 195   | 209   | 275   | 323   | 330   |
| Current Assets (Rs.Mn)                       | 1475  | 2565  | 3481  | 4211  | 5869  |
| Current Liabilities (Rs.Mn)                  | 1257  | 2342  | 3296  | 4032  | 5592  |
| Non-Current Liabilities (Rs.Mn)              | 83    | 86    | 112   | 175   | 173   |
| Equity (Rs.Mn)                               | 330   | 345   | 348   | 326   | 433   |
| Investment (Rs.Mn)                           | 31    | 31    | 31    | 55    | 55    |
| Number of Employees (Nos)                    | 616   | 660   | 644   | 618   | 976   |
| Administration Cost (Rs.Mn)                  | 417   | 490   | 770   | 983   | 1135  |
| <b>Key Performance Indicators</b>            |       |       |       |       |       |
| Gross Profit Ratio (%)                       | 23.56 | 29.34 | 18.62 | 26.26 | 29.52 |
| Net Profit Ratio (%)                         | 0.75  | 2.80  | 0.69  | 0.15  | 4.66  |
| Return on Capital Employed (ROCE) (%)        | 2.06  | 4.15  | 3.41  | 0.74  | 24.84 |
| Return on Assets (%)                         | 0.80  | 1.62  | 0.62  | 0.11  | 3.20  |
| Administration Cost Ratio (%)                | 94.31 | 97.05 | 96.46 | 96.19 | 89.69 |
| Current Ratio (%)                            | 1.17  | 1.09  | 1.06  | 1.04  | 1.05  |

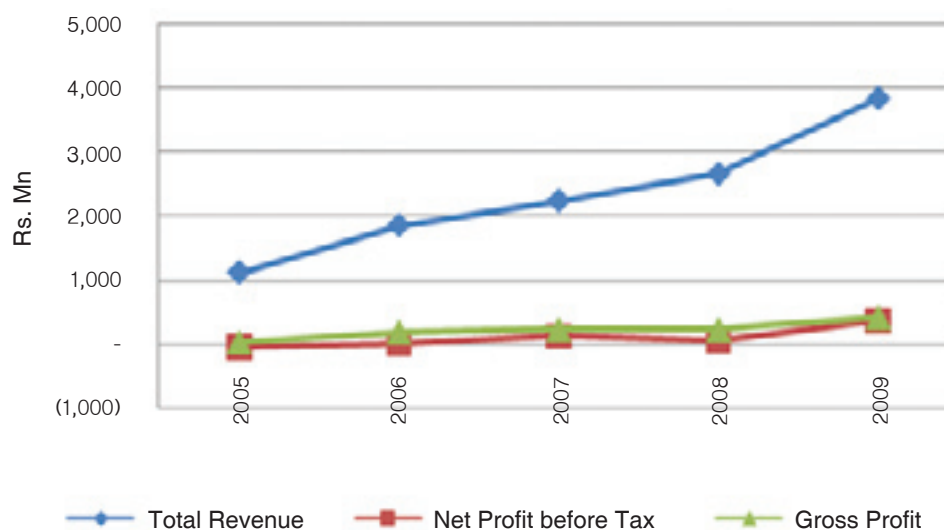
Source: Annual Reports & Accounts, CECB

### State Engineering Corporation of Sri Lanka (SEC)

The State Engineering Corporation of Sri Lanka was established in 1962 under the provision

of Industrial Corporation Act No. 49 of 1957. The SEC engages in designing, constructing, manufacturing, fabrication and project management services.

**Chart 8.3**  
**Total Revenue and Profit of SEC**



**Table 8.3**  
**Financial Highlights of SEC**

| Year                              | 2005   | 2006    | 2007   | 2008  | 2009  |
|-----------------------------------|--------|---------|--------|-------|-------|
| Turnover (Rs.Mn)                  | 1,119  | 1,844   | 2,219  | 2,652 | 3,794 |
| Other Income (Rs.Mn)              | 7      | 22      | 28     | 18    | 61    |
| Total Revenue (Rs.Mn)             | 1,126  | 1,866   | 2,247  | 2,670 | 3,856 |
| Gross Profit (Rs.Mn)              | 44     | 201     | 243    | 240   | 432   |
| Net Profit before Tax (Rs.Mn)     | (42)   | 20      | 128    | 60    | 375   |
| Financial Charges (Rs.Mn)         | 7      | 5       | 4      | 1     | 0     |
| Cost of Employment (Rs.Mn)        | 377    | 416     | 546    | 638   | 765   |
| Non-Current Assets (Rs.Mn)        | 62     | 97      | 133    | 128   | 120   |
| Current Assets (Rs.Mn)            | 1,251  | 1,607   | 2,272  | 2,690 | 3,808 |
| Current Liabilities (Rs.Mn)       | 1,088  | 1,391   | 1,895  | 2,424 | 3,231 |
| Non-Current Liabilities (Rs.Mn)   | 341    | 346     | 414    | 247   | 275   |
| Equity (Rs.Mn)                    | (115)  | (33)    | 96     | 147   | 421   |
| Investment (Rs.Mn)                | 1      | 1       | 1      | 1     | 1     |
| Number of Employees (Nos)         | 2,389  | 2,702   | 2,552  | 2,174 | 2,203 |
| <b>Key Performance Indicators</b> |        |         |        |       |       |
| Gross Profit Ratio (%)            | 3.95   | 10.89   | 10.96  | 9.05  | 11.38 |
| Net Profit Ratio (%)              | (3.74) | 1.07    | 5.69   | 2.23  | 9.74  |
| Return on Capital Employed (%)    | 36.67  | (60.92) | 113.20 | 34.53 | 65.19 |
| Return on Assets (%)              | (0.03) | 0.01    | 0.05   | 0.02  | 0.10  |
| Administration Cost Ratio (%)     | 71.82  | 71.66   | 59.29  | 70.15 | 83.56 |
| Current Ratio (%)                 | 1.15   | 1.16    | 1.20   | 1.11  | 1.18  |

Source: Annual Reports & Accounts, SEC

SEC recorded highest ever revenue, net profit before tax and gross profit for last four years in 2009.

#### **Paranthan Chemicals Co. Ltd (PCCL)**

Paranthan Chemicals Company Limited was incorporated in 1991 as a public limited liability

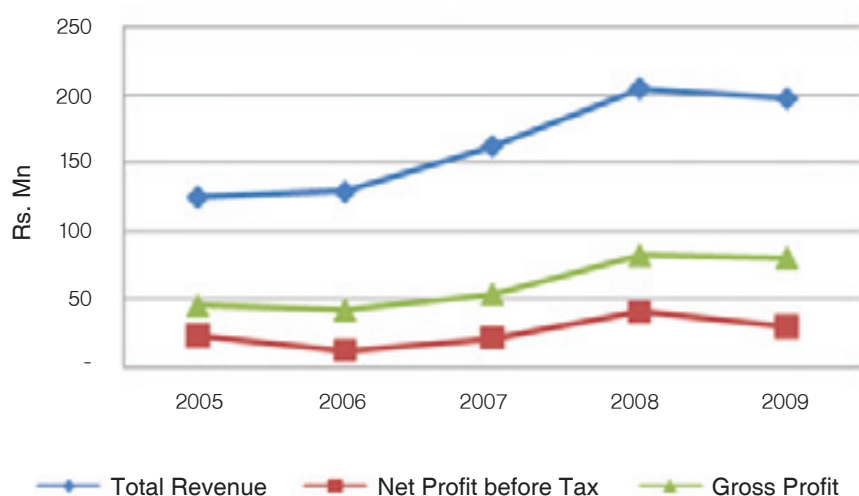
company under the conversion of government owned public corporations in to Public Companies. At present, PCC engages only in importing and sale of heavy chemicals such as liquid Chlorine, Caustic Soda and Hydrochloric Acid due to the civil war prevailed in the North & East.

**Table 8.4**  
**Financial Highlights of PCCL**

|                                   | 2005  | 2006  | 2007  | 2008  | 2009  |
|-----------------------------------|-------|-------|-------|-------|-------|
| Turnover (Rs.Mn)                  | 117   | 123   | 153   | 197   | 192   |
| Other Income (Rs.Mn)              | 8     | 6     | 10    | 7     | 5     |
| Total Revenue (Rs.Mn)             | 125   | 129   | 162   | 204   | 197   |
| Gross Profit (Rs.Mn)              | 46    | 42    | 54    | 82    | 80    |
| Net Profit before Tax (Rs.Mn)     | 23    | 13    | 21    | 41    | 30    |
| Financial Charges (Rs.Mn)         | 0     | 0     | 0     | 1     | 0     |
| Cost of Employment (Rs.Mn)        | 11    | 13    | 15    | 18    | 21    |
| Non-Current Assets (Rs.Mn)        | 26    | 34    | 37    | 82    | 77    |
| Current Assets (Rs.Mn)            | 112   | 106   | 113   | 94    | 113   |
| Current Liabilities (Rs.Mn)       | 12    | 10    | 11    | 17    | 17    |
| Non-Current Liabilities (Rs.Mn)   | 17    | 15    | 10    | 7     | 10    |
| Equity (Rs.Mn)                    | 109   | 115   | 129   | 152   | 163   |
| Investment (Rs.Mn)                | 62    | 53    | 66    | 31    | 41    |
| Number of Employees (Nos)         | 37    | 42    | 46    | 56    | 59    |
| <b>Key Performance Indicators</b> |       |       |       |       |       |
| Gross Profit Ratio (%)            | 38.82 | 34.51 | 35.38 | 41.84 | 41.94 |
| Net Profit Ratio (%)              | 18.69 | 9.74  | 13.07 | 19.92 | 15.27 |
| Return on Capital Employed (%)    | 14.97 | 9.26  | 13.01 | 18.71 | 8.85  |
| Return on Assets (%)              | 16.94 | 9.01  | 14.17 | 23.17 | 15.81 |
| Administration Cost Ratio (%)     | 97.23 | 97.41 | 97.54 | 97.54 | 75.83 |
| Current Ratio (%)                 | 9.47  | 10.36 | 9.96  | 5.54  | 6.71  |

Source: Annual Reports & Accounts, PCC

**Chart 8.4**  
**Total Revenue and Profit of PCCL**



By the end of the year 2009, net profits of the company indicated 49 percent decline in comparison to the previous year and reported as Rs.14.4 Mn. The increase in cost of sale and cost of distribution attributed the decline.

### Lanka Mineral Sands Limited (LMSL)

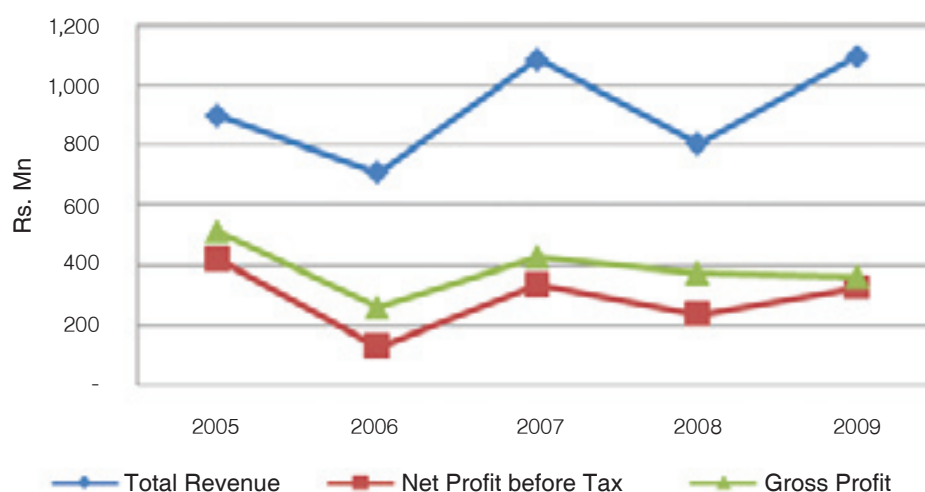
Lanka Mineral Sands Limited mainly engaged in mining, separating, refining and processing of heavy mineral sands. It also manufactures by-products of refining heavy beach mineral sands.

**Table 8.5**  
**Financial Performances of LMSL**

| විස්‍ර                            | 2005  | 2006  | 2007  | 2008  | 2009  |
|-----------------------------------|-------|-------|-------|-------|-------|
| Turnover (Rs.Mn)                  | 800   | 618   | 897   | 589   | 880   |
| Other Income (Rs.Mn)              | 99    | 91    | 190   | 215   | 217   |
| Total Revenue (Rs.Mn)             | 899   | 709   | 1,087 | 805   | 1,098 |
| Gross Profit (Rs.Mn)              | 512   | 259   | 427   | 374   | 362   |
| Net Profit before Tax (Rs.Mn)     | 420   | 127   | 333   | 234   | 324   |
| Cost of Employment (Rs.Mn)        | 33    | 46    | 58    | 65    | 343   |
| Non-Current Assets (Rs.Mn)        | 31    | 29    | 33    | 65    | 56    |
| Current Assets (Rs.Mn)            | 1,663 | 1,699 | 1,908 | 1,916 | 2,098 |
| Current Liabilities (Rs.Mn)       | 190   | 103   | 138   | 110   | 213   |
| Non-Current Liabilities (Rs.Mn)   | 55    | 71    | 80    | 51    | 59    |
| Equity (Rs.Mn)                    | 1,449 | 1,553 | 1,723 | 1,821 | 1,882 |
| Investment (Rs.Mn)                | 803   | 683   | 876   | 520   | 502   |
| Number of Employees (Nos)         | 612   | 660   | 638   | 639   | 648   |
| <b>Key Performance Indicators</b> |       |       |       |       |       |
| Gross Profit Ratio (%)            | 63.99 | 41.98 | 47.62 | 63.51 | 41.18 |
| Net Profit Ratio (%)              | 46.72 | 17.86 | 30.67 | 29.11 | 29.52 |
| Return on Capital Employed (%)    | 25.69 | 5.61  | 13.79 | 9.00  | 12.27 |
| Return on Assets (%)              | 24.79 | 7.33  | 17.17 | 11.82 | 15.04 |
| Administration Cost Ratio (%)     | 13.33 | 13.24 | 13.03 | 20.66 | 15.05 |
| Current Ratio (%)                 | 8.77  | 16.52 | 13.82 | 17.44 | 9.84  |

Source: Annual Reports & Accounts, LMSL

**Chart 8.5**  
**Total Revenue and Profit of LMSL**





In the year 2009, financial indicators of LMSL relating to the revenue, profitability and assets indicated an increase. The company is in the process of upgrading its existing plants with the end of civil conflict prevailed in Northern and Eastern provinces.

### Sri Lanka Cement Corporation (SLCC)

SLCC was established in 1957 under the Industrial Corporations Act No.49 of 1957

with the objective of supplying of quality cement and other cement based products to meet the country's needs. Since its factory at Kankasanturai was destroyed due to terrorist activities, SLCC currently engages only in importing and selling cement.

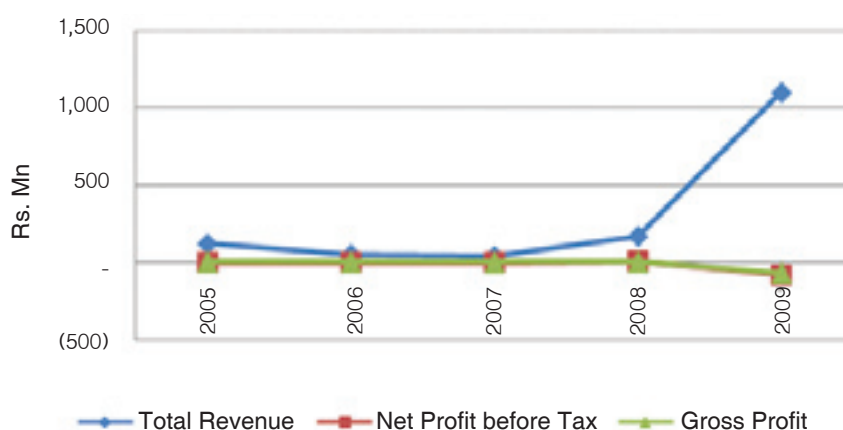
Although SLCC reported an increase in total revenue during 2009, it incurred a net loss of Rs.79Mn mainly due to the high cost involvement.

**Table 8.6**  
**Financial Highlights of SLCC**

|                                   | 2005  | 2006  | 2007    | 2008  | 2009   |
|-----------------------------------|-------|-------|---------|-------|--------|
| Turnover (Rs.Mn)                  | 90    | 19    | 2       | 127   | 1,071  |
| Other Income (Rs.Mn)              | 32    | 33    | 39      | 44    | 29     |
| Total Revenue (Rs.Mn)             | 122   | 52    | 41      | 170   | 1,099  |
| Gross Profit (Rs.Mn)              | 3     | 2     | (0)     | 2     | (66)   |
| Net Profit before Tax (Rs.Mn)     | 1     | 0     | (0)     | 8     | (79)   |
| Non-Current Assets (Rs.Mn)        | 1,981 | 1,901 | 2,096   | 2,432 | 2,099  |
| Current Assets (Rs.Mn)            | 78    | 55    | 381     | 476   | 476    |
| Current Liabilities (Rs.Mn)       | 28    | 10    | 11      | 100   | 100    |
| Non-Current Liabilities (Rs.Mn)   | 504   | 508   | 515     | 515   | 513    |
| Equity (Rs.Mn)                    | 1,527 | 1,437 | 1,951   | 1,960 | 1,880  |
| Investment (Rs.Mn)                | 1,090 | 1,090 | 1,128   | 1,090 | 1,135  |
| Number of Employees (Nos)         | 103   | 94    | 89      | 81    | 75     |
| <b>Key Performance Indicators</b> |       |       |         |       |        |
| Gross Profit Ratio (%)            | 3.23  | 11.39 | (17.80) | 1.43  | (6.18) |
| Net Profit Ratio (%)              | 0.81  | 0.08  | (0.05)  | 4.99  | (7.22) |
| Return on Capital Employed (%)    | 0.06  | 0.00  | (0.00)  | 0.43  | (4.22) |
| Return on Assets (%)              | 0.05  | 0.00  | (0.00)  | 0.33  | (3.18) |
| Administration Cost Ratio (%)     | 76.72 | 62.27 | 68.68   | 68.44 | 87.97  |
| Current Ratio (%)                 | 2.79  | 5.24  | 33.30   | 4.74  | 4.74   |

Source: Annual Reports & Accounts, SLCC

**Chart 8.6**  
**Total Revenue and Profit of SLCC**



## Lanka Phosphate Limited (LPL)

LPL is currently engaging in excavating, processing and selling of rock phosphate.

The net profit of the company improved by

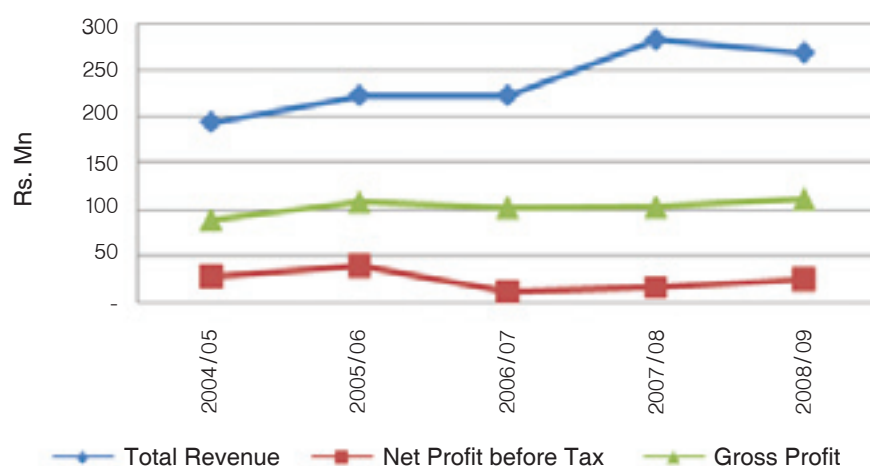
9.2 percent in 2008/2009 in comparison to the previous year. However, Current Ratio of the company declined to 9.06 percent when compared to 21.82 percent in 2007/2008.

**Table 8.7**  
**Financial Highlights of LPL**

|  | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
|--|---------|---------|---------|---------|---------|
| Turnover (Rs.Mn)                           | 182     | 203     | 208     | 260     | 239     |
| Other Income (Rs.Mn)                       | 11      | 19      | 14      | 23      | 30      |
| Total Revenue (Rs.Mn)                      | 193     | 222     | 222     | 283     | 269     |
| Gross Profit (Rs.Mn)                       | 89      | 107     | 102     | 102     | 111     |
| Net Profit before Interest and Tax (Rs.Mn) | 27      | 39      | 11      | 16      | 25      |
| Financial Charges (Rs.Mn)                  | -       | 4       | 0       | 0       | 1       |
| Cost of Employment (Rs.Mn)                 | 142     | 184     | 212     | 297     | 122     |
| Non-Current Assets (Rs.Mn)                 | 101     | 85      | 83      | 83      | 73      |
| Current Assets (Rs.Mn)                     | 179     | 219     | 228     | 245     | 283     |
| Current Liabilities (Rs.Mn)                | 24      | 15      | 7       | 11      | 31      |
| Non-Current Liabilities (Rs.Mn)            | 29      | 33      | 44      | 47      | 37      |
| Equity (Rs.Mn)                             | 228     | 256     | 260     | 269     | 288     |
| Investment (Rs.Mn)                         | 16      | 1       | 1       | 1       | 1       |
| Number of Employees (Nos)                  | 292     | 304     | 293     | 306     | 315     |
| <b>Key Performance Indicators</b>          |         |         |         |         |         |
| Gross Profit Ratio (%)                     | 48.83   | 52.78   | 49.04   | 39.36   | 46.33   |
| Net Profit Ratio (%)                       | 14.16   | 17.55   | 5.08    | 5.60    | 9.20    |
| Return on Capital Employed (%)             | 6.79    | 10.93   | 2.52    | 5.02    | 4.54    |
| Return on Assets (%)                       | 9.77    | 12.84   | 3.64    | 4.83    | 6.95    |
| Administration Cost Ratio (%)              | 97.20   | 40.87   | 90.81   | 89.10   | 91.87   |
| Current Ratio (%)                          | 7.56    | 14.22   | 31.90   | 21.82   | 9.06    |

Source: Annual Reports & Accounts, LPL

**Chart 8.7**  
**Total Revenue and Profit of LPL**



**Manthai Salt Limited (MSL)**

Manthai Salt limited was established in 2001 under the companies Act No.17 of 1982. The primary activity of the company is to produce

normal salt, crushed salt and iodated salt. The company intends to expand the Mannar Saltern in order to increase the salt production for catering to the national demand.

**Table 8.8**  
**Financial Highlights of MSL**

|                                   | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Turnover (Rs.Mn)                  | 10      | 18      | 29      | 36      | 30      |
| Other Income (Rs.Mn)              | 0       | 0       | 0       | 1       | 2       |
| Total Revenue (Rs.Mn)             | 10      | 18      | 29      | 37      | 31      |
| Gross Profit (Rs.Mn)              | 2       | 5       | 11      | 14      | 9       |
| Net Profit before Tax (Rs.Mn)     | (1)     | 2       | 7       | 10      | 3       |
| Financial Charges (Rs.Mn)         | 0       | 0       | 0       | 0       | 0       |
| Non-Current Assets (Rs.Mn)        | 59      | 60      | 60      | 80      | 75      |
| Current Assets (Rs.Mn)            | 11      | 11      | 18      | 2       | 17      |
| Current Liabilities (Rs.Mn)       | 3       | 3       | 4       | 5       | 3       |
| Non-Current Liabilities (Rs.Mn)   | 1       | 1       | 1       | 2       | 2       |
| Equity (Rs.Mn)                    | 66      | 67      | 73      | 85      | 87      |
| Number of Employees (Nos)         | 70      | 74      | 81      | 77      | -       |
| <b>Key Performance Indicators</b> |         |         |         |         |         |
| Gross Profit Ratio (%)            | 17.81   | 25.64   | 39.37   | 38.56   | 31.24   |
| Net Profit Ratio (%)              | (9.16)  | 8.74    | 22.76   | 26.38   | 10.62   |
| Return on Capital Employed (%)    | (1.40)  | 2.20    | 7.78    | 8.59    | 3.82    |
| Return on Assets (%)              | (1.32)  | 2.23    | 8.42    | 10.63   | 3.63    |
| Administration Cost Ratio (%)     | 95.03   | 97.15   | 87.94   | 98.30   | 98.90   |
| Current Ratio (%)                 | 3.49    | 3.87    | 4.15    | 0.38    | 6.12    |

Source: Annual Reports & Accounts, MSL

When compared to the year 2007/2008, turnover of the company slightly declined the overall profitability of the company declined by 15.76 percent in the year 2008/2009.

**Ceylon Ceramics Corporation (CCC)**

CCC was incorporated in 1972 under the State

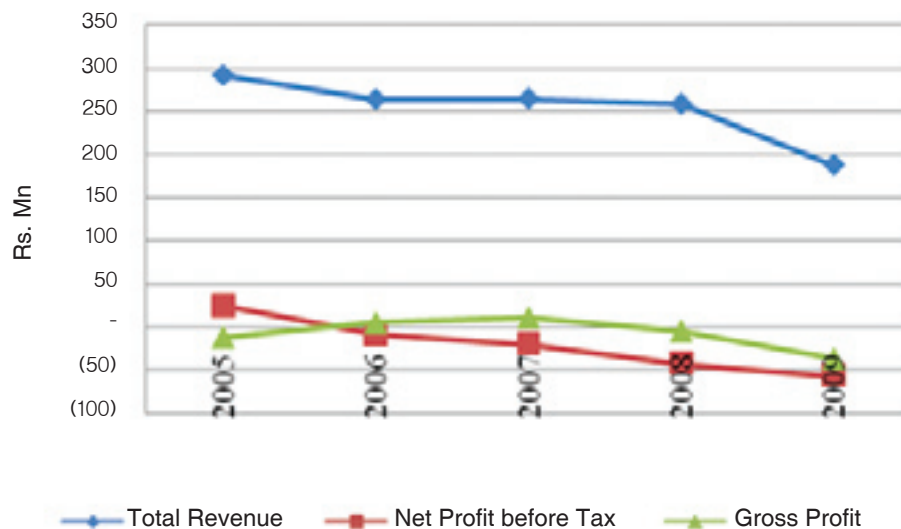
Industrial Corporation Act No.49 of 1957. It currently manufactures and distributes wire-cut bricks, roofing tiles and floor tiles. Although the company has 09 factories, only seven factories are operated by the end of 2009. Total net loss of the CCC amounted to Rs.57 Mn by the end of 2009.

**Table 8.9**  
**Financial Highlights of CCC**

|                                   | 2005   | 2006   | 2007   | 2008    | 2009    |
|-----------------------------------|--------|--------|--------|---------|---------|
| Turnover (Rs.Mn)                  | 189    | 250    | 257    | 244     | 178     |
| Other Income (Rs.Mn)              | 104    | 14     | 8      | 15      | 10      |
| Total Revenue (Rs.Mn)             | 292    | 264    | 265    | 259     | 188     |
| Gross Profit (Rs.Mn)              | (12)   | 4      | 10     | (5)     | (37)    |
| Net Profit before Tax (Rs.Mn)     | 24     | (9)    | (20)   | (43)    | (57)    |
| Financial Charges (Rs.Mn)         | 3      | 3      | 4      | 5       | 4       |
| Non-Current Assets (Rs.Mn)        | 16     | 70     | 91     | 87      | 40      |
| Current Assets (Rs.Mn)            | 148    | 107    | 131    | 149     | 116     |
| Current Liabilities (Rs.Mn)       | 279    | 317    | 405    | 463     | 408     |
| Non-Current Liabilities (Rs.Mn)   | -      | -      | -      | -       | -       |
| Equity (Rs.Mn)                    | (114)  | (117)  | (183)  | (226)   | (253)   |
| Investment (Rs.Mn)                | -      | 55     | 55     | 55      | 12      |
| Number of Employees (Nos)         | 844    | 848    | 756    | 710     | 644     |
| <b>Key Performance Indicators</b> |        |        |        |         |         |
| Gross Profit Ratio (%)            | (6.52) | 1.71   | 3.99   | (2.13)  | (20.80) |
| Net Profit Ratio (%)              | 8.22   | (3.39) | (7.71) | (16.56) | (30.30) |
| Return on Capital Employed (%)    | (9.68) | 8.49   | 11.14  | 18.94   | 24.95   |
| Return on Assets (%)              | 14.59  | (4.47) | (9.22) | (18.13) | (36.54) |
| Administration Cost Ratio (%)     | 85.22  | 88.11  | 88.59  | 89.50   | 12.16   |
| Current Ratio (%)                 | 0.53   | 0.34   | 0.32   | 0.32    | 0.28    |

Source: Annual Reports & Accounts, CCC

**Chart 8.8**  
**Total Revenue and Profit of CCC**



Profitability of the Corporation has eroded drastically during the previous year due to the increase in cost of raw material. The company is in the process of diversification of the products of Weuda and Bingiriya factories.

## Chapter 09

# Service Sector

There are 14 public enterprises under the service sector. Net profits earned by those enterprises were amounted to Rs.5,308.7 Mn by the end of 2009. During the last few years, of these 14 enterprises, 13 PEs have made profits while only one enterprise has incurred losses.

Table 9.1

| Institute  | Total Revenue |        | Gross Profit |        | Net Profit |         |
|--|---------------|--------|--------------|--------|------------|---------|
|  | 2008          | 2009   | 2008         | 2009   | 2008       | 2009    |
| Telecommunications Regulatory Commission (Rs.Mn)                   | 4441.7        | 6245.6 | -            | -      | 2691.7     | 4957.1  |
| Sri Lanka Rupavahini Corporation (Rs.Mn)                           | 1638.7        | 1866.3 | 1031.9       | 880.7  | 5.4        | 4.7     |
| Independent Television Network Limited (Rs.Mn)                     | 1185.4        | 1487.3 | 937.9        | 1162.8 | 174.3      | 238.7   |
| Sri Lanka Land Reclamation and Development Corporation (Rs.Mn)     | 1106.1        | 1174.5 | 200.9        | 387.9  | 274.4      | 127.8   |
| Information & Communication Technology Agency of Sri Lanka (Rs.Mn) | 971           | 1244   | -            | -      | 9.7        | 3       |
| State Printing Corporation (Rs.Mn)                                 | 966           | 817.9  | 247          | 222.3  | 12.2       | 6       |
| Urban Development Authority (Rs.Mn)                                | 902.4         | 906.9  | -            | -      | (279.1)    | (260.4) |
| Sri Lanka Broadcasting Corporation (Rs.Mn)                         | 449           | 457    | -            | -      | (18)       | 38      |
| Rakna Arakshaka Lanka Ltd (Rs.Mn)                                  | 340.9         | 572.4  | 111.5        | 176.6  | 57.4       | 121.2   |
| National Institute of Business Management (Rs.Mn)                  | 298.1         | 366.1  | -            | -      | 62.5       | 61.2    |
| Skills Development Fund (Rs.Mn)                                    | 31.9          | 24.6   | 1            | 2.7    | 2.4        | 3.6     |
| Lanka Logistic & Technologies Ltd (Rs.Mn)                          | 120.8         | -      | 23.6         | -      | 0.56       | -       |
| Selacine Television Institute (Rs.Mn)                              | 101           | 90.6   | 21           | 19.9   | 1.8        | 2.6     |
| Distance Learning Center (Rs.Mn)                                   | 37.6          | 33.4   | 23.7         | 17.6   | 5.7        | 4.7     |

Source: Department of Public Enterprises

**Sri Lanka Broadcasting Corporation (SLBC)** SLBC operates 23 channels covering 255 hours and 55 minutes per day.

While competing with private channels, the

Table 9.2  
Channels of SLBC

| Name of the Channel | Number of channels |
|---------------------|--------------------|
| Main channels       | 7                  |
| Area channels       | 5                  |
| Public channels     | 5                  |
| Foreign channels    | 6                  |
| Total               | 23                 |

Source: Department of Public Enterprises

SLBC reported an operational loss of Rs 279 Mn in 2009. The accumulated losses of SLBC stood at Rs.728 Mn by the end of 2009. Higher overhead expenses mainly due the excess staff of 485 out of total staff of 1033, higher operational cost of provincial and overseas

channels are the major reasons for the increase in operational loss.

Treasury has granted Rs.247 Mn to SLBC for the payment of salaries during the year. After adjusting for Treasury grant, SLBC profits after tax reported as Rs.38 Mn by the end of 2009.

**Table 9.3**  
**Financial Performance of SLBC**

| Item                      | 2008 | 2009 |
|---------------------------|------|------|
| Turnover/Revenue (Rs.Mn)  | 712  | 782  |
| Gross Profit/Loss (Rs.Mn) | (18) | 38   |
| Net Profit (Rs.Mn)        | (18) | 38   |
| Taxes Paid (Rs.Mn)        | -    | -    |
| Dividends/Levy (Rs.Mn)    | -    | -    |
| Cash Balances (Rs.Mn)     | (24) | -    |
| Number of Staff (Nos)     | 1033 | 955  |

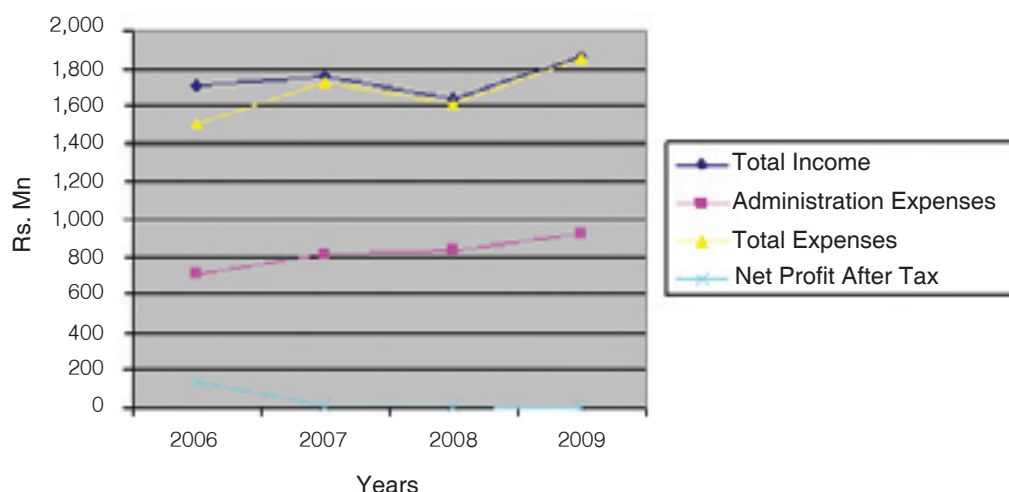
Source: Annual Accounts of SLBC

### Sri Lanka Rupavahini Corporation (SLRC)

Sri Lanka Rupavahini Corporation indicated moderate performance in 2009. The total income of SLRC has increased by 13.84 percent compared to the previous year. Although the total

income was reported as Rs.1,866 Mn in 2009, profit after tax amounted to Rs.4.7 Mn. Total revenue of the corporation increased slightly. Increase in employee's costs, write offs of bad debtors are to the major reasons for decline in performance of the corporation.

**Chart 9.1**  
**Performance of SLRC**





**Table 9.4**  
**Financial Performance of SLRC**

| Item   | 2006  | 2007  | 2008  | 2009  |
|--|-------|-------|-------|-------|
| Total Income (Rs.Mn)                                   | 1,708 | 1,761 | 1,639 | 1,866 |
| Net Profit before Tax (Rs.Mn)                          | 206   | 30    | 30    | 12.3  |
| Net Profit after Tax (Rs.Mn)                           | 137   | 3     | 5     | 4.7   |
| Taxes Paid (Rs.Mn)                                     | 69    | 26    | 25    | 7     |
| Dividends/ Levy (Rs.Mn)                                | Nil   | Nil   | 1     | 1     |
| Investment (Rs.Mn)                                     | 527   | 435   | 568   | 584   |
| Cash Balance (Rs.Mn)                                   | 54    | 172   | 17    | 25    |
| Number of Staff (Nos)                                  | 1,100 | 979   | 970   | 923   |
| <b>Key Performance indicators</b>                      |       |       |       |       |
| Net Profit Ratio (%)                                   | 8     | 0.18  | 0.3   | 0.25  |
| Net Profit bef. Fin. Charges & Tax to Equity (%)       | 11.7  | 1.9   | 1.9   | 0.86  |
| Net Profit bef. Fin. Charges & Tax to Total Assets (%) | 9.1   | 1.4   | 1.4   | 0.67  |
| Current Ratio (%)                                      | 2:9:1 | 3:5:1 | 3:1:1 | 3:9:1 |
| Administrative Cost to Income (%)                      | 41.7  | 46.1  | 51.1  | 49.1  |
| Cost per Employee (Rs."000")                           | 592   | 622   | 625   | 644   |

Source: Annual Accounts of SLRC

### State Printing Corporation (SPC)

During the year 2009 the total revenue of SPC decreased from Rs.966 Mn in 2008 to Rs.818 Mn. The income of the main press declined from Rs.847 Mn in 2008 to Rs.678 Mn in 2009 due to outdated machineries & equipments & technology used by the corporation. Further

finance cost of the corporation also increased due to the lack of systematic debt recovery process and existing poor financial management system.

Net value of fixed assets of the corporation indicated an increase in 2009 in contrary to the declining trend prevailed since 2004.

**Table 9.5**  
**Financial Highlights of SPC**

|  | 2005   | 2006   | 2007   | 2008   | 2009   |
|--|--------|--------|--------|--------|--------|
| Total Revenue (Rs.Mn)                            | 596    | 574    | 663    | 966    | 817.9  |
| Gross Profit (Rs.Mn)                             | 135    | 154    | 180    | 248.8  | 222.2  |
| Financial Charges (Rs.Mn)                        | 15     | 27     | 28     | 55     | 59.5   |
| Administration & Establishment Expenses (Rs.Mn)  | 102    | 117    | 91     | 118    | 99.6   |
| Selling & Distribution Expenses (Rs.Mn)          | 5.4    | 4.2    | 3      | 8      | 4.7    |
| Total Cost Employment (Rs.Mn)                    | 151    | 170    | 203    |        | 156    |
| Net Profit before Interest and Tax (Rs.Mn)       | 36     | 38     | 50     | 78     | 77     |
| Net Profit After Tax (Rs.Mn)                     | 4.1    | 7.7    | 11     | 12.2   | 6      |
| Non-Current Assets (Rs.Mn)                       | 67     | 62     | 55     | 53     | 82.1   |
| Current Assets (Rs.Mn)                           | 325    | 309    | 528    | 545    | 445    |
| Quick Assets (Rs.Mn)                             | 131    | 133    | 305    | 366    | 283.4  |
| Current Liabilities (Rs.Mn)                      | 268    | 258    | 469    | 472    | 361.4  |
| Equity (Rs.Mn)                                   | 123    | 113    | 114    | 126    | 135    |
| Capital Employed (Rs.Mn)                         | 70.4   | 70.4   | 70.4   | 70.4   | 70.4   |
| Number of Employees (Nos)                        | 580    | 597    | 588    | 539    | 547    |
| Gross Profit Ratio (%)                           | 22.6   | 26.8   | 27.4   | 25.7   | 27.18  |
| Net Profit Ratio (%)                             | 0.68   | 1.34   | 1.66   | 1.26   | 0.73   |
| Net Profit bef. Fin. Charges & Tax to Equity (%) | 29     | 34     | 44     | 62     | 51.3   |
| Current Ratio (%)                                | 1.21:1 | 1.19:1 | 1.12:1 | 1.15:1 | 1.23:1 |
| Quick Ratio (%)                                  | 0.48:1 | 0.51:1 | 0.65:1 | 0.77:1 | 0.78:1 |
| Cost per Employee (Rs. '000')                    | 260    | 284    | 345    | 264    | 285    |

Source: Annual Accounts of SPC

### Telecommunications Regulatory Commission of Sri Lanka (TRCSL)

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) was established under the Sri Lanka Telecommunications Act No. 25 of 1991, as amended by the Sri Lanka

Telecommunications (Amendment) Act No. 27 of 1996. As the national regulatory agency for telecommunication in Sri Lanka, TRCSL engages in shaping the regulatory process, protecting public interest and ensuring the competitive, fair and effective market.

**Table 9.6**  
**Financial Highlights of TRCSL**

| Item   | 2008    | 2009    |
|--|---------|---------|
| Total Income (Rs.Mn)                                   | 4441.80 | 6245.60 |
| Total Cost of Employment (Rs.Mn)                       | 113.00  | 128.00  |
| Financial Charges (Rs.Mn)                              | 4.90    | 7.40    |
| Administration & Establishment Expenses (Rs.Mn)        | 240.00  | 311.00  |
| Repairs & Maintenance Cost (Rs.Mn)                     | 32.90   | 28.00   |
| Total Cost (Rs.Mn)                                     | 277.80  | 346.40  |
| Net Profit before Interest and Tax (Rs.Mn)             | 4118.50 | 5641.40 |
| Income Taxes (Rs.Mn)                                   | 1421.90 | 676.80  |
| Net Profit After Tax (Rs.Mn)                           | 2691.70 | 4957.20 |
| Non –Current Assets (Rs.Mn)                            | 292.90  | 399.00  |
| Current Assets (Rs.Mn)                                 | 4112.00 | 5613.20 |
| Current Liabilities (Rs.Mn)                            | 5721.90 | 4294.20 |
| <b>Key Performance indicators</b>                      |         |         |
| Net Profit Ratio (%)                                   | 61%     | 79%     |
| Net Profit bef. Fin. Charges & Tax to Total Assets (%) | 92%     | 90%     |
| Current Ratio (%)                                      | 1:03:01 | 0:07:01 |
| Total Cost to Income (%)                               | 6.2%    | 5.5%    |

Source: Annual Accounts of TRCSL

## Chapter 10

## Health Care Sector

The State Pharmaceuticals Corporation (SPC) and State Pharmaceuticals Manufacturing Corporation (SPMC) which are categorized as PEs in health care sector play a significant role in manufacturing, importing and supplying safe, effective and high quality medicinal products at an affordable price. Further, they are the major suppliers of medicinal products of the government hospitals. During the year 2009, SPC & SPMC have supplied Rs.10,734 Mn worth of medicinal products to the Medical

Supplies Division (MSD) of the Healthcare and Nutrition Ministry indicating an increase of 9 percent of the year 2008.

#### State Pharmaceuticals Corporation (SPC)

During the year 2009 total turnover of the SPC increased by 9 percent compared to the year 2008. The sales of the corporation increased 13.5 percent while its supplies made to the MSD reported an increase of 7.3 percent in 2008.

**Table 10.1**  
**Financial Highlights of SPC**

|  | 2005  | 2006  | 2007  | 2008  | 2009  |
|--|-------|-------|-------|-------|-------|
| Revenue of SPC (Rs.Mn)                 | 2,276 | 2,467 | 2,621 | 2,934 | 3,331 |
| MSD (Rs.Mn)                            | 5,360 | 5,617 | 8,816 | 9,306 | 9,990 |
| Net Profit after Interest & Tax(Rs.Mn) | 213   | 179   | 258   | 215   | 238   |
| Finance Cost (Rs.Mn)                   | -     | 128   | 281   | 220   | 360   |
| Net Assets (Rs.Mn)                     | 1,591 | 1,745 | 1,960 | 2,221 | 2,436 |
| Non-Current Assets (Rs.Mn)             | 556   | 555   | 594   | 59 5  | 629   |
| Current Assets (Rs.Mn)                 | 3,466 | 3,626 | 3,939 | 5,084 | 4,144 |
| Income Tax (Rs.Mn)                     | -     | 206   | 232   | 209   | 148   |
| Treasury Levy (Rs.Mn)                  | 75    | 20    | 20    | 25    | 25    |

**Table 10.2**  
**Financial Highlights of SPMC**

|                            | 2005     | 2006     | 2007   | 2008    | 2009    |
|----------------------------|----------|----------|--------|---------|---------|
| Revenue SPC (Rs.Mn)        | 250.6    | 234.06   | 314.83 | 353.41  | 420.54  |
| DHS (Rs.Mn)                | 137      | 177.15   | 284.17 | 536.83  | 732.14  |
| Net Profit (Rs.Mn)         | 9.56     | 9.16     | 32.91  | 78.37   | 98.69   |
| Other Revenue (Rs.Mn)      | 20.1     | 30.28    | 41.4   | 60.9    | 33.48   |
| Net Assets (Rs.Mn)         | 1,026.01 | 1,034.24 | 1057   | 1,138.7 | 1,629.7 |
| Non Current Assets (Rs.Mn) | 547.92   | 726      | 702.19 | 674.02  | 1,016.9 |
| Current Assets (Rs.Mn)     | 508.58   | 350.4    | 415.40 | 577     | 701.6   |
| Income Tax (Rs.Mn)         | 5.1      | -        | 44.4   | 42.2    | 53.1    |
| Treasury Levy (Rs.Mn)      | 5        | 5        | 10     | 10      | 10      |

Source: Annual Accounts of SPMC

**Chapter 11****Handling of Post Privatization Matters****Post Privatization Issues****Lanka Tractors Ltd (LTL)**

In 1994, GOSL sold 60 percent of shares in LTL to M/s Globe Commercial Trading Ltd (GCTL) for Rs 144.48 Mn. while allocating 10 percent of shares to its employees. The remaining 30 percent of shares were held with the government. GCTL subsequently sold part of its holdings to other investors. The company is defunct and not in operation for last 10 years. The Treasury released an advanced payment to the company amounting to Rs 29,321,639 to meet the VRS payments of employees.

**Lanka Canneries Ltd (LCL)**

60 percent of LCL shares were sold to M/s Heath & Co. (Ceylon Ltd) for Rs102.5 Mn in 1993. 10 percent of shares to be gifted to employees while remaining 30 percent held with the government.

**Ruhunu Agro Fertilizer Ltd (RAFCL)**

90 percent shares of RAFCL were divested to Yashodha Enterprises (YE) for Rs 29 Mn on Installments basis in 1994. The rest 10 percent were gifted to its employees.

PED submitted its observations to the President Office and to the Land Commissioner on transferring the land to the company in this regard. Accordingly approval of HE the President for the transfer of land has been granted in terms of the Section 2 of the Land Ordinance.

**Ginthota Plywood Ltd (GPL)**

The assets of Ginthota factory of Lanka Plywood Products Ltd (LPPL) were sold to Yashodha Enterprise in 1994 for Rs 39 Mn on installments basis. Since the assets had been mortgaged to BOC by LPPL at the time of sale, the transfer deed has been delayed.

In terms of the request made by the Treasury, LPPL was struck off by Registrar of Companies in terms of provisions of the Companies Act No. 17 of 1982 with effect from 31.03.2005, accordingly all properties and rights of LPPL were vested with the government.

**Colombo Commercial Company (Engineers) Ltd.(CCCE)**

90 percent of shares of the company were re-divested to Serendib Engineering Agencies (Pvt) Lt on 17.12.1997 at Rs.38.4Mn. GOSL took over the liabilities of the company as at 31<sup>st</sup> December 1997.

**Pugoda Textiles Lanka Ltd (PTLL)**

PTLL was divested to Lakshmi Textile of India in April 1990. However due to operational difficulties and labor disputes, the Mill was closed down in March, 1997. The Government re-vested the company on 08.05.1997 under the Rehabilitation Act and appointed a Competent Authority. The company is defunct and not in operation for last 10 years.

Currently, the company has only the Show Room building situated at Main Street Pettah. This property is leased to private party for a term of two years. Arrangement was made to collect the lease rental income to the Consolidated Fund.

PED discussed with Registrar of Companies to strike off of PTLL from the Register. Process is underway to finalize the closing activities.

#### **Mattegama Textile Lanka Ltd – (MTML) renamed as Kabool Lace Ltd**

MTML was privatized in 1993 and was failure. In 1997 MTML was re-vested with the Government due to its failure. Subsequently 100 percent shares of MTML was sold to Kabool of Korea for Rs 30 Mn. However, purchaser left the country by mortgaging its assets to the People's Bank. Cabinet approval was granted to pay compensation to employees.

#### **Thulhiriya Textile Ltd (TTL)**

Assets of TTL were sold to the Kabool Lanka Ltd by National Textile Corporation at a price of Rs 277.1 Mn in 1989. The purchaser mortgaged assets to HNB and BOC for US\$50Mn and left the country in 2003. Government acquired the assets and leased to MAS Investment on 99 year lease agreement to develop as a Special Textile Processing Zone. PED informed BOI to make arrangements to recover the outstanding amount of US\$ 5Mn and remit to Treasury.

#### **Prima Ceylon Ltd. (PCL)**

PCL paid US\$ 65 million upfront for the acquisition of the our mill, 55 year lease hold right of the land and premises at Trincomalee Milling complex and Rajagiriya office & bakery complex.

#### **Shell Gas Lanka Ltd (Shell Gas)**

51 percent of the shares of Colombo Gas Co. Ltd (presently, Shell Gas Lanka Ltd.) were sold to Shell Overseas Investments in November 1995

for a purchase consideration of Rs. 1,998Mn. 10 percent of shares allocated to the employees were also bought back by the GOSL. Currently government holds 49 percent of shares of Shell Gas.

In terms of the Clause 8 of the Share Sales Purchase Agreement (SSPA) the company is required to pay a sum of US\$ 20,000 to the regulator for each financial year.

#### **Lanka Loha Hardware Ltd (LLHL).**

LLHL was privatized in 1993. However company ceased production in 1996 due to failure of management to run the company efficiently. Therefore, LLHL was re-vested with the Government in 1997. Subsequently, LLHL was re-divested to Ceylon Heavy Industries & Construction Co. in Dec'1997. Previous owner has filed a case against compensation for their shares.

#### **Acland Insurance Services Ltd (AISL)**

90 percent of shares in AISL were sold to P&I Insurance Brokers in 1993. AISL has filed a case on share issue of National Insurance Corp. Ltd (NICL).

According to share sales purchase agreement, UDA intends to lease the land and building (extent of 32.62p) situated at Staple Street, Colombo 02, for 33 years. Currently, Janashakthi Insurance is occupying the premises. PED has advised UDA to consult their Legal officers about the possibilities of taking over the possession of the land and building in terms of the State Land (Recovery of Possession) Act No. 7 of 1979.

#### **Puttalam Salt Ltd (PSL)**

90 percent of shares of PSL were divested to Pan Serandib (Pvt ) Ltd and Coopfed Consortium in 1997. Remaining 10 percent of shares were gifted to employees.

PED had series of meetings with relevant parties to resolve the outstanding matters relating to

the lease. PSL has paid all the dues to District Secretary at Puttalam who is presently finalizing the lease agreement.

#### **Sevanagala Sugar Industries Ltd (SSIL)**

90 percent of the shares of SSIL were sold to Daya Apparel Export (Pvt) Ltd in 2002 while 10 percent shares were gifted to its employees.

In terms of the share sales purchase agreement, Mahaweli Authority had to enter into a 50 year lease agreement with SSIL. However SSIL filed a case against Mahaweli Authority for delaying in entering into the lease agreement. Case is still pending.

#### **Ceylon Agro Industries Ltd (formerly Ceylon Oils & Fats Ltd)**

60 percent of the shares of Ceylon Oils and Fats Limited were divested to Prigro Agro Industries

Pvt. Ltd (55 percent) and Free Lanka Trading Company Ltd (5 percent) in 1992. 10 percent of the shares were gifted to the employees while holding 30 percent shares with the government. The government share has been diluted due to the subsequent right issue.

Except the first installment, other 9 installments are still outstanding. PED has written to Hon. AG seeking advice for recovering of nine installments from CAIL.

Though Treasury holds the minority share holding of 8.5%, there is no dividend income or return from these shares.



## Chapter 12

# Minority Share Holding Companies

### Government Investments in Minority Share Holding Companies

The Government has invested in 49 companies including 20 plantation companies where the government's controlling interest varies from 1 percent to 49 percent of shares. Total value of the cost of the investment made by the government in these minority share holding companies is Rs. 4,111 Mn or 14.1 percent of the total government investment in companies<sup>1</sup> of Rs. 28,522 Mn as at 31st December 2009. The government has made 85 percent of its investments in 51 companies with controlling interest, while 15 percent have made in 49 companies where the government has minority share holdings.

The Secretary to Treasury as the custodian of government investment appoints treasury representatives on behalf of him to the Boards of 13 companies including 6 minority share holding plantation companies to safeguard the public fund invested in minority share holding companies. Of these 49 companies, 25 have been enlisted in the Colombo Stock Exchange including 17 plantations companies. However the government has not transacted in any shares of these companies in the CSE for the year 2009. The market value of 17 listed plantation companies amounted to 602 Mn against the cost of investment is Rs.407 Mn. It shows 47 percent increase in value of the investment. However government has no intention to trade these shares in the Share Market.

**Table 12.1**  
**Companies where the Government holds less than 50 percent shares**

| Descriptions   | Plantation | Other | Total |
|--|------------|-------|-------|
| No of Companies Government hold less than 50 percent (Nos) | 20         | 29    | 49    |
| Companies Where Treasury Reps have been appointed (Nos)    | 6          | 7     | 13    |
| Companies Without Treasury Reps. Nos)                      | 14         | 22    | 36    |
| No of Companies Enlisted in CSE (Nos)                      | 17         | 7     | 25    |
| No. of Companies Not enlisted in CSE (Nos)                 | 3          | 22    | 24    |
| Total cost of Investment (Rs. Mn)                          | 407        | 3,704 | 4,111 |
| Total Value of investment Based on Market Value (Rs. Mn)   | 602        | -     | -     |
| Dividends Received in 2009 (Rs. Mn)                        | 3.4        | 81.73 | 85.13 |
| Return On Investment Baesd on Nominal Value (%)            | 0.84       | 2.21  | 2.07  |

Source: Department of Public Enterprises

1. Fully Government owned companies and other companies.

The total dividend received from minority share holding companies for the year 2009 was Rs.85.13 Mn. It is 49 percent decline in comparison to the Rs.168 Mn in 2008. This is mainly due to the reduction of the dividend paid by Ms Thomas De La Rue Ltd Rs.100 Mn in year 2008 to Rs.37.5 Mn in current year.

Even though the Treasury has a significant share holding in these companies. they are reluctant to follow the Guidelines, Circulars relating to the affairs of public enterprises. Further financial performance of these enterprises are not subject to review of the Auditor General as well as COPE.

## Chapter 13

# Financial Management

The budgetary allocation and actual expenditure of the Department of Public Enterprises for the year 2009 are as follows.

**Table 13.1**  
Budgetary allocation and actual expenditure for year 2008 & 2009

|  | Actual Expenditure |               | Net Budgetary Provision |               |
|--|--------------------|---------------|-------------------------|---------------|
|  | 2008               | 2009          | 2008                    | 2009          |
| <b>Recurrent</b>                         |                    |               |                         |               |
| Personal Emoluments (Rs.Mn)              | 19,943             | 20,211        | 20,867                  | 21,650        |
| Other Recurrent (Rs.Mn)                  | 12,855             | 17,044        | 14,115                  | 18,448        |
| <b>Total (Rs.Mn)</b>                     | <b>32,798</b>      | <b>37,255</b> | <b>34,982</b>           | <b>40,098</b> |
| <b>Capital</b>                           |                    |               |                         |               |
| <b>Rehabilitation &amp; Improvement</b>  |                    |               |                         |               |
| 2001 Building & Structure(Rs.Mn)         | 6,000              | 4,723         | 6,000                   | 4,850         |
| 2002 Plant, Machinery & Equipment(Rs.Mn) | 26                 | 65            | 46                      | 170           |
| 2003 Vehicle(Rs.Mn)                      | -                  | -             | -                       | 85            |
| <b>Acquisition</b>                       |                    |               |                         |               |
| 2101 Vehicle(Rs.Mn)                      | -                  | -             | -                       | -             |
| 2102 Furniture & Office Equipment(Rs.Mn) | 1,677              | 1158          | 1,680                   | 1,185         |
| 2103 Plant, Machinery & Equipment(Rs.Mn) | 922                | -             | 1,000                   | -             |
| <b>Capacity Building</b>                 |                    |               |                         |               |
| 2401 Training & Capacity Building(Rs.Mn) | 512                | 612           | 512                     | 680           |
| <b>Other</b>                             |                    |               |                         |               |
| 2501 Restructuring(Rs.Mn)                | 548                | -             | 3,441                   | -             |
| 2502 Other Investment(Rs.Mn)             | 25                 | 3,125         | 25                      | 3,125         |
| <b>Total (Rs.Mn)</b>                     | <b>9,710</b>       | <b>9,683</b>  | <b>12,704</b>           | <b>10,095</b> |

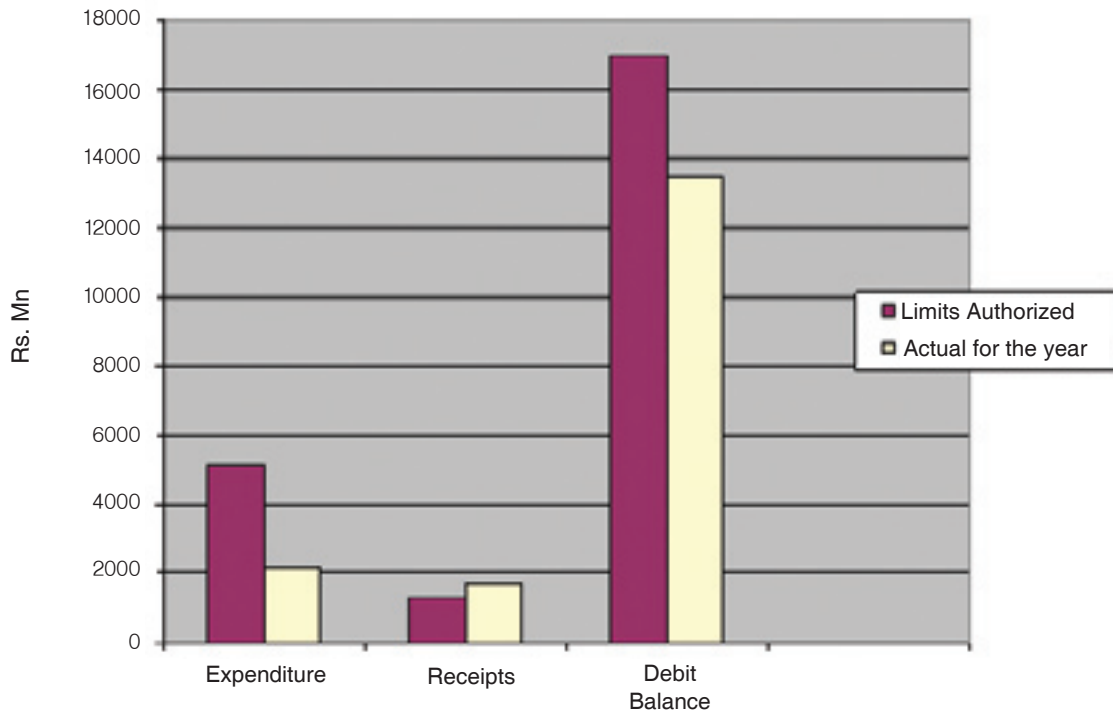
Source: Department of Public Enterprises

**Table 13.2**  
Public Officers Advance Account 2009

|  | Limits Authorized | Actual at the end of the Year |
|--|-------------------|-------------------------------|
| Maximum Limit of Expenditure (Rs.Mn)   | 5,163             | 2,133                         |
| Maximum Limit of Receipts (Rs.Mn)      | 1,300             | 1,732                         |
| Maximum Limit of Debit Balance (Rs.Mn) | 17,000            | 13,477                        |

Source: Department of Public Enterprises

Chart 13.1



The Annual Appropriation Account and the Annual Reconciliation Statement in respect of Advances to Public Officer's Accounts for

the year 2009 have been submitted for the Department of Auditor General.

## Chapter 14

# Human Resources Management, Organization Structure and Staff Profile

In 2009, PED continued to obtain the service of two officers from Central Bank of Sri Lanka who was assigned to the Financial Management Cell of this Department in 2007, which was established to closely monitor the performance of State Banks.

Further the capacity of the Department of Public Enterprises was strengthened by obtaining the services of Accountants who are under the practical training as a requirement of the Institute of Chartered Accountants of Sri Lanka. These Accountants who were recently absorbed

**Table 14.1**  
**Cadre position as at 31st December 2009**

| Designation                 | Approved Cadre | Exisiting Cadre | Vacant Excess |
|-----------------------------|----------------|-----------------|---------------|
| Director General            | 01             | 01              | -             |
| Additional Director General | 01             | -               | 01            |
| Directors                   | 04             | 03              | 01            |
| Deputy Director             | 08             | 03              | 05            |
| Assistant Directors         | 06             | 10              | 04*           |
| Financial Analyst           | 02             | -               | 02            |
| Administration Officers     | 01             | 01              | -             |
| Research Assistance         | 11             | 01              | 10            |
| Management Assistance       | 21             | 13              | 08            |
| Data Entry Operators        | 05             | 02              | 03            |
| Drivers                     | 05             | 04              | 01            |
| K.K.S                       | 06             | 05              | 01            |
| Total                       | 71             | 43              | 28            |

Source: Department of Public Enterprises

to the government service are qualified financial management professionals.

During this period several employees in each category was transferred to and from the Department as referred to in Table 14.2.

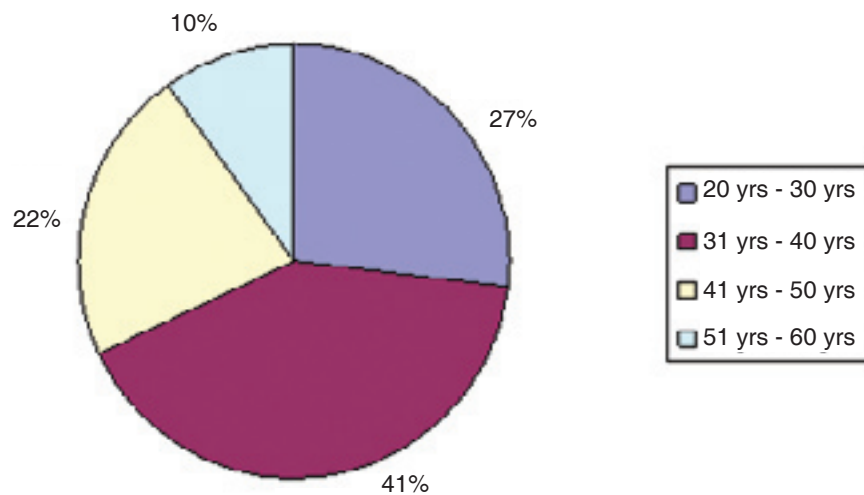
Table 14.2

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

Source: Department of Public Enterprises

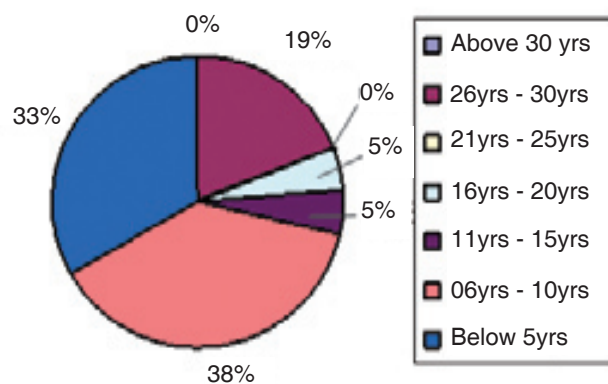
Chart 14.1  
Staff Age Profile 2009

### Age Profile



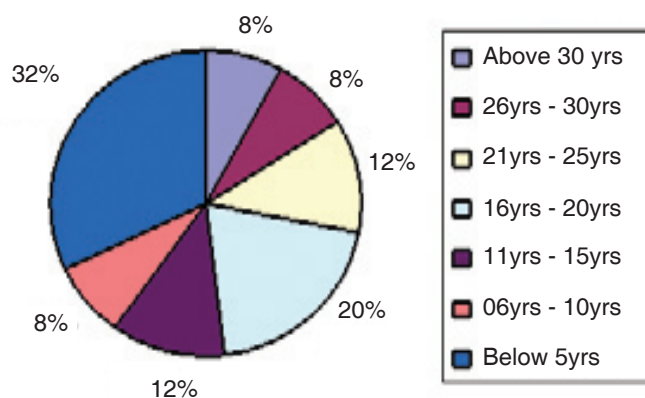
68 PERCENT OF THE STAFF OF DEPARTMENT OF PUBLIC ENTERPRISES FALLS WITH IN THE AGE GROUP OF 20 - 40 YEARS.

**Chart 14.2**  
**Service Analysis 2009 - Staff Officers**



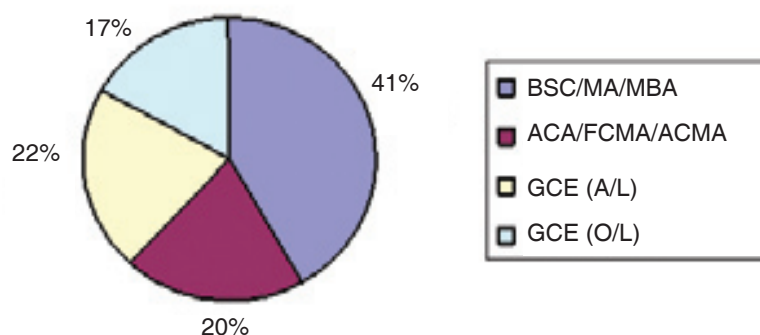
67 percent of entire staff officers of the PED is experienced and professional.

**Chart 14.3**  
**Service Analysis 2009 - Assisting Staff**



68 percent of entire assisting staff of the PED is experienced to fulfill their duties.

**Chart 14.4**  
**Profile of the Staff Qualifications 2009**



Most of the staff members in the Department are degree holders in Business Management, Business Administration, Accountancy, Commerce or Economics. Five staff officers are

members of Institute of Chartered Accountants of Sri Lanka and two staff officers are associate members of Chartered Institute of Management Accountant.



**Table 14.3**  
**Staff Training (Seminars / Courses / Workshops) in the year 2009**

|         | <b>Title of the training</b>  | <b>No: of Participants</b> | <b>Duration</b> |
|---------|---|----------------------------|-----------------|
| Local   | Tamil language Course in NLC  | 13 ( )                     | 108 Hrs         |
|         | Workshop on improving of the quality of financial accounting, financial management and Financial Reporting in the Public sector | 02 ADs                     | 01 day          |
|         | Seminar on Risk Management Basel  | 01 AD, 01 D                | 02 days         |
|         | ICDL  | 01 AD                      | 04 days         |
|         | MPM Programme   | 01 AD                      | 02 yrs          |
|         | Seminar on Cost Management strategies in an economic crisis   | 01 AD                      | 01 day          |
|         | Management and Leadership training programme  | 01 AD                      | 01 day          |
|         | Workshop on Public financial Management   | 03 MAs                     | 05 days         |
|         | Training Programme on Govt. Advance accounts  | 01 MA                      | 01 day          |
|         | Training on Project Management  | 01 RA                      | 03 days         |
|         | Computer Training programme   | 01 MA                      | 03 days         |
|         | Diploma in Office Management  | 01 AO                      | 01 yr           |
|         | Training Programme on Human Resource Management   | 01 MA                      | 04 days         |
|         | Certificate Course in Secretarial Practices   | 02 MAs                     | 04 months       |
|         | Training Programme on Procurement and storekeeping  | 04 MAs                     | 04 days         |
|         | Master Degree in Economics  | 01 RA                      | 01 yr           |
|         | PPP Awareness Workshop  | 04 ADs                     | 02 days         |
|         | Seminar on Taxation   | 02 ADs                     | 01 day          |
| Foreign | Commonwealth executive leadership programme   | 01 D                       | 10 days         |
|         | Asia Pacific regional IMF   | 01AD                       | 05 days         |
|         | Training on Macro Economics Implications of fiscal issues   | 01 AD                      | 14 days         |
|         | Discussions on Trincomalee coal power project   | 01 AD                      | 05 days         |
|         | Macro Economic Management and financial Sector issues   | 01 AD                      | 14 days         |

Source: Department of Public Enterprises

D - Director

DD - Deputy Director

AO – Administration Officer

AD - Assistant Director

MA - Management Assistant

RA - Research Assistant

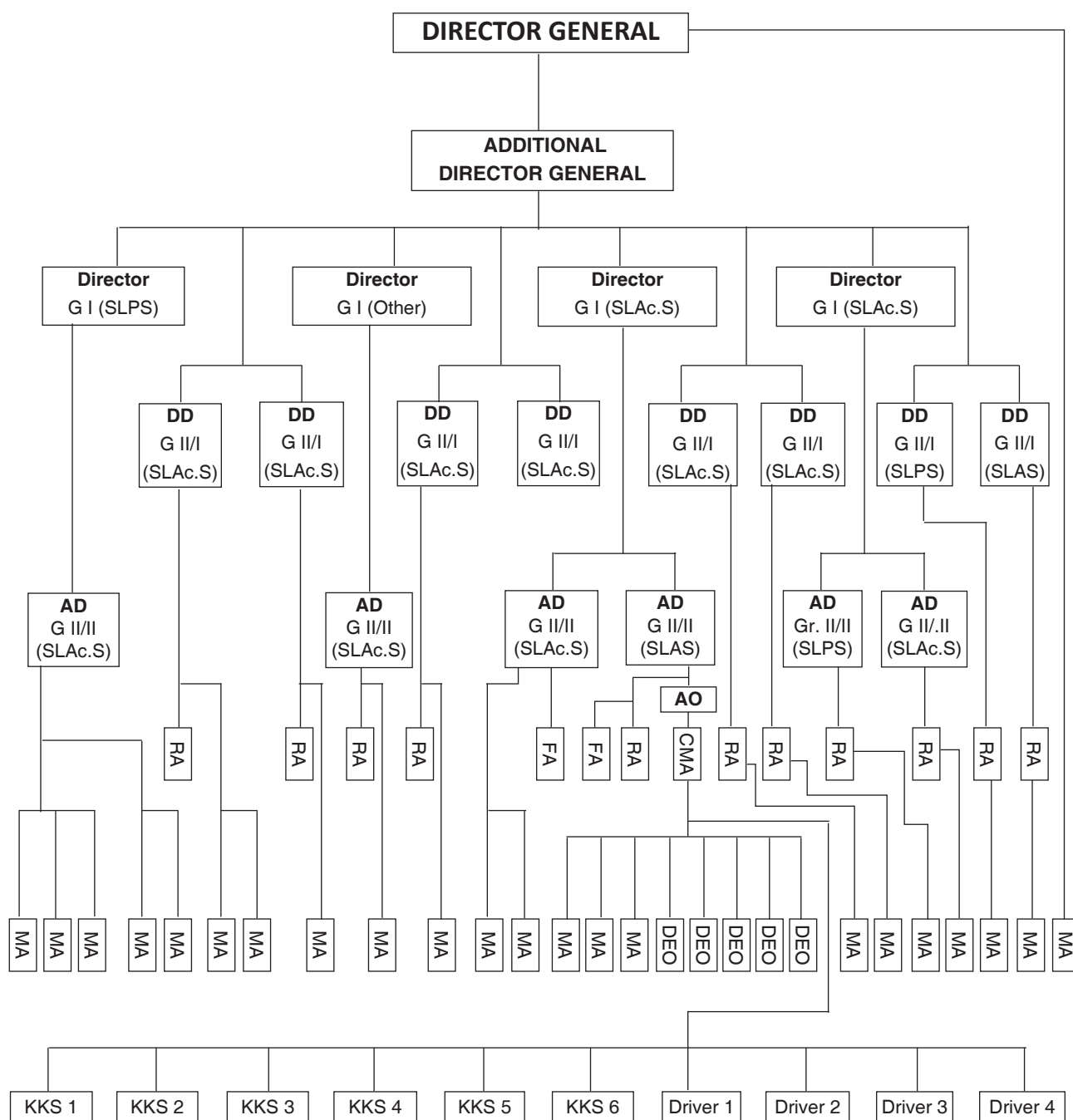
## Staff Officer's Profile

| No. | Name                       | Designation            | Qualifications  |
|-----|----------------------------|------------------------|---|
| 1   | Dr. B.M.S.Batagoda         | Director General       | BA(Hons)(SL), MSc (MSU,USA),<br>Ph.D(UEA, UK), Attorney-at-Law          |
| 2.  | Mrs. S.P.M.K.Siriwardane   | Director               | BSc(Admin)Spl, MBA, DPFM, FMAAT, FPFA                                   |
| 3.  | Mr. S.G.Senaratne          | Director               | B Com (Spl), ACA, FMAAT,<br>FPFA, FCMA, HNDC, DPFM                      |
| 4.  | Mr. V. Mohammed Ameen      | Director               | B Com (Spl) Hon, ACA,<br>FCMA, FPFA                                     |
| 5.  | Mr. P.A.S.Athula Kumara    | Deputy Director        | BSc (Mgt), ICASL (F1)   |
| 6.  | Mr. B.Lokuranamuka         | Deputy Director        | B Com (Hons)  |
| 7.  | Mrs. R.M.D.K.Ratnayaka     | Deputy Director        | BSc (Busi: Admin), PGDED,<br>ICASL (Finalist)                           |
| 8.  | Mr. H.A.N.S.Kumara         | Asst. Director         | B Com (Spl), ICASL (F1), Dip.AF   |
| 9.  | Mrs. Champa N. Balasuriya  | Asst. Director         | B Com (Spl), ICASL Licentiate,<br>MAAT, APFA                            |
| 10. | Mrs. I.T.K. Ilangamudali   | Asst. Director         | ACA, APFA   |
| 11. | Miss. M.T.I.V. Amarasekere | Asst. Director         | BSc(Hons)(Lond), MA(Econ.Develop),<br>(Vander.bilt), ACMA(UK), APFA(SL) |
| 12. | Mr. H.P.M. Wasantha Kumara | Asst. Director         | B.A. (Spl) Hons   |
| 13. | Mrs. K.A.N. Kumarasingha   | Asst. Director         | BSc (Acc. & Finance Mgt.), ACA  |
| 14. | Mrs. G.M.I.U. Bandara      | Asst. Director         | B. com (Special), ACA   |
| 15. | Mr. D.A. Fernando          | Asst. Director         | ACMA(UK)  |
| 16. | Mrs.D.G.N.Kumari           | Asst. Director         | BSc(Busi. Admin.), MBS (Colombo)<br>ICASL (Intermediate), FMAAT         |
| 17. | Mr.K.S.P.Rupasinghe        | Asst. Director         | BSc(Bio.), PGD in IT, Dip. Busi. Mgt.                                   |
| 18. | Mrs.L.S.A.Serasinghe       | Consultant             | CIMA  |
| 19. | Mr.D.P.Perera              | Administrative Officer |   |

## Officers who left the Department during the year 2009

|    |                            |                           |  |
|----|----------------------------|---------------------------|--|
| 1. | Mr. T.V.Weerasena          | Deputy Director           | Post.Grd.Deg.(Acct&Fin), ICASL(F1)<br>HNDA, NDBS, APFA |
| 2. | Miss.D.M.V Dissanayake     | Deputy Director           | B Com (Spl), ICASL (p1),<br>FPFM, MAAT                 |
| 3. | Mr. G.A.A. Ajith Priyantha | Asst. Director            | BSc (Mgt), APFA  |
| 4. | Mr. M.R.V.R. Meepura       | Asst. Director            | BSc HRM (Spl)Hons,<br>ICASL(F2), SAT                   |
| 5. | Mr. M.W.J. Kumara          | Administrative<br>Officer | BSc. (Public Mgt)                                      |

## Organizational Structure – Department of Public Enterprises



|        |   |                                 |     |   |                             |
|--------|---|---------------------------------|-----|---|-----------------------------|
| DD     | - | DEPUTY DIRECTOR                 | FA  | - | FINANCIAL ASSISTANT         |
| AD     | - | ASSISTANT DIRECTOR              | RA  | - | RESEARCH ASSISTANT          |
| SLAc.S | - | SRI LANKA ACCOUNTANT'S SERVICE  | CMA | - | CHIEF MANAGEMENT ASSISTANT  |
| SLPS   | - | SRI LANKA PLANNING SERVICE      | MA  | - | PUBLIC MANAGEMENT ASSISTANT |
| SLAd.S | - | SRI LANKA ADMINSTRATIVE SERVICE | DEO | - | DATA ENTRY OPERATOR         |
| AO     | - | ADMINISTRATIVE OFFICER          | KKS | - | KARYALA KARYA SAHAYAKA      |

## Chapter 15

# Way Forward

**T**he government has ambitious target of achieving Rs.30 Bn as dividend and/or levy income in the year 2010. This is an increase of income by 168 percent when compared to the 12 Bn levy / dividend received in 2009. The government also has set a challenging target to re-open 39 defunct PEs and turnaround other large number of loss making PEs into profit making ventures.

In achieving these targets government faces the following challenges:

1. Restructuring process of defunct or non performing entities needs substantial efforts including attitudinal shift of the management staff and the employees. The government has placed high priority to re-open these PEs through various measures including the Public Private Partnership initiatives (PPP). Higurana Sugar Industries Ltd is a typical example for such initiative to develop defunct PEs through PPP.
2. Unlike private sector commercial entities, PEs have to consider national interest and economic benefits of the country more than financial benefits of the organization. One of the challenges of the board of management of the PEs is to maintain a critical balance between the financial feasibility and the economic

viability. The government expects PEs to take economically viable decisions rather than financially feasible decision. When PEs to take economic decisions, they may have to face liquidity problems unless they have mechanism to finance the economic services. Several large PEs are already facing liquidity issues due to this economically motivated decisions of the government and they have no choice other than depending on national budget to ease their liquidity issues. The Treasury is developing a strategy to guide PEs to introduce a pricing system which enables them to claim for values of their social and economic decisions from the Treasury and with this strategy the government expects all PEs to be profitable by the year 2011.

3. Commercial PEs must have a clear pricing policy when deciding the price of goods/services rendered to the nation. In most cases, PEs decide the unit price without analyzing the cost structure of the product. Hence it is necessary for all PEs to adopt a suitable pricing policy enabling them to survive in the business and enjoy competitive advantage. Most PEs do not operate cost centres. As a result, the product wise profitability information cannot be ascertained for

them to make financial decisions. When the government directs PEs to implement programs with economic benefits the financial feasibilities are given less importance or even ignored. Further PEs are unable to evaluate their losses due to economic benefits. However, the bottom line is if all PEs are to be commercially viable, they should have a cost effective pricing policy.

4. Major issues are often raised by several quarters that the board of management of PEs are with state mentality and not ready to take ownership to drive PEs effectively. Many boards do not perceive the seriousness of issues of the enterprise. In case of financial difficulty, many boards do not evaluate innovative solutions because they are aware of the fact that the Treasury will eventually undertake their burden. The board members should be sensitized on the importance of safeguarding political ideologies on the PEs.
5. When considering similar benchmark of the same line of business entities in the private sector, PEs always have an excess staff resultant negative impact on the profitability. Hence, it is necessary to do a careful cadre assessment before making new recruitments to PEs. As a solution to the excess staff issue, many PEs propose Voluntary Retirement Scheme (VRS) at the cost of the government. Past experiences on VRS

evidences that it has negative impact on the entity. Sometimes VRS leads the enterprise into further difficulty. In view of this PEs should not encourage VRS and must find strategies to use excess staff effectively to increase productivity.

6. Underutilization of assets of PEs is one of other major issues as far as the national economy is concerned. PEs have a large asset base including prime lands, buildings, plant, equipments, vehicles and other assets. Often these assets are either not inventoried or values of those assets have not been evaluated. The need of this hour is to develop a comprehensive guideline and strategy in order to bring the value of these assets into books and to ensure an effective utilization of the same for the economic benefits of the country.
7. Generally PEs are not ready to accept changes in the business environment and willing to maintain their traditional orientation. In the present global business environment no commercial venture could survive unless they change according to the turbulent business environment. Hence all PEs must carefully evaluate the business trends and changes in the industry. In order for PEs to be commercially viable, there should be some degree of economies of scales. Therefore small non viable and defunct PEs should consider it is prudent for them to merge with other PEs.

**Annex 1**  
**Commercial Public Enterprises - Treasury Contribution in 2009**

Rs Mn

| No | Name of the Enterprise                                     | Grant            | Capital Equity  | On lending       | Recurrent Salaries | Other           | Subsidies        | Total             |
|----|--|------------------|-----------------|------------------|--------------------|-----------------|------------------|-------------------|
| 1  | Ceylon Electricity Board                                   | -                | -               | 25,274.00        | -                  | -               | -                | 25,274.00         |
| 2  | Sri Lanka Ports Authority                                  | -                | -               | 22,536.37        | -                  | -               | -                | 22,536.37         |
| 3  | National Water Supply & Drainage Board                     | 11,047.00        | 5,824.00        | 2,885.00         | -                  | -               | -                | 19,756.00         |
| 4  | Ceylon Fertilizer Company Ltd                              | -                | -               | -                | -                  | -               | 14,560.41        | 14,560.41         |
| 5  | Colombo Commercial Fertilizer Company Ltd                  | -                | -               | -                | -                  | -               | 7,523.00         | 7,523.00          |
| 6  | Sri Lanka Transport Board                                  | -                | -               | -                | 3,516.23           | 1,649.77        | -                | 5,166.00          |
| 7  | Mihin Lanka Ltd  | 3,000.00         | -               | -                | -                  | -               | -                | 3,000.00          |
| 8  | Urban Development Authority                                | 1,425.73         | -               | -                | -                  | -               | -                | 1,425.73          |
| 9  | Sri Jayawardenapura General Hospital                       | 106.00           | -               | -                | 740.00             | -               | -                | 846.00            |
| 10 | Sri Lanka Ayurvedic Drugs Corporation                      | 334.00           | -               | -                | -                  | -               | -                | 334.00            |
| 11 | Sri Lanka Broadcasting Corporation                         | 83.65            | -               | -                | 247.00             | -               | -                | 330.65            |
| 12 | Ceylon Fishery Harbour Corporation                         | 80.13            | -               | -                | 106.20             | -               | -                | 186.33            |
| 13 | Agriculture & Agrarian Insurance Board                     | 5.00             | -               | -                | 130.86             | -               | -                | 135.86            |
| 14 | Sri Lanka Land Reclamation Development Corporation         | -                | -               | 102.00           | -                  | -               | -                | 102.00            |
| 15 | Sri Lanka Cashew Corporation                               | 45.00            | -               | -                | 42.50              | -               | -                | 87.50             |
| 16 | Sri Lanka Rupavahini Corporation                           | 78.97            | -               | -                | -                  | -               | -                | 78.97             |
| 17 | Palmyrah Development Board                                 | 23.30            | -               | -                | 53.00              | -               | -                | 76.30             |
| 18 | National Paper Company Ltd                                 | -                | -               | 50.00            | -                  | -               | -                | 50.00             |
| 19 | Ceylon Ceramics Corporation                                | -                | -               | -                | 36.00              | -               | -                | 36.00             |
| 20 | Lakdiva Engineering Company Ltd                            | -                | -               | -                | 28.70              | -               | -                | 28.70             |
| 21 | Sri Lanka Accounting & Auditing Standards Monitoring Board | 1.40             | -               | -                | 8.14               | 14.20           | -                | 23.74             |
| 22 | Thurusaviya Fund   | 13.80            | 7.10            | -                | -                  | -               | -                | 20.90             |
| 23 | Independent Television Network Ltd                         | 15.72            | -               | -                | -                  | -               | -                | 15.72             |
| 24 | Paddy Marketing Board                                      | 4.93             | -               | -                | 8.00               | -               | -                | 12.93             |
| 25 | National Livestock Development Board                       | 8.44             | -               | -                | -                  | -               | -                | 8.44              |
|    | <b>Total</b>   | <b>16,273.05</b> | <b>5,831.10</b> | <b>50,847.37</b> | <b>4,916.63</b>    | <b>1,663.97</b> | <b>22,083.41</b> | <b>101,615.53</b> |

## Annex 2

## Subsidiary Companies

Rs Mn.

| No | Name of the enterprise            | Name of the Subsidiary                                    | Major Financials in Year 2008 |          |                   |              |                    | Dividend payment Received by the Parent in the year 2008 |
|----|-----------------------------------|---|-------------------------------|----------|-------------------|--------------|--------------------|--|
|    |                                   |   | Share Percentage (%)          | Turnover | Profit before Tax | Total Assets | Share holders fund |  |
| 1  | National Savings Bank             | N.S.B. Fund Management Company Ltd                        | 100                           | 139      | 1                 | 4,649        | 1                  | -  |
| 2  | People's Bank                     | Peoples leasing company ltd                               | 100                           | 7,150    | 1,890             | 25,558       | 5,447              | 159  |
|    |                                   | People's Travel Pvt. Ltd                                  | 99                            | 18       | 4                 | 28           | 16                 | 2  |
|    |                                   | Southern Development Financial Company Ltd                | BOC & PB - 83 SDA - 17        | 8        | (2)               | 47           | 4                  | -  |
|    |                                   | Property Development PLC                                  | 93                            | 665      | 498               | 2,026        | 1,598              | 111  |
|    |                                   | Merchant Bank of Sri Lanka PLC                            | 76                            | 1,035    | 203               | 4,768        | 1,680              | 62   |
| 3  | Bank of Ceylon                    | BOC Management and Support Services Pvt Ltd               | 100                           | 1        | 0                 | 8            | 6                  | -  |
|    |                                   | BOC Property Development and Management (Pvt) Ltd         | 100                           | 157      | 66                | 866          | 849                | -  |
|    |                                   | BOC Travels (Pvt) Ltd                                     | 100                           | 844      | 27                | 108          | 44                 | 2  |
|    |                                   | Hotel Colombo (1963) Ltd                                  | 98                            | 134      | (17)              | 131          | 3                  | -  |
|    |                                   | Merchant Credit of SL Ltd                                 | 88                            | 612      | 44                | 2,842        | 351                | -  |
|    |                                   | Ceylease Financial Services Ltd                           | 50                            | 487      | 14                | 1,795        | 203                | -  |
|    |                                   | Ceybank Holiday Homes (Pvt) Ltd                           | 100                           | 22       | (1)               | 5            | 2                  | -  |
|    |                                   | Southern Development Financial Company Ltd                | BOC & PB - 83 SDA - 17        | 8        | (2)               | 46           | 4                  | -  |
|    |                                   |   |                               |          |                   |              |                    |  |
| 4  | HDFC Bank                         | HDFC Real Estate Development                              | 100                           | 529      | (34)              | 192          | (77)               | -  |
|    |                                   | Peliyagoda Ware House Complex Co.Ltd                      | 100                           | 55       | (20)              | 193          | (106)              | -  |
| 5  | Urban Development Authority (UDA) | Urban Investment & Development Co. (Pvt) Ltd              | 100                           | 1        | (3)               | 590          | 341                | -  |
|    |                                   | UDA Rest Houses Ltd                                       | 100                           | 13       | (15)              | 1            | (29)               | -  |
|    |                                   | Ocean View Development Co. Ltd                            | 100                           | 45       | 37                | 461          | 345                | -  |
|    |                                   | Waters Edge   | 100                           | -        | -                 | -            | -                  | -  |
| 6  | Geological Survey & Mines Bureau  | GSMB Technical Services (Pvt) Ltd                         | 100                           | 11       | 4                 | 26           | 21                 | 2  |
| 7  | Sri Lankan Airlines Ltd           | Sri Lankan Catering (Pvt) Ltd                             | 100                           | 3,290    | 979               | 9,975        | 7,332              | 500  |
|    |                                   | Air Lanka (Pvt) Ltd                                       | -                             | -        | -                 | -            | -                  | -  |
| 8  | Central Environmental Authority   | Polipto Lanka Pvt Ltd                                     |                               |          |                   |              |                    | -  |
| 9  | Road Development Authority        | Maganagama Roads Construction Equipment Company (pvt) Ltd | 97                            | 1250     | 121               | 938          | -                  | -  |
|    |                                   | Maga Naguma Emulsion Production Company (PVT) LTd         | 50                            | 783      | 73                | 19           | -                  | -  |
| 10 | Ceylon Electricity Board          | LTL Holdings (Pvt.) Ltd                                   | 63                            | 2,417    | 306               | 2,995        | 1,837              | 57   |
|    |                                   | Lanka Electricity Company (Pvt) Ltd                       | 82                            | 8,797    | 3,078             | 9,296        | -                  | 82   |
|    |                                   | Lanka Coal Company (Pvt) Ltd                              | 100                           | -        | (6)               | 7            | 3                  | -  |



Annex 2 Continued...

Rs Mn.

| No | Name of the enterprise  | Name of the Subsidiary                                       | Major Financials in Year 2008 |          |                   |              |                    | Dividend payment Received by the Parent in the year 2008 |
|----|---|--|-------------------------------|----------|-------------------|--------------|--------------------|--|
|    |   |  | Share Percentage (%)          | Turnover | Profit before Tax | Total Assets | Share holders fund |  |
| 11 | National Housing Development Authority  | Ocean View Development Co. Ltd                               | 100                           | 57       | 24                | 425          | 365                | -  |
| 12 | Ceylon Shipping Corporation Ltd   | Lanka Tankers Ltd  | 100                           | 23       | 22                | 162          | 142                | -  |
|    |   | Ceylon Shipping Agency (Pvt)Ltd.                             | 100                           | -        | (1)               | 1            | (4)                | -  |
| 13 | National Livestock Development Board  | Sri Lanka/Libya Agricultural & Livestock Development Co. Ltd | 51                            | 25       | (21)              | 68           | 11                 | -  |
| 14 | SL Cement Corporation   | Lanka Cement Ltd.  | 94                            | 224      | 12                | 952          | 54                 | -  |
| 15 | Sri Lanka Ports Authority   | Jaya Container Terminals Limited                             | 100                           | 27       | 5                 | 25           | 1                  | -  |
| 16 | Sri Lanka Insurance Corporation Ltd.  | The Lanka Hospitals Corporation PLC                          | 55                            | 1,925    | (259)             | 2,954        | 1,954              | -  |
|    |   | VINC Advertising (Pvt.) Ltd.                                 | 50                            | 12       | (1)               | 5            | (2)                | -  |
| 17 | Mahaweli Authority of Sri Lanka   | Natural Resources Management Services (Pvt) Ltd              | 100                           | 3        | 1                 | 13           | 0                  | -  |
|    |   | Mahaweli Consultancy Bureau (Pvt.) Ltd                       | 99                            | 34       | 2                 | 93           | -                  | -  |
|    |   | Mahaweli Venture Capital Com.(Pvt) Ltd                       | 69                            | -        | -                 | -            | -                  | -  |
|    |   | Mahaweli Livestock & Agro Enterprises (Pvt) Ltd              |                               |          |                   |              |                    |  |
|    |   | Mahaweli Engineering Services (Pvt) Ltd                      |                               |          |                   |              |                    |  |
| 18 | Sri Lanka Bureau of Foreign Employment  | Sri Lanka Foreign Employment 100 Agency (Pvt.) Ltd           | 73                            | 28       | 225               | 65           | -                  |  |
| 19 | Ceylon Petroleum Corporation  | Ceylon Petroleum Storage Terminals Ltd                       | 68                            | 7,880    | 1,261             | 17,256       | 13,626             | -  |
| 20 | Sri Lanka Land Reclamation & Development Corporation  | Land Reclamation & Development Company Ltd.                  | 80                            |          |                   |              |                    |  |
| 21 | Associated Newspapers of Ceylon Ltd., Sri Lanka Rupavahini Corporation, Sri Lanka Broadcasting Corporation and Independent Television Network | Lanka Puwath Ltd   | 96                            |          |                   |              |                    |  |
| 22 | Sri Lanka Telecom Ltd   | Mobitel (Pvt) Ltd  | 100                           |          |                   |              |                    |  |
|    |   | Sri Lanka Telecom (Services) Ltd                             | 100                           |          |                   |              |                    |  |
|    |   | SLT Hongkong Ltd   | 100                           |          |                   |              |                    |  |

## Annex 3

## Associate Companies

Rs Mn.

| No | Name of the enterprise               | Name of the Associate   | Major Financials in Year 2008 |          |                   |              |                    | Dividend payment Received by the Parent in the year 2008 |
|----|--------------------------------------|---|-------------------------------|----------|-------------------|--------------|--------------------|--|
|    |                                      |   | Share Percentage (%)          | Turnover | Profit before Tax | Total Assets | Share holders fund |  |
| 1  | People's Bank                        | People's Merchant Bank PLC  | 39                            | 376      | 22                | 1,875        | 442                | 4  |
|    |                                      | Lanka Securities (Pvt) Ltd  | 20                            | 89,529   | 56,797            | 370,824      | 286,128            | -  |
| 2  | Bank of Ceylon                       | Mireka Capital Land (Pvt) Ltd   | 40                            | 449      | 252               | 4,068        | 2,255              | -  |
|    |                                      | Unit Trust Management (Pvt) Ltd   | 20                            | 37       | 1                 | 1            | 1                  | 1  |
|    |                                      | Transnational Lank Records Solutions (Pvt) Ltd                          | 25                            | 40       | 24                | 144          | 112                | 3  |
| 3  | Urban Development Authority (UDA)    | Colombo Land and Development Co.Ltd                                     | 23                            | 30       | 5                 | 2,228        | 2,173              | -  |
|    |                                      | On'ally Holding Ltd   | 48                            | 62       | 193               | 994          | 928                | 12   |
| 4  | Ceylon Shipping Corporation Ltd      | Ceylon Shipping Agency (PTE) Ltd (Singapore)                            |                               | 7        | 1                 | 2            | 1                  | -  |
|    |                                      | Ceylon Shipping Lines Ltd.  | -                             | 220      | 23                | 463          | 411                | 1  |
| 5  | Sri Lanka Ports Authority            | Sri Lanka Port Management & Consultancy Services (Pvt) Ltd              | 26                            | 20       | 77                | 40           | 1                  |  |
| 6  | Sri Lanka Insurance Corporation Ltd. | Asiri Hospitals PLC   | 26                            | 2,545    | 195               | 7,191        | 2,690              | 18   |
|    |                                      | Asiri Surgical Hospitals PLC  | 20                            | 896      | 112               | 2,426        | 1,205              | 47   |
|    |                                      | Splendor Media (Pvt.) Ltd   | 25                            | 100      | 5                 | 70           | 15                 | -  |
|    |                                      | E-Channeling PLC  | 24                            | 28       | 7                 | 101          | 80                 | -  |
| 7  | Road Development Authority           | Maga Naguma Consultancy & Project Management Services Company (PVT) Ltd | 33                            | 151      | 19                | 94           | -                  | -  |
| 8  | Mahaweli Authority of Sri Lanka      | Mahaweli Livestock Enterprises (Pvt) Ltd                                |                               |          |                   |              |                    |  |

Annex 4

Summary of Bank Guarantees Issued by the Treasury to Public Enterprises

| No | Name of the Beneficiary   | Name of the Bank to which B.G. is issued | Purpose for which B.G. is issued                         | Value of the Bank Guarantee (Rs. Mn) | Date of Issue | Date of Expiry | Capital Outstanding Rs.Mn |
|----|---|--|--|--------------------------------------|---------------|----------------|---------------------------|
| 1  | Ceylon Petroleum Corporation  | BOC                                      | Secure Overdraft Facilities                              | 80,500                               | 09.09.2008    | 31.12.2009     | 80,500                    |
| 2  | Ceylon Petroleum Corporation  | BOC                                      | Securing the Loan  | 25,000                               | 29.09.2009    | 27.09.2011     | 25,000                    |
| 3  | Ceylon Electricity Board - Kerawalapitiya Combine Cycle Power Plant Project | PB                                       | Secure a loan  | 4,116                                | 07.05.2008    | 03.03.2023     | 4,116                     |
| 4  | Ceylon Electricity Board  | PB                                       | Secure letter of credit                                  | 1,683                                | 11.06.2008    | 09.10.2023     | 1,683                     |
| 5  | Ceylon Electricity Board  | PB                                       | Electricity distribution development project credit      | 2,549                                | 29.09.2008    | 31.12.2011     | 2,662                     |
| 6  | Ceylon Electricity Board  | PB                                       | Short term loan facility                                 | 8,000                                | 07.09.2009    | 10.03.2010     | 8,000                     |
| 7  | Ceylon Petroleum Storage Terminals Ltd                                      | PB                                       | Muthurajawela SPBM off shore fuel oil pipe line project. | 437                                  | 03.09.2009    | 06.04.2010     | 109                       |
| 8  | Ceylon Petroleum Storage Terminals Ltd                                      | PB                                       | Muthurajawela SPBM off shore fuel oil pipe line project. | 4,635                                | 09.10.2009    | 09.10.2011     | 15                        |
| 9  | Urban Development Authority   | NSB                                      | Secure loan facility                                     | 500                                  | 17.08.1999    | 01.07.2010     | 38                        |
| 12 | State Trading (Co-operative Whole Sale) Company Ltd                         | PB                                       | For import cement & other essential commodities.         | 1,150                                | 13.03.2009    | 31.05.2010     | 8                         |
| 13 | Lakdanavi Ltd   | NSB                                      | Secure domestic financing                                | 2,992                                | 22.02.2007    | 31.03.2022     | 2,992                     |
| 14 | Lakdanavi Ltd   | ETF                                      | Secure domestic financing                                | 2,992                                | 01.03.2007    | 31.03.2022     | 2,992                     |
| 15 | Mihin Lanka (Pvt) Ltd   | BOC                                      | To lease out an air craft.                               | 1,553                                | 25.11.2009    | 24.11.2012     | 1,519                     |
| 16 | STC General Trading Company Ltd   | PB                                       | Introducing a consumer goods budget pack                 | 440                                  | 30.11.2009    | 26.05.2010     | 129                       |
| 17 | STC General Trading Company Ltd   | BOC                                      | Import of 50,000 M/T of white rice                       | 2,500                                | 22.12.2009    | 22.03.2010     | 2,402                     |
| 18 | Sri Lanka Airlines Limited  | BOC                                      | Letter of comfort to bridging finance facility           | 1,150                                | 30.12.2009    | 30.10.2010     | 1,150                     |
| 19 | West Coast Power (Pvt) Ltd  | HSBC                                     | Kerawala power project                                   | 21,304                               | 28.06.2007    | 28.06.2022     | 21,729                    |
| 20 | Hotel Developers Lanka Ltd CC & Terrorism Fund (NITF)                       | SR &                                     | To cover the loan facility                               | 236                                  | 14.02.2000    | 31.12.2007     | 114                       |

BOC - Bank of Ceylon

PB - People's Bank

NSB - National Savings Bank

ETF - Employees Trust Fund Board

B.G. – Bank Guarantee

## Annex 5

Financial Performance and Cadre Position of Public Enterprises in 2009<sup>1</sup>

Rs Mn.

| S-No  | Public Enterprises                                  | Revenue<br>Rs. Mn |        | Expenditure<br>Rs. Mn |                | Surplus/<br>Deficit<br>Rs. Mn | Exis-<br>ting<br>Cadre <sup>2</sup> | Total<br>cost of<br>Employ-<br>ment<br>per Year<br>Rs. Mn | Annual<br>Cost per<br>Emple-<br>yee<br>Rs |
|---|---|-------------------|--------|-----------------------|----------------|-------------------------------|-------------------------------------|---|---|
|   |   | Oper-<br>ational  | Other  | Capital               | Recur-<br>rent |                               |                                     |   |   |
| Ministry of Petroleum & Petroleum Resources Deve. |   |                   |        |                       |                |                               |                                     |   |   |
| 1   | Ceylon Petroleum Corp.                              | 272,600           | 300    | 1,100                 | 276,600        | (4,800)                       | 2660                                | 1,888   | 709,764                                   |
| Ministry of Power & Energy                        |   |                   |        |                       |                |                               |                                     |   |   |
| 2   | Ceylon Electricity Board                            | 107,200           | 20,300 | 35,600                | 108,700        | (16,800)                      | 15,137                              | 11,904  | 786,444                                   |
| 3   | West Coast (Pvt) Ltd                                |                   |        |                       | n.a            |                               |                                     |   |   |
| Ministry of Ports & Aviation                      |   |                   |        |                       |                |                               |                                     |   |   |
| 4   | Sri Lanka Ports Authority                           | 20,166            | 2,964  | 103,979               | 21,114         | (101,963)                     | 13367                               | 12,607  | 943,144                                   |
| 5   | Airport and Aviation Services (SL) Ltd              | 6,177             | 618    | 201                   | 6,026          | 568                           | 3183                                | 2,638   | 828,778                                   |
| 6   | Ceylon Shipping Corp.Ltd                            | 578               | 35     | 1                     | 693            | (81)                          | 137                                 | 69  | 503,650                                   |
| 7   | Mihin Lanka Ltd                                     | 1,545             | -      | -                     | 3,220          | (1,675)                       | 154                                 | 82  | 530,325                                   |
| 8   | Sri Lankan Airlines Ltd <sup>3</sup>                | 45,093            | 4,682  | 13,601                | 52,613         | (16,439)                      | 4837                                | 8,682   | 1,794,959                                 |
| Ministry of Water supply & Drainage               |   |                   |        |                       |                |                               |                                     |   |   |
| 9   | National Water Supply & Drainage Board              | 11,055            | 49     | 22,213                | 10,281         | (21,390)                      | 9110                                | 4,331   | 475,377                                   |
| Ministry of Finance & Planning                    |   |                   |        |                       |                |                               |                                     |   |   |
| 10  | Central Bank of Sri Lanka                           | 39,695            | 544    | 388                   | 4964           | 34,887                        | 1,254                               | 2,508   | 2,000,000                                 |
| 11  | Bank of Ceylon                                      | 61,207            | 2,290  | 1,239                 | 55,061         | 7,197                         | 7,626                               | 10,371  | 1,359,953                                 |
| 12  | People's Bank                                       | 19,801            | 4,545  | 672                   | 17,696         | 5,978                         | 8,808                               | 12,331  | 1,399,977                                 |
| 13  | National Savings Bank                               | 49,046            | 757    |                       | 42,858         | 6,945                         | 2,838                               | 3,457   | 1,218,111                                 |
| 14  | SL Savings Bank Ltd                                 | 207               | 167    |                       | 171            | 203                           | 40                                  | 16  | 400,000                                   |
| 15  | Housing Development Finance Corp. Bank              | 2,216             |        | 52                    | 2,177          | 91                            | 330                                 | 270   | 818,182                                   |
| 16  | Lady Lochore Loan Fund                              | 35.2              | 7.6    | 1.6                   | 22.5           | 18.7                          | 38                                  | 10  | 270,000                                   |
| 17  | State Mortgage & Investment Bank                    | 2670              | 19     |                       | 2557           | 132                           | 318                                 | 354   | 1,113,208                                 |
| 18  | Lankaputhra Deve. Bank                              | 746               | 15     | 11                    | 345            | 405                           | 165                                 | 61  | 369,576                                   |
| 19  | Kandurata Deve. Bank                                |                   | 957    |                       | 847            | 110                           | 282                                 | 236   | 836,879                                   |
| 20  | Sabaragamuwa Development Bank                       | 1,454             | 41     |                       | 1284           | 211                           | 398                                 | 331   | 831,658                                   |
| 21  | Rajarata Deve. Bank                                 | 657               | 59     |                       | 621            | 95                            | 380                                 | 170   | 447,368                                   |
| 22  | Ruhuna Deve. Bank                                   | 1,394             | 54     |                       | 1288           | 160                           | 436                                 | 378   | 866,972                                   |
| 23  | Wayamba Deve. Bank                                  | 1,870             | 97     |                       | 1,668          | 299                           | 380                                 | 344   | 905,263                                   |
| 24  | Uva Development Bank                                | 766               | 15     |                       | 723            | 58                            | 260                                 | 197   | 757,692                                   |
| 25  | SL Insurance Corp.                                  | 13,803            | 8,165  | 0                     | 15,908         | 6,060                         | 1,740                               | 893   | 513,218                                   |
| 26  | National Insurance Trust Fund                       | 3,450             | 1,007  | 15                    | 2,704          | 1,738                         | 117                                 | 24  | 205,294                                   |
| 27  | National Deve. Trust Fund                           | 123               | 150    | 3.3                   | 56             | 213                           | 24                                  | 11  | 462,325                                   |
| 28  | Development Lotteries Board                         | 5,220             | 58     | 67                    | 4,725          | 486                           | 241                                 | 113   | 467,647                                   |
| 29  | National Lotteries Board                            | 8,580             | 340    | 357                   | 7,083          | 1,480                         | 274                                 | 181   | 659,690                                   |
| 30  | Employees Trust Fund Board                          | 43,493            | 9,114  | 445                   | 8,167          | 43,995                        | 858                                 | 448   | 522,040                                   |
| 31  | Securities & Exchange Commission                    | 8.89              | 10.39  | 7.97                  | 194.11         | (182.8)                       | 73                                  | 98  | 1,346,151                                 |
| 32  | SL Accounting & Auditing Standards Monitoring Board | -                 | -      | 0.69                  | 21.43          | (22.12)                       | 8                                   | 9   | 1,112,500                                 |
| 33  | Insurance Board of SL                               | 40.87             | 8.53   | 3.01                  | 65.82          | (19.43)                       | 31                                  | 17  | 534,839                                   |
| 34  | Distance Learning Center                            |                   |        |                       | n.a            |                               |                                     |   |   |

Annex 5 Contd....

| S-No  | Public Enterprises                           | Revenue<br>Rs. Mn |       | Expenditure<br>Rs. Mn |                | Surplus/<br>Deficit<br>Rs. Mn | Exis-<br>ting<br>Cadre <sup>2</sup> | Total<br>cost of<br>Employ-<br>ment<br>per Year<br>Rs. Mn | Annual<br>Cost per<br>Emple-<br>yee<br>Rs |
|---|--|-------------------|-------|-----------------------|----------------|-------------------------------|-------------------------------------|---|---|
|   |  | Oper-<br>ational  | Other | Capital               | Recu-<br>rrent |                               |                                     |   |   |
| Ministry of Transport                                   |  |                   |       |                       |                |                               |                                     |   |   |
| 35  | National Transport Medical Institute         | 152               | 31    | 9.5                   | 120            | 53.5                          | 225                                 | 60  | 266,667                                   |
| 36  | Lakdiva Engineering Company Ltd              | 24                | 3     | -                     | 56             | (29)                          | 119                                 | 31  | 264,227                                   |
| 37  | Sri Lanka Transport Board                    | 14,538            | 2,543 | 661                   | 20,244         | (3,824)                       | 35,275                              | 9,500   | 269,313                                   |
| Ministry of Urban Development Sacred area Development   |  |                   |       |                       |                |                               |                                     |   |   |
| 38  | Urban Development Authority                  | 533               | 344   | 1,802                 | 748            | (1,673)                       | 1430                                | 699   | 488,670                                   |
| 39  | SL Land Reclamation Deve. Corp.              |                   |       | n.a                   |                |                               | 1174                                | 235   | 200,000                                   |
| Ministry of Mass media & Information                    |  |                   |       |                       |                |                               |                                     |   |   |
| 40  | SL Broadcasting Corp.                        | 457               | 325   | 280                   | 852            | (350)                         | 884                                 | 421   | 476,517                                   |
| 41  | SL Rupavahini Corp.                          | 1,649             | 87    | 85                    | 1,681          | (30)                          | 924                                 | 519   | 561,688                                   |
| 42  | State Printing Corp.                         | 818               | -     | 40                    | 801            | (23)                          | 552                                 | 156   | 282,609                                   |
| 43  | Selacine Rupavahini institute                | 96.06             | -     | 0.184                 | 94.4           | 1.47                          | 47                                  | 10  | 218,566                                   |
| 44  | Independent Television Network Ltd           | 1,484             | 96    | 143                   | 1,226          | 211                           |                                     |   |   |
| 45  | The Associated Newspapers of Ceylon Ltd      |                   |       |                       |                | n.a                           |                                     |   |   |
| Ministry of Healthcare & Nutrition                      |  |                   |       |                       |                |                               |                                     |   |   |
| 46  | State Pharmaceuticals Corporation of SL      | 13,352            | 17    | 86                    | 14,235         | (952)                         | 757                                 | 369   | 487,408                                   |
| 47  | State Pharmaceuticals Manufacturing Corp.    | 1,157             | 33    | 77                    | 1,013          | 101                           | 211                                 | 70  | 330,887                                   |
| 48  | Sri Jayawardenapura General Hospital         | 889               | -     | 120                   | 1636           | (868)                         | 1507                                | 779   | 516,720                                   |
| Ministry of Livestock Development                       |  |                   |       |                       |                |                               |                                     |   |   |
| 49  | Milk Industries of Lanka (Pvt.) Ltd. (MILCO) | 3,910             | 94    | 160                   | 3,682          | 162                           | 1330                                | 582   | 437,775                                   |
| 50  | National Livestock Development Board         | 890               | 3     | 46                    | 879            | (32)                          | 449                                 | 385   | 857,461                                   |
| Ministry of Agricultural Development & Agrarian Service |  |                   |       |                       |                |                               |                                     |   |   |
| 51  | Ceylon Fertilizer Company Ltd                | 1,651             | 32    | 2                     | 9541           | (21,258) <sup>4</sup>         | 403                                 | 210   | 520,980                                   |
| 52  | Colombo Commercial Fertilizer Company Ltd    | 1,035             | 95    | 3                     | 5,782          | (17,752) <sup>5</sup>         | 116                                 | 50  | 433,817                                   |
| 53  | Janatha Fertilizer Enterprise Ltd            | -                 | 48    | -                     | 45             | 3                             | 20                                  | 4   | 223,800                                   |
| 54  | Paddy Marketing Board                        | 1618              | 13    | 4.93                  | 1,657          | (31)                          | 93                                  | 26  | 284,000                                   |
| 55  | Agriculture & Agrarian Insurance Board       | 499               | 4     | 143                   | 1251           | (891)                         | 372                                 | 103   | 276,785                                   |
| Ministry of Construction & Engineering Service          |  |                   |       |                       |                |                               |                                     |   |   |
| 56  | State Development and Construction Corp.     | 1635              | 23    | 31                    | 1608           | 19                            | 531                                 | 224   | 421,315                                   |
| 57  | State Engineering Corp. of SL                | 2.8               | 0.03  | -                     | 2.8            | 0.03                          | 2,203                               | 765   | 347,027                                   |
| Ministry of Defence Public Security Law & Order         |  |                   |       |                       |                |                               |                                     |   |   |
| 58  | Rakna Arakshana Lanka Ltd                    | 341               | 0     | 3                     | 283            | 55                            | 1,821                               | 226   | 236,349 <sup>7</sup>                      |
| 59  | Lanka Logistics (Pvt) Ltd <sup>6</sup>       | (5)               | 15    | 4                     | 12             | (6)                           | 23                                  | 17  | 515,887 <sup>8</sup>                      |
| Ministry of Environment & Natural Resources             |  |                   |       |                       |                |                               |                                     |   |   |
| 60  | State Timber Corporation                     | 3,093             | 249   | 386                   | 2,730          | 226                           | 2399                                | 642   | 267,612                                   |
| Ministry of Export Development & International Trade    |  |                   |       |                       |                |                               |                                     |   |   |
| 61  | SL Export Credit Insurance Corp.             | 117.6             | 115.3 | 0.5                   | 101.9          | 130.5                         | 45                                  | 40  | 888,889                                   |

## Annex 5 Contd....

| S-No   | Public Enterprises                     | Revenue<br>Rs. Mn |       | Expenditure<br>Rs. Mn |                | Surplus/<br>Deficit<br>Rs. Mn | Exis-<br>ting<br>Cadre <sup>2</sup> | Total<br>cost of<br>Employ-<br>ment<br>per Year<br>Rs. Mn | Annual<br>Cost per<br>Emple-<br>yee<br>Rs |
|--|--|-------------------|-------|-----------------------|----------------|-------------------------------|-------------------------------------|---|---|
|  |  | Oper-<br>ational  | Other | Capital               | Recu-<br>rrent |                               |                                     |   |   |
| Ministry of Fisheries & Acquatic Resources   |  |                   |       |                       |                |                               |                                     |   |   |
| 62   | Ceylon Fisheries Corpo.                | 1449              | 40    | 6                     | 1540           | (57)                          | 656                                 | 211   | 321,458                                   |
| 63   | Ceylon Fishery Harbour Corp.           | 168               | -     | 277                   | 277            | (386)                         | 798                                 | -   | -   |
| 64   | Cey-Nor Foundation Ltd                 | 251               | 4     | -                     | 340            | (85)                          | 345                                 | -   | -   |
| Ministry of Highways & Road Development  |  |                   |       |                       |                |                               |                                     |   |   |
| 65   | Road Construction & Development Corp.  |                   |       |                       |                |                               |                                     |   | n.a                                       |
| (Converted in to Maga Neguma Roads Construction Equipment Company (Pvt) Ltd, Maga Neguma Emulsion Production Company (Pvt) Ltd, Maga Neguma Consultancy & Project Management Services Company (Pvt) Ltd under Road Development Authority |  |                   |       |                       |                |                               |                                     |   |   |
| Ministry of Indigenous Medicine  |  |                   |       |                       |                |                               |                                     |   |   |
| 66   | SL Ayurvedic Drugs Corp.               | 296               | 2     | -                     | 281            | 16                            | 260                                 |   | n.a.                                      |
| 67   | Osu Govi Ltd                           | 4.3               | 0.1   | 0.3                   | 19.9           | (15.7)                        | 90                                  | 11  | 127,444                                   |
| Ministry of Industrial Development   |  |                   |       |                       |                |                               |                                     |   |   |
| 68   | Ceylon Ceramics Corp.                  | 177.7             | 9.7   | 0.2                   | 228.7          | (41.4)                        | 639                                 | 148   | 231,455                                   |
| 69   | Sri Lanka Cement Corp.                 | 1035              | 25    | -                     | 1140           | (80)                          | 75                                  | 30  | 400,000                                   |
| 70   | Kahatagaha Graphite Lanka Ltd          | 37.3              | 0.1   | -                     | 47.4           | (10)                          | 77                                  | 18  | 227,273                                   |
| 71   | Lanka Fabrics Ltd                      | 16.41             | -     | 0.22                  | 15.11          | 1.08                          | 8                                   | -   | -   |
| 72   | Lanka Mineral Sands Ltd                | 689               | 4     | 13                    | 773            | (93)                          | 629                                 | 343   | 545,310                                   |
| 73   | Lanka Phosphate Ltd                    | 239               | 29.5  | 1.1                   | 254            | 13.4                          | 298                                 | 122   | 409,396                                   |
| 74   | Mantai Salt Ltd.                       | 29.7              | 2.1   | 1                     | 26.6           | 4.2                           | 71                                  | 16  | 225,352                                   |
| 75   | North Sea Ltd.                         | 30                | 0     | 1                     | 28             | 2                             | 48                                  | 5   | 110,417                                   |
| 76   | Paranthan Chemicals Com. Ltd           | 81                | 5     | 27                    | 56             | 3                             | 59                                  | 19  | 325,424                                   |
| 77   | Lanka Salusala Ltd                     |                   |       |                       |                | n.a                           | 274                                 | -   | -   |
| 78   | Lanka Leyland Ltd.                     |                   |       |                       |                |                               |                                     |   | n.a                                       |
| Ministry of Irrigation & Water Management  |  |                   |       |                       |                |                               |                                     |   |   |
| 79   | Central Engineering Consultancy Bureau | 7.1               | 0.4   | -                     | 7.2            | 0.3                           | 984                                 | 649   | 659,553                                   |
| Ministry of Local Government & Provincial Council  |  |                   |       |                       |                |                               |                                     |   |   |
| 80   | Local Loans & Development Fund         | 253               | 1.2   | 927                   | 165.2          | (838)                         | 26                                  | 8   | 315,385                                   |
| Ministry of Nation Building & Estate infrastructure Development  |  |                   |       |                       |                |                               |                                     |   |   |
| 81   | National Paper Com. Ltd                | 142               | 1     | -                     | 245            | (102)                         | 663                                 |   | n.a                                       |
| Ministry of Plantation Industries  |  |                   |       |                       |                |                               |                                     |   |   |
| 82   | SL Rubber Manufac. & Export Corp.      | n.a               |       |                       |                |                               |                                     |   |   |
| 83   | Kalubovitiyana Tea Factory Ltd         | 458               | 23    | 2                     | 439            | 40                            | 171 <sup>9</sup>                    | 19  | 113,858                                   |
| 84   | B.C.C.Lanka Ltd                        | 72                | 28    | 0                     | 101            | (2)                           | 105                                 | 27  | 259,429                                   |
| 85   | Thurusaviya Fund                       | -                 | 0.2   | 14                    | 7.1            | (20.9)                        | 19                                  |   | n.a                                       |
| 86   | Tea Shakthi Fund                       | 1,036             | 4.5   | 0.9                   | 1,021.2        | 18.4                          | 124                                 | 21  | 172,481                                   |

Annex 5 Contd....

| S-No   | Public Enterprises                                 | Revenue<br>Rs. Mn |       | Expenditure<br>Rs. Mn |               | Surplus/<br>Deficit<br>Rs. Mn | Exis-<br>ting<br>Cadre <sup>2</sup> | Total<br>cost of<br>Employ-<br>ment<br>per Year<br>Rs. Mn | Annual<br>Cost per<br>Emple-<br>yee<br>Rs |
|--|--|-------------------|-------|-----------------------|---------------|-------------------------------|-------------------------------------|---|---|
|  |  | Oper-<br>ational  | Other | Capital               | Recu-<br>rent |                               |                                     |   |   |
| Ministry of Posts & Telecommunication                                    |  |                   |       |                       |               |                               |                                     |   |   |
| 87   | Sri Lanka Telecom PLC                              | n.a               |       |                       |               |                               |                                     |   |   |
| 88   | Janatha Estates Development Board                  | 813               | 300   | 25                    | 858           | 230                           | 6273 <sup>9</sup>                   | 447   | 71,242                                    |
| 89   | SL State Plantations Corp.                         | 536               | 37.8  | 14                    | 618           | (58)                          | 5925 <sup>9</sup>                   | 406   | 68,468                                    |
| 90   | Chilaw Plantations Ltd.                            | n.a               |       |                       |               |                               |                                     |   |   |
| 91   | Elkaduwa Plantations Ltd.                          | 228               | 20    | 42                    | 236           | (30)                          | 1,975                               | 236   | 119,494                                   |
| 92   | Kurunegala Plantations Ltd.                        | 356               | 50    | 10                    | 291           | 105                           | 1,300                               | 149   | 114,516                                   |
| Ministry of Rural Industries & Self Employment Promotion                 |  |                   |       |                       |               |                               |                                     |   |   |
| 93   | SL Handicrafts Board                               |                   |       |                       |               | n.a                           |                                     |   |   |
| Ministry of Supplementary Plantation Crops Development                   |  |                   |       |                       |               |                               |                                     |   |   |
| 94   | Palmyrah Development Board                         | 14.4              | 0.7   | 23.2                  | 72.3          | (80.4)                        | 204                                 | 45  | 22,817                                    |
| 95   | SL Cashew Corp.                                    | 73                | 4     | 44                    | 138           | (105)                         | 202                                 | 55  | 69,950                                    |
| 96   | Kantale Sugar Industries                           |                   |       |                       |               |                               |                                     |   | n.a                                       |
| 97   | Hingurana Sugar Indus.                             |                   |       |                       |               |                               |                                     |   | n.a                                       |
| Ministry of Trade Marketing Development Co-operative & Consumer Services |  |                   |       |                       |               |                               |                                     |   |   |
| 98   | Co-operative Wholesale Establishment (CWE)         | 76                | 115   | -                     | -             | -                             | 220                                 | -   | -   |
| 99   | Building Materials Corp.Ltd                        |                   |       |                       |               | n.a.                          | 116                                 | 39  | 336,983                                   |
| 100  | Lanka Sathosa Ltd                                  | 5,790             | 40    | -                     | 601           | 5,229                         | 800                                 | -   | -   |
| 101  | STC General Trading Co, Ltd                        | 894               | 77    | -                     | 893           | 78                            | 252                                 | 73  | 289,603                                   |
| 102  | State Trading Wholesale Estab. Company (Ltd)       | 203.26            | 0.18  | 0.16                  | 212.64        | (9.36)                        | 11                                  | 4   | 402,727                                   |
| Ministry of Vocational & Technical Training                              |  |                   |       |                       |               |                               |                                     |   |   |
| 103  | National Institute of Business Management          |                   |       |                       |               | n.a                           |                                     |   |   |
| 104  | Skill Development Fund Ltd                         | 4.99              | 23.88 | 0.073                 | 15.88         | 12.92                         | 25                                  | 8   | 322,669                                   |
| Presidential Secretariat   |  |                   |       |                       |               |                               |                                     |   |   |
| 105  | Information & Communication Tech. Agency of SL Ltd | -                 | 15    | 1,736                 | -             | (1721)                        | 79                                  | 20  | 259,203                                   |
| 106  | Hotel Developers Lanka Ltd                         | n.a               |       |                       |               |                               |                                     |   |   |
| 107  | Telecommunication Regulatory Commission            | 6245.6            |       |                       |               |                               |                                     |   | n.a                                       |

1. Revenue and Expenditure refers to total cash receipts and total cash payments for the year 2009, and thus the liquidity position of PEs is highlighted
  2. with Rs Mn 13,397.681 of subsidy receivable
  3. with Rs Mn 13,097.658 of subsidy receivable
  4. financial performance is given for the period April 2009 - December 2009
  5. Rs Mn 4.1 - net profit before tax, Rs Mn 2.5 - gvt commission for procurements- the main income is pending for 2009, thus operational income is minus
  6. cost per employee is calculated for an average of 956, since employees are on monthly contract basis
  7. total no. of employees is taken as an annual average of 32, since employees are on contract basis
  8. including checkroll employees
  9. Existing cadre include permanent, contract, casual & checkroll employees
- n.a - Not Available