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## **Vision**

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"To make Sri Lanka a center of development by creating suitable urban center where people could live, work, play and make their livelihood pleasant."

## **Mission**

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To formulate development plans for providing globally recognized fledged sustainable urban centers thereby achieving effective promotion, implementation and enforcement.

## Corporate information

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Legal Background	: Urban Development Authority is a body of corporate ,duly established on 06 <sup>th</sup> September 1978 under the Urban Development Law No 41 of 1978 enacted by the National State Assembly.
Head office	: Urban Development Authority 6 and 7 Floor, Sethsiripaya Battaramulla.
Telephone	: 0112875916-20
Fax	: 0112873637
Web	: <a href="http://www.uda.lk">www.uda.lk</a>
Email	: <a href="mailto:dg@uda.lk">dg@uda.lk</a>
Sub Office	: Refer page
Managing Board	: Mr P.A.I.S Perera Mr Jayantha Wickramasinghe Mr L.A.P Harshan De Silva Mr. Rohan Senewirathna Dr. B.M.S. Battagoda Dr. Priyath Bandu wickrama Dr. Nalaka Godahewa Mr.Jayantha samaraweera Mr. H.M. Gunasekara (up to 23.07.2012) Mr.K.W.Iwan De Silva Dr T.R.C. Ruberu . (up to 23.07.2012) Dr.Y.D.N. Jayathilaka Mr. T. Ashoka Peris Mr. K.D. Dhammika Perera Mr. D.T.P. Kollure (up to 23.07.2012) Mr. J.M.L. Jayasekara Mr. R.A.A.K. Ranawaka (from 24.07.2012) Mr. Anura Siriwardana (from 24.07.2012) Mr. Gotabhaya Jayarathna (from 24.07.2012 )

Banker : Bank of Ceylon

Secretary to the Board of Management : Director General, Urban Development Authority

Auditor : Auditor General

## Chairman's Review

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It is with the utmost happiness, I present annual Report and accounts of the UDA to the Board of Management for the year ended 31<sup>st</sup> December 2012. I present the result and performance of UDA in 2012 as mentioned below in brief.

### **Financial State**

Authority had achieved successful financial performance in 2012 and Rs.445 mn as profit before tax and Rs.191 mn as profit after tax. When the Authority is making a yielded of Rs.1,877 as Income for the year 2012 a yield of Rs.mn. 1,449 had been yielded in 2011. Accordingly, achieved growth of 25.54% relatively to the year of 2011.

### **Operations**

UDA has identified planning and physical development in the notified urban areas in Sri Lanka. It has performed several development activities in order to promote social and economic level in these areas. As examples, creating Facilities for public, commercial buildings, Office complex, urban embellishments can be mentioned. Priority of the Authority has been given to the Colombo town embellishment and development project in addition to the development projects of other areas. The development activities of Colombo town as a tourist haunting center have been initiated taking attraction of foreign investors for long term projects.

Constructing of 10,000 housing units begun in 2011 had been implemented in 2012 as the first phase of the proposal of 70,000 housing units estimated by UDA for low income families live in Colombo city.

### **Acknowledgement**

I convey my thanks to Director General, Deputy Director General, Directors and all the staff who contributed to achieve a success for UDA in this year. I bestow my heartfelt thanks for all government institutions, Auditor General Department, banks and other parties who gave their contribution to UDA.

Chairman  
UDA

## ***BOARD OF MANAGEMENT***

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**Mr. P.A.I.S. Perera (Chairman)**  
Final Stage of Association of  
Chartered Certified Accountant,  
Diploma in Accountancy,  
National Diploma in Finance (UK)

⌘ Chairman – Urban Development Authority

---

**Mr. Janaka Kumarajith Perera  
Kurukulasooriya (Observer)**  
B.Sc. Eng. (Hon.)  
MA (Econ)  
P.G. Dip in Port & Coastal  
Engineering (Norway)  
Chartered Engineer,  
F.I.E. (SL)

⌘ Additional Secretary, Defense & Urban Development Authority

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**Mr. Jayantha Wickramasinghe  
(Board Member)**

⌘ Chief Executive - Lanka Logistic & Technology

Higher Education in the fields of  
Accountancy & Business Studies  
at the Twickenham College of  
Technology, Middlesex , UK

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**Mr. L.A.P.Harshana De Silva.**

⌘ Chairman, Sri Lanka Land Reclamation and Development Corporation

**(Board Member)**

Chartered Architect  
SLIA I, SLIA II, SLIA III, AIA (SL)

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**Mr. Rohan Senewirathne**

**(Board Member Board)**

⌘ Additional Secretary (Technical), Ministry of Defense & Urban  
Development

BSc Eng (Hons)  
MBA, PG Dip (Com Tec),  
PG Dip (Electricity. Dist.),  
C Eng. MIE (SL), MIET, MIEEE

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**Dr. B.M.S. Batagoda**

⌘ Director General : Department Public Enterprises

**(Board Member Board)**

PhD in Environmental Sciences  
(UEA, UK)  
MSc in Natural Resources  
Management (MSU, USA)  
Attorney-at-Law  
BA (Hons) SL

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**Dr. Priyath Bandu Wickrama**

☞ Chairman, Sri Lanka port Authority

**(Board Member Board)**

BSc Eng (Hons)  
Mechanical Engineering  
University of Moratuwa,  
P.G. (Dip) Energy Technology  
University of Moratuwa,  
Chartered Engineer  
International University of  
America in United Kingdom  
PhD (Operations Management)  
Institute of Engineers Sri Lanka

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**Dr. Nalaka Godahewa**

☞ Chairman, Sri Lanka tourism Development Authority

**(Board Member Board)**

Ph.D, MBA  
B.Sc. Eng. (Hons)  
FCIM,  
FCMA  
CMA (Australia)

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**Mr. Jayantha Samaraweera**

☞ Chairman, National Housing Development Authority

**(Board Member Board)**

Diploma in Journalism  
University of Sri Jayawardenapura

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**Mr. H.M. Gunasekara**

☞ Secretary: Ministry of Education

**(Board Member Board)**

BA (Hon.) Economics,  
PG Diploma in Population Study,  
Diploma in Statistic (USA),  
MSc in Economics

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**Mr. K.W. Iwan De Silva**

☞ Secretary: Ministry of Irrigation & Water Recourses Management

**(Board Member Board)**

B.Sc. (Eng.) University of Peradeniya,  
M.Sc. Eng Sciences University of  
New South Wales.

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**Dr. T.R.C. Ruberu**

☞ Secretary: Ministry of Health

**(Board Member Board)**

MBBS University of Colombo,  
MS(ORL) University of Colombo,  
Royal College of Surgeons, England,  
MBA in Health Care Services Sikkim  
Manipal University India.

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**Dr. Y.D.N. Jayathilaka**

**(Board Member Board)**

☞ Secretary: Local Government and Provincial Council

MBBS, M.Sc. (Medical Admin)

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**Mr. T. Ashoka Peris.**

**(Board Member Board)**

BA (Hon.) Economics

☼ Secretary, Ministry of Land Reclamation and Development Corporation

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**Mr.D.K.Dammika Perera**

**(Board Member Board)**

NDT (Electrical & Electronics )  
Under Graduate University of  
Moratuwa

☼ Secretary, Ministry of Transport

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**Mr. D.T.P. Kollure**

**(Board Member Board)**

B.Sc. Master Degree in Public  
Administration

☼ Secretary, Ministry of Commerce and Industry.

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**Mr. J.M.L. Jayasekara**

**(Board Member Board)**

BSc in Estate Management &  
Valuation University of Sri  
Jayawardenapura,  
MSc in Town & Country Planning  
University of Moratuwa,  
Post Graduate Certificate in Traffic &  
Transtpost Planning University  
College London.

☼ Director General: Department of National Physical Planning Development

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**Mr. R.A.A.K. Ranawaka**

**(Board Member Board)**

B.Com (Special) Hon  
PGD in Management  
LICA of CASL  
MBA (Australia)

☼ Secretary: Ministry of Local Government and Provincial  
Council

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**Mr. Anura Siriwardana**

**(Board Member Board)**

B.Sc. in Biological Science  
MBA

☼ Secretary: Ministry of Commerce and Industrial

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**Mr. S.M.Gitabhaya Jayarathna**

**(Board Member Board)**

M.Sc.(Regional Planning) Asian Institute of  
Technology, Thailand  
PGD (Regional Planning) West Germany  
B.Com (Special) Degree, University of Kelaniya  
Certificate of Public Administration (one year)

☼ Secretary: Ministry of Education



*Mr. K.E.V.N. Fernando*

⌘ Director General (Acting) : Urban Development Authority

**(Secretary to Management Board)**

B.Sc.(Built Environment) – 1982

M.Sc. (Architecture) – 1985

M.Sc. (Urban Dev. Plan.) 1991

PG Diploma (EIA)

PG Diploma (URH)

PG Diploma (HWM)

FIA (SL) SLIA Fellow Member

MITP (SL) ITPSL Corporate Member

RIBA Member

## KEY PERSONNEL 2012

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**Chairman**

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Mr. Nimal Perera

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**Director General (Acting)**

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Mr. K.E.V.N. Fernando

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**Additional Director General**

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Brgd.J.M.S.S. Jayasundara

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**Deputy Director General (Planning)**

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Mrs. I.S.Weerasuriya

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**Deputy Director General (Finance)**

---

Mr. W.L.D.P.V.Jayawardana

---

**Deputy Director General**

---

Mr. A.M, Weerasena

---

**Director (Finance)**

---

Mrs. K.A.T.M. Damayanthi

---

**Chief Internal Auditor**

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Mrs.M.V.S.K. Manodara

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**Director (Human Resource Management)**

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Mr. L.T. Kiringoda ( Up to 21.03.2012)

Mr. W.A.S. Sumanasuriya ( From 22.03.2012)

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**Director (Law)**

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Mrs. M.W.A.K.S. Wijesuriya

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**Director (Development Planning)**

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Mr. L.T. Kiringoda

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**Director (Geographical Information System & Monitoring )**

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Mrs. P.G.P. Gamage

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**Director (Land Development and Management)**

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Mr. A.M. Weerasena ( Up to 19.12.2012)

	<u>Mr. H.A. Dayananda ( From 20.12.2012)</u>
<b>Director (Project Management)</b>	Mrs. Renuka Wickramasinghe ( Up to 2012.09.23)
	<u>Mrs. Champika De Silva ( From 2012.09.24)</u>
	<u>Mrs. Champika De Silva (Up to 2012.09.23)</u>
<b>Director (DPM&amp;C)</b>	<u>Mrs. Renuka Wickramasinghe (From 2012.09.24)</u>
<b>Director (Enforcement)</b>	<u>Mr. G.W.G. Abegunawardana</u>
	<u>Mr. D. Hettiarachchi (Up to 2012.01.12) Mr. K. A. D. Chandradasa ( From 2012.01.13 Up to 2012.06.11)</u>
<b>Director (Environment &amp; Landscaping)</b>	<u>Mrs. C. K. S. Kalupahana ( From 2012.06.12)</u>
	<u>Mrs. N. S. Kusumseeli ( Upto 2012.06.11)</u>
<b>Director (Property Management &amp; Recovery)</b>	<u>Mr. K. A. D. Chandradasa ( From 2012.06.12)</u>
<b>Director (Engineering Services)</b>	<u>Mr. L. A. D. J. Sisira Kumara</u>
<b>Director (Rest houses Management )</b>	<u>Mr. A. S. Sri Chandran</u>
<b>Director (Technology)</b>	<u>Mr. A. N. Disanayaka</u>
	<u>Mrs. S. D. Ariyathilaka ( Up to 2012.06.07)</u>
<b>Director (Western Province)</b>	<u>Mrs. N. S. Kusumseeli ( From 2012.06.12)</u>
	<u>Mr. K. A. D. Chandradasa ( Up to 2012.01.12)</u>
<b>Director (Eastern Province)</b>	<u>Mr. H. A. Dayananda (2012.01.13 –</u>

2012.09.23)

Mr. L. A. D. Gamini ( From 2012.11.06)

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**Director (Northern Province)**

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Mr. N. Rajanayagam

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**Director (Sabragamuwa Province)**

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Mr. W. Gunarathna ( Up to 2012.03.25)

Mr. P. D. K. Pathirana ( From 2012.03.26)

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**Director (Central Province)**

---

Mr. H. A. Dayananda ( From 2012.01.12)

Mr. D. Hettiarachchi ( From 2012.01.17)

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**Director (North Central Province)**

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Mr. D.M.B. Ranathunga

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**Director (North-west Province)**

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Mr. W.J.Senewirathna

---

**Director (Matara District)**

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Mr. M.D. Sumathipala

---

**Director (Galle District)**

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Mr. C.K.S. Basnayaka

---

**Director (Uva Province)**

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Mr. M.P. Ranathunga

---

**Director (Southern Province)**

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Mr. L.N.N.A. Samarasinha (From 18.12.2012)

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## OVERVIEW

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Sri Lanka is moving in to an intensive urbanization access after terminating the war prevailed upon 3 decades. A respective chapter has been apportioned for urban development in the intention of achieving the purpose of wonder of Asia. However, it is expected to gain a development taking attraction of the foreign investors to the Urban Centers in Sri Lanka in the intention of formulating sustainable, systematic, fair urbanization. Colombo town, being the commercial and financial center of the country, is the international access channel to step in to Sri Lanka. It is expected to Promote Colombo Town and other major cities, environment - friendly with modification as commercial hubs in South Asia and as in middle income countries.

Even if the majority of the country is represented in rural areas, approximately 65% of the population is depended on economy based on urban areas. As examples, 88% and 88.8% out of Gross National Product were reported from the sections of product, construction and services based on urban areas respectively in 2011 and 2012. About 43.4% out of Labour force was represented in urban areas in 2011. According to the National physical plan, currently 35% of total population lives in the areas declared as towns. It is expected to reach up to 50% in 2015 and up to 70% in 2030.

The necessity of the UDA is vital as the pioneer of the urban development process. Authority represents all development projects implementing and policy formulating, controlling development activities, acquiring real estate and vesting in the urban areas declared by the authority. Authority play an important role in achieving sustainable systematic and fair urbanization in the security of urban development in Sri Lanka.

Minor and major cities are the engine of economic growth and lodestone of migration. The special focus on developing Colombo town is a salient feature. Colombo metropolitan urban development project was planned to promote economic activities and overall land consumption in metropolitan areas and decreasing adverse physical and social effect of flood in Colombo metropolitan area. A competitive environmental situation which is helpful to create better life environment complying to demand for quality services in the metropolitan areas, will be created. As a result of this, It is planned to set up Hambanthota, Dambulla and Trincomale main towns as commercial trade centers and Colombo metropolitan and suburbs as chief trade center.

UDA had been set up as corporate institution under the rules and provisions of urban development authority No 41 in 1978 and Rs. 20 Mn has provided from consolidated fund as a fundamental capital in order to formulate plans in declared urban areas and achieve physical, social and economic development. Authority has a Constitutional power and ability to spend own money for generating income and services through assets and by invests. Thereby , Authority has the power to accumulate funds through debenture issue .According to the consolidated balance sheet for 31/12/2012, entitlements and liabilities except current liabilities were Rs.20,557 mn. and it was comprised of Rs.10,000 mn debentures, net government contribution and Rs.2,500 mn temporary debts.

The year of 2012 was a challenged year to UDA on this matter and it contributed to play salient role in development sections.

## OVERALL PERFORMANCE

### Physical development and planning in notified urban areas

The power has been assigned to the Minister of Urban Development to declare urban development areas occasionally with the national policy frame for urbanization of No 41 Urban Development Authority act in 1978. UDA had been set up with few urban development areas in 1978 and currently it had transferred in to 242. Following areas have been declared as urban development areas in 2012.

District	Area
Polonnaruwa	Pradeshiya Sabhava- Madirigiriya
Rathanapura	Urban Council - Balangoda

Following areas has been inserted in to formulating development plan for better physical and economical benefits by UDA in 2012.

District	Local Authority	Completed phase	
		Drafts	Completed
Kandy	Dambulla,Nawula,Nalanda,Galewela,Sigiriya,Habarana, Madatugama		✓
	Nawalapitiya	✓	
	Urban Council- Wattegama	✓	
Kegalle	Pradeshiya Sabha- Rambukkna		✓
	Yatyanthota	✓	
Polonnaruwa	Urban Council-Pollonnaruwa	✓	
Rathnapura	Pradeshiya Sabha - Eheliyagoda	✓	
	Pradeshiya Sabha - Kahawaththa	✓	
	Urban Council - Balangoda	✓	
Colombo	Urban Council - kolonnawa	✓	
	Municipal Council - Moratuwa	✓	
Galle	Urban Council - Ambalangoda	✓	
Matara	Urban Council - Weligama	✓	
	Hakmana	✓	
Putlam	Urban Council - Chilaw	✓	
Kurunegala	Urban Council - Kuliapittiya	✓	
Kaluthara	Panadura	✓	
Gampaha	Aththanagalla		✓

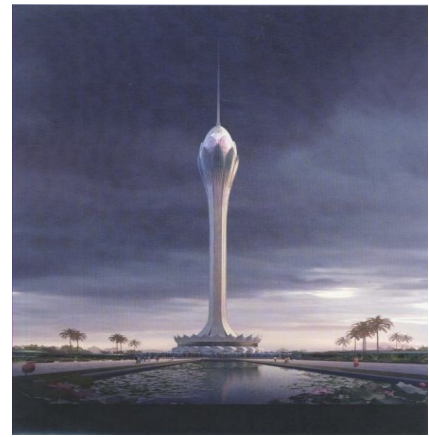
## **Physical Developments**

UDA has basically focused on implementing development projects in main towns, beautification town and drawing tourist attention in 2012. Following development projects have been implemented by the Authority in this year.

### **Multi- purpose television and telecommunication tower (Lotus Tower)**

According to the development plans of UDA, it has provided accommodations as the chief facilitator for the project which is implemented by the Sri Lanka Telecommunication Commission. The fundamental planning has been done by the contribution of local architectures of the faculty of architecture in Moratuwa University and the indigenous technology was expected to use for the project.

It is estimated that the cost of entertainment center and the Multi- purpose Telecommunication Tower which is Rs.350 mn in height, is approximately USD 104 Mn. It is proposed to be constructed by the telecommunication commission with the aid of China Republic. This project is constructed under 04 phases and spread on 3.06 hectares land area.



In connection with this project, constructing vehicle park for Rail way department, Constructing store building ,vehicle park for postal department ,constructing driver's rest room, innovation of building possessed tractor corporation are to be performed by UDA. Estimated total cost is Rs.43 mn. Driver's rest room of the postal department have been successfully completed by the end of 2012.

### **Re-development of Panadura Market**

Main purpose of this project is to initiate commercial development in Panadura town. Project is launched in procurement of Panadura urban council fund. Estimated total cost is Rs.159 mn and respective architectural works have been successfully completed by the end of the year. According to the point of view of UDA, benefits of providing better facilities for consumers and shop owners are expected to achieve.



### **Re-Development of Navam Mawatha and Perahera Mawatha (surrounding Berewewa)**

This project is to be launched in the purpose of providing entertainment facilities under the Colombo town development program. The estimated total cost is Rs. 53mn. Creating works have been completed by the end of 2012. The main purpose of the project is to provide better facilities for public and promoting embellishment of Colombo town. The remained works are to be performed by the Colombo Municipal Council.

### **Mahiyangana Bus stand Project –Phase 11**

This project was launched for transport and commercial developments. The project is implemented under the procurement of UVA Wellassa development fund. Estimated total cost is Rs.19 mn.

Constructions work is in progress under this project and 98% of total project has been completed by the end of 2012.

### **Re-development of Laundry Station in Navam Mawatha**

This project was implemented under the Colombo town beautification program. Constructing a new vehicle park, an area for ironing and washing for the people who employ in them, are included under the project. Budgetary overall cost for phase 1 is Rs. 49 mn and for the phase II budgetary allocation is Rs. 11 mn. for Phase 11. 90% out of storage and ironing facilities of the total project has been completed. According to the point of view of UDA, following benefits are expected to achieve.

- Creating a better working place for the employers who employ in this profession
- Generating new income source for UDA
- Creating a better environment surrounding the Navam Mawatha

### **Constructing water drainage system and Laverty system for Madampitiya Housing unit**

This project is implemented under housing development of Colombo town development program. Estimated total cost is Rs. 6.42mn. Relevant facilities have been completed by the end of 2012 and overall cost is Rs.5.8 mn. Authority procures fund for the project. According to the point of view of UDA, following benefits are expected to achieve.

- Providing healthy facilities for public
- Resettling low income people with eligible housing facilities in Colombo town

## **Commercial and environmental developments**

Authority has launched a bunch of program for commercial and environmental developments in 2012. Development projects have been performed in order to generate new income for the authority as commercial projects. Following projects implemented under the main project, are unique.

### **Sethsiripaya Phase 11**

The purpose of the project is to provide office facilities for the government institutions which are currently located in Colombo town suburbs on rental basis. Decreasing traffic congestions and facilitating better access for public can be done by centralizing government institutions in to a respective area. Sethsiripaya phase 11 is constructed with 13 floors and a basement, well equipped with modern facilities and estimated total cost is Rs.3.5 bn. Project had been successfully completed and the complex was opened to the public by his Excellency president Mahinda Rajapaksha on 18<sup>th</sup> of May 2012. Office accommodations have been given on rental basis by the end of 2012.



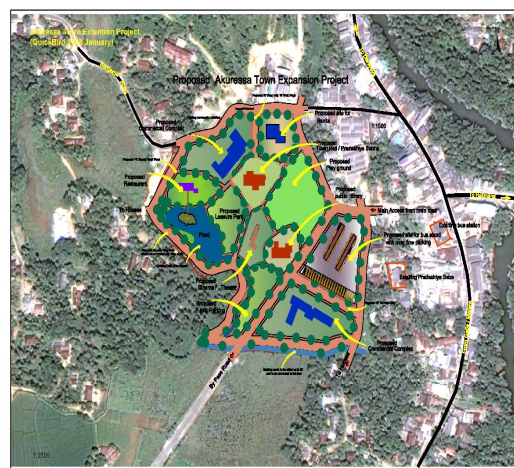
### **Urban wet land park – Nugegoda**

This project is launched as entertainment and urban development under the Colombo town beautification program and the project is implemented under the procurement and land entitlement of UDA. The main purpose of the project is to decrease and control flood in Nugegoda town and the project is implemented under the western province wetland plan. Overall project is spread over 16 hectares land area and the estimated cost is Rs.81.6mn. Project has been successfully completed by the end of 2012. By implementing this project, it is expected to achieve such social benefits as maintenance of urban open areas, Urban beautification and creating Jogging tracks and promoting life condition of people.



## Akurassa town expanding project

This project is implemented as a commercial development program for developing akurassa town. The project is located in Akurassa divisional secretary area 22 Km from Matara. Akurassa town has been identified as a secondary town and high urban zone under the southern physical plan. Overall estimated cost is Rs. 212 mn. and funds are provided by UDA. 15 archers land area has been acquired for the project. Bus stand with shopping apartments, commercial and financial institution and a vehicle park are proposed to set up. Filing works of the project has been initiated by the end of 2012. According to the point of view of UDA, Following benefits are expected to provide.



- Using lands environment- friendly by protecting National environment
- Providing land for urban development
- Giving an opportunity of urban development for private sector
- Decreasing congestions in the center of town
- Promoting entertainment facilities
- Giving a Solution for traffic congestions

## Hambanthota Urban development

Following development projects were implemented in order to develop Hambanthota town.

Project name	Estimated Cost (Rs.mn.)	Fund procurement
Vehicle parking project- Hambanthota	9.7	UDA
Children park - Hambanthota	5.8	UDA

The Vehicle park project in Hambanthota out of above projects is implemented to provide commercial facilities and children park project is implemented to provide entertainment facilities. The projects are executed in procurement of funds of UDA. Children park project has been successfully completed at the end of 2012 and filing works of vehicle park project have been completed. A new income will be generated by implementing these projects.

### **Beach Garden project – Matara**

This project is comprised of 03 phases and funds are provided by coastal conservation department and the project is implemented under Matara Urban development program. Land area of the coastal bed was modified as first phase by the end of 2012 and cost of Rs.6 mn. has been expended for the works. Benefits which are expected to achieve by implementing the project, are

- Beach area beautification
- Creating an open entertainment area for public free of charge
- Providing entertainment facilities for children
- Promoting life condition of people

### **Jayasinghewatta Market Complex - Tangalle**

This project which is implemented by the funds of UDA is executed as commercial development under Tangalle town development program. 36 shops in ground floor and 36 shops in first floor are expected to set up in the project. The estimated overall cost is Rs.81 mn and constructing 36 shops in the ground floor has been successfully completed. Rs. 50 mn has been expended for the task. The main purpose of the project is to provide commercial facilities for trade union in Tangalle town.



### **Gannoruwa Road, Peradeniya**

This project was launched under the kandy town development program. The project is to be performed under 03 main phases. One kilometer jogging track is the first phase and the shopping apartments are to be constructed under second phase. A cafeteria is to be proposed under third phase. The estimated overall cost is Rs101.75.mn. 25% out of total project has been completed by the end of 2012. Protecting river bed from erosion, limiting trespassing and town beautification, are expected to achieve as benefits of the projects.

### **Board walks food court – Watersedge - Battaramulla**

This project was launched for entertainment and urban development under the Colombo town beautification program. The project is implemented by UDA. Fundamental planning works have been done by Sri Lanka Land Reclamation and Development Corporation. Constructing food court, jogging track, land areas eligible for exercises and attractive ornamented fish pond in the front region of Waters Edge – Battaramulla have been done under this Rs. 67.81 mn has been cost for the project and it has been successfully completed by the end of 2012. According to the point of view of UDA, it is expected to create a healthy environment under the project.

### **Urban Development (constructing Open turf – Thummulla)**

This project is executed to develop a vehicle park area and promote environmental landscape. The project is situated in Thummulla Junction. Total estimated cost is Rs 1.4 mn and planning works have been completed. According to the point of view of UDA, Following benefits were expected to gain by the end of 2012.

- Creating attractive green area
- Providing vehicle parking facilities
- Assisting to enhance life condition of the public

### **Consultancy services provided in the year**

Outside parties are involved to various project of urban development rendering knowledge of architectures and draftsmen of UDA and funds for them are granted by various parties. Details on several development projects which are included consultancy services provided by UDA in 2012, can be mentioned as follows in brief.

<b>Project Name</b>	<b>Estimated cost (Rs.mn.)</b>	<b>Fund procurement</b>
Bus stand Development Project - Delgoda	57.00	Road passenger transport Authority- western province
Road passenger transport Authority- western province	491.93	Road passenger transport Authority- western province
Gunasinghepura Bus Stand Development Project -Phase 1-11	15.00	Road passenger transport Authority- western province
Panadura Bus Stand Development Project – Phase 1	59.00	Road passenger transport Authority- western province

Project Name	Estimated cost (Rs.mn.)	Fund procurement
Wholesale fish market - Trincomale	77.00	Ministry of Fisheries
Mahiyangana Market Development Project.	3.25	Pradeshiya Sabha-Mahiyanganaya

Main purpose of the above projects was to generate better transport and commercial development in those towns. As a result of implementing aforesaid projects, benefits of better transportation for commuters, creating better transportation facilities in that town areas, creating well planned systematic urban area and promoting social and economic status of the

Head office building for Road passenger transport Authority-western province



Gunasinghepura Bus stand development



Panadura Bus stand development Project

## **Treasury Funded Projects**

Annually Treasury procures funds to UDA in order to implement development projects in various identified areas in the country. Details on unique project out of development projects implemented by UDA under the procurement of Treasury funds can be traced as follows.

### **Sellakatharagama sacred land Development**

This project was implemented in the intention of nurturing efficiency in the town keeping sacredness and historical Value in the area and removing dilapidated buildings and non-permitted buildings. Project is to be performed under 02 main phases and 160 large size shop apartments are to be constructed under the first phase and 25 small size shop apartments are to be constructed under



phase 11. Estimated total cost for the project is Rs. 236 mn and funds are procured by Treasury. Phase one of the overall project has been successfully completed by the end of 2012 and 75% of the Phase 11 has been completed and Rs. 230.63 mn. has been expended for this.

### **Leelarathna Play Ground**

The main purpose of the project is to provide a play ground for the people who live in Kanthale area and the project is implemented in procurement of funds of Treasury. The estimated cost for the project is Rs.86mn. and Planning has been done by UDA and construction has been done by Central Engineering consultancy Bureau. 80% of the overall project has been done by the end of 2012.

### **Re-development of Radampola Service Center**

This project which is implemented for development of Dikwella town is situated in pradeshiya Sabha - Dikwella located about 15 km from Matara town. Providing commercial service for that judicial area including Beliatta divisional secretary area of Hambanthota District has been accomplished under this project. Total estimated cost was Rs.31 mn and Rs. 28.88 mn has been expended for project by now. Funds for the above development was procured by the Treasury. Project has been completed by the end of 2012. According to the point of view, Following benefits are expected to achieve.

- Providing commercial facilities for public
- Providing transportation facilities
- Promoting entertainment facilities

### **Ruwanweli stupa vehicle park development project - Anuradhapura**

This project is launched under the program of Anuradhapura sacred place development. The main purpose of the project is to provide sanitary facilities and well protected Vehicle Park for local and foreign worshipers who come to worship Anuradhapura sacred place. Estimated total cost is Rs.22 mn and Rs.5 mn has been expended for the project by the end of 2012. 75% of constructing 50 Flower selling stalls of the first phase has been completed and 60% of filling works for the 2<sup>nd</sup> phase have been completed by now.

### **Shopping Complex – Badulla**

Two stored shopping complex with Vehicle Park and vegetable shop is to be constructed under the project launched as commercial development under the Badulla urban development program. The estimated cost for the project is Rs.100 mn and funds are granted by Treasury. 95% of the overall project has been completed by the end of 2012. The main purpose of the project is to facilitate vehicle parking with commercial accommodation for the people of Badulla district.



### **Small scale and Medium scale urban development Project**

This is a new program that has been launched in order to implement development program in various identified areas in the country in 2012. Funds are procured by UDA. Urban development affairs are mainly expected to perform under this project. Constructing bus stands, Playgrounds and children parks, shopping complex are salient development projects among them. These projects are implemented as short term projects and Labour contribution of the Army soldiers is utilized. Details on several projects that have been launched by UDA in 2012 can be mentioned below.



## **Urubokka town development Project**

This project is located in Matara-kotapola main road 60 Km from Matara town in Pasgoda divisional secretary area and was implemented under Urubokka town development. Short, medium, long term development projects are identified under this project.

- Constructing a Bus Stand
- Constructing a Shopping complex
- Constructing a Driver's rest room
- Constructing a Play ground and a Children Park
- Constructing new roads, ponds and a clock tower

Total estimated cost is Rs.115 mn and Rs.10.5 mn has been expended for the project as at 2013. Constructing bus stand out of above projects has been successfully completed and constructing plays ground and Children Park has been begun by now.

## **Kotuwegoda Market area development project**

This project is also launched to develop kotuwegoda market area under small and medium scale urban development program. The project is comprised of 3 phases and funds are granted by UDA.

- I. innovating Daily market building and kotuwegoda market building.
- II. Constructing new fish stalls and temporary 10 shopping building
- III. Constructing office and market complex

Total Estimated cost of the project is Rs.10.4mn. Repairing daily market and Kotuwegoda market buildings out of whole project and constructing temporary 10 shopping stalls have been completed. According to the point of view of UDA, Following benefits are expected to achieve.

- Providing commercial Facilities for people
- Providing vehicle parking facilities
- innovating old buildings
- Developing Open areas
- Constructing new 10 feet road to connect new Tangalle road with Matara sea side road.

## **Diyathalawa Town development**

This project is consisted of 3 phases and has been launched under Diyathalawa town development program funded by UDA. Phase 1 is Boralanda hospital Mawatha innovation, phase 11 is to innovate army college Mawatha, and phase 111 is to innovate public food court. Estimated total cost is Rs. 10 mn, Rs.10 mn, Rs.6.4 mn respectively for first three phases. phases 1 and 11 out of the project have been successfully completed by the end of 2012. According to the point of view of UDA, Following benefits are expected to achieve.

- Enhancing town aesthetically
- Promoting access within the town
- Promoting efficiency among various sections of the town
- Enhancing security conditions in the town

## **Rabukkana Town development Project**

This project is implemented under Small and medium scale urban development project for development of Rambukkana Town. This project is situated in Rambukkana Pradeshiya sabha area. Following projects are expected to launch under the main project.

<b>Description</b>	<b>Estimated total Cost Rs.mn.</b>
Expanding road with water drainage	270.98
Developing landscape of railway station	15.50
Development of week fair and plantain market	51.00
Innovation of exhibition building	3.00
Constructing railway fence	0.85

Benefits of the projects are decreasing traffic congestion, expanding vehicle parking accommodations, urban beautification through developing landscape over main road and railway, constructing shopping stalls and creating systematic urban background can be achieved.

## Puranaguma Project

The main purpose of the project was to promote the life condition of rural community and the new concept was introduced by Sri Lanka Government in 2012. Puranaguma project can be introduced as a dynamic program which afforded to promote pradeshiya sabhas of low life condition identified by a survey done with all pradeshiya sabha. This concept is proposed to implement in 07 identified provinces.

Contribution of UDA for the project is to formulate building plans in relevant pradeshiya sabhas and provide consultancy services on construction as the pioneer of urban development. Agreement was signed by UDA with the implemented parties by the end of 2012 as the first phase of the project. Details on several projects of which consultancy services are provided by UDA under Wayaba Provincial council, can be shown below.

<b>Puranaguma Project</b>	<b>Estimated cost (Rs.mn.)</b>	<b>Fund procurement</b>
<b>Polpithigama-</b> <ul style="list-style-type: none"> <li>▪ Public Laverty facilities development</li> <li>▪ Week fair development</li> <li>▪ Developing Phase 11 of Library building</li> <li>▪ Construction and innovation of Pradeshiya Sabha Office complex</li> </ul>	1.6 5.0 10.0 33.4	Pradeshiya Sabha- Polpithigama
<b>Giribawa-</b> <ul style="list-style-type: none"> <li>▪ Public Laverty facilities development</li> <li>▪ Week fair development</li> <li>▪ Development of Pradeshiya Sabha building complex</li> <li>▪ Bus stand development</li> </ul>	7.70 28.66 12.70	Giribawa Pardeshiya sabha
<b>Bingiriya /Bowaththa -</b> <ul style="list-style-type: none"> <li>▪ Public Laverty facilities development</li> <li>▪ Development of Pradeshiya Sabha building complex phase 11</li> <li>▪ Week fair development</li> </ul>	2.0 25.0 23.0	Bingiriya Pradeshiya sbaha
<b>Wanathawilluwa -</b> <ul style="list-style-type: none"> <li>▪ Constructing pradeshiya sabha building complex</li> </ul>	23.7	Wanathawilluwa Pradeshiyasabha
<b>Chilaw/Madampe -</b> <ul style="list-style-type: none"> <li>▪ Week fair development</li> </ul>	13.8	Pradeshiya sabha -Chilaw

<b>Puranagama Project</b>	<b>Estimated cost (Rs.mn.)</b>	<b>Fund procurement</b>
<b>Ridigama –</b> ▪ Bus stand and the Multi storied building	36.7	Ridigama Pradeshiya Sabhawa

As people in that area can enjoy economical and social benefits, commercial and social development can be seen in pradeshiya sabha areas by implementing above mentioned projects and objectives of the project can be easily reaped.

### **Housing program for low income people**

More than 50% out of Colombo urban population live in slums and shanties and dilapidated houses and extent of employment out of them is about 9%. Approximately 70,000 Low income families have been identified by a survey done by UDA currently. They are lack of healthy surrounding and basic infrastructures such as water, electricity and sanitary facilities.

This housing project has been inaugurated in the intention of granting better home for low income families under Mahinda chinthana and ten year development policy frame of UDA. Authority has represented as chief planner, controller and administrator to provide infrastructures, eligible lands and provisions for the program.

It is expected to set up commercial centers and establish relevant towns as commercial centers in South Asia by changing settlement landscape of the country and gaining investment attraction. It is expected to grant better home for shanty dwellers in Colombo town by the end of 2020.

Approximately 350 Archers out of primary lands are to be released for trade and mixed development under this program. Participation of private and public sector is also a vital factor to implement this project.

As a result of above activities, following housing project has been begun.

<b>Project name</b>	<b>Quantity of land expected to be released (Archers)</b>	<b>Housing units to be constructed</b>	<b>Estimated cost (Rs.mn.)</b>
Mayura place housing Project	p. 68	120	415
Housing project - Dematagoda	5	500	1,320
Salamulla Housing Project - Phase I Phase II	3	216 792	2,520
54-66 watta housing project	4	1,152	2,915
Henamulla Housing Project	3	1,137	2,900
Maligawatta Housing Project – Phase I Phase II	9	768 1,536	1,920 3,840

Project name	Quantity of land expected to be released (Archers)	Housing units to be constructed	Estimated cost (Rs.mn.)
Aluth Mawatha Housing project	4.5	1,248	3,355
Kolonnawa Housing project	3	676	1630
Siril C Perera Mw. Housing project	1.5	366	915
Ferguson Rd. Housing project	3	872	2,180
Edirisinha waththa Housing project	4.5	546	1,365
31 waththa Orugodawaththa Housing project	60 perches	36	1,365
Thachchiwaththa Housing project – phase – I } phase - II }	1	34 34	91
Housing project at Angoda Hospital premises	5	500	1,070



## Management and Sale of Assets

According to the provisions of UDA act, any area that is declared as urban development area, can be acquisitive for the benefit of public and any land remained can be leased, rented, assigned and sold for the purposes of urban development on the approval of relevant Minister.

Assets Classification of Urban Development Authority is a collection of commercial lands, public parks, open areas, mutual entitlements of land development institutions. UDA is established up on social responsibility and Independence Avenue, areas surrounding Galle face, main open areas are maintained by it in order to perform that social responsibility and financial provisions for that are done on nominal incomes of assets mentioned above. However, market value has to be charged on commercial assets belonged to Authority due to current maintaining expenditures.

Details on land acquisition and vesting by UDA can be shown as below.

### Land acquisition

Description	Land quantity A.R.P	Purpose of the acquisition	The institution acquired
Dambulla	1 - 36	For sacred land developments	UDA
Dambulla	2 - -	- Do -	- Do -
Dambulla	1-1-37	- Do -	- Do -
Nuwaraeliya	2 - 2 -	Race course ground for development	- Do -
Kasbewa	1 - 30.29	Makulauwa play gound development	- Do -
Kadawatha	- - 14.75	Kadawatha town development	- Do -
colombo	8-3-3	Race course ground for development	- Do -
Colombo	1-1-23	Dutch hospital building development	- Do -
Colombo	1-1-13.56	Transwork building development	- Do -

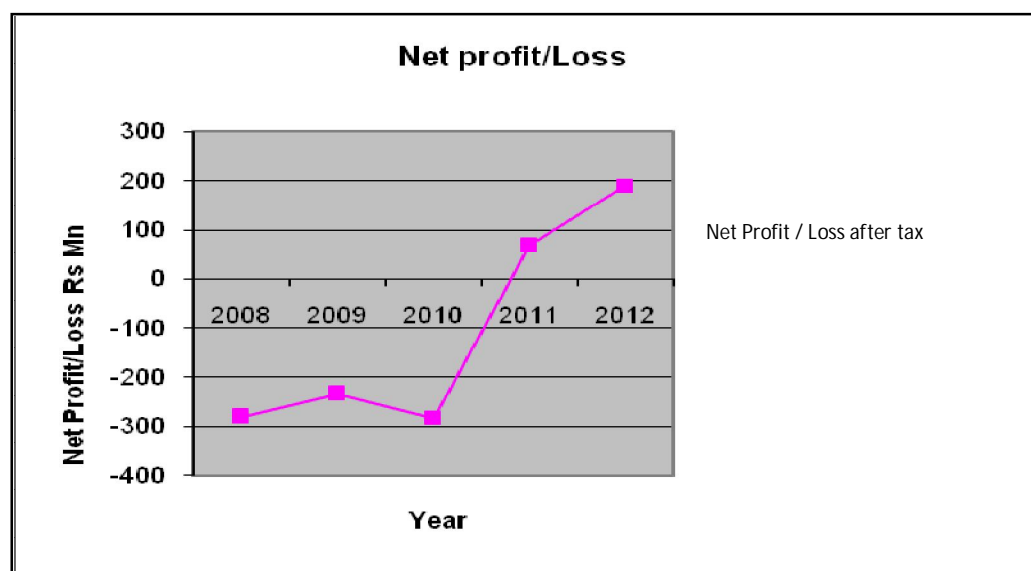
## Land vested

<b>Description</b>	<b>Location (District)</b>	<b>Land vested Method (Leasing,Grant,Sale)</b>	<b>Institution vested</b>
Dutugemunu Mawatha Housing Program ,Paliyagoda	Gampaha	sale	restoration
Wickramasinghepura and Madiwela Housing project – Battaramulla	Colombo	sale	-do-
Wickramasinghepura Housing project	Colombo	sale	-do-
Liyanage Mawatha-Palawaththa	Colombo	sale	-do-
IT park Malabe	Colombo	lease	-do-
Pradeshiya Sabha- Mathugama	Colombo	lease	-do-
Ceno Lanka hotel project	Colombo	lease	Bank of Ceylon
Land project of Colombo Commercial corporation	Colombo	Lease	Standardized services Department
Ragama town development project	Gampaha	Lease	Ministry of science and technology
Dambulla Rest	Dambulla	Lease	Mr J Liyanage
RDA	Colombo (Wellampitiya)	Lease	RDA

## Financial performance

### Profitability

UDA has recorded excellent growth in sections of income, profit and assets in 2012. Authority had recorded Rs.445mn as profit before tax and Rs.190 mn as profit after tax. This is a 132% growth in parallel to last year.

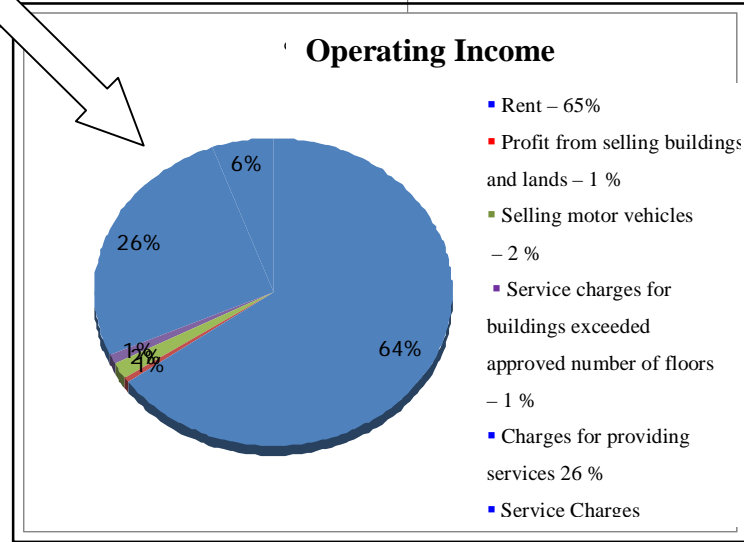
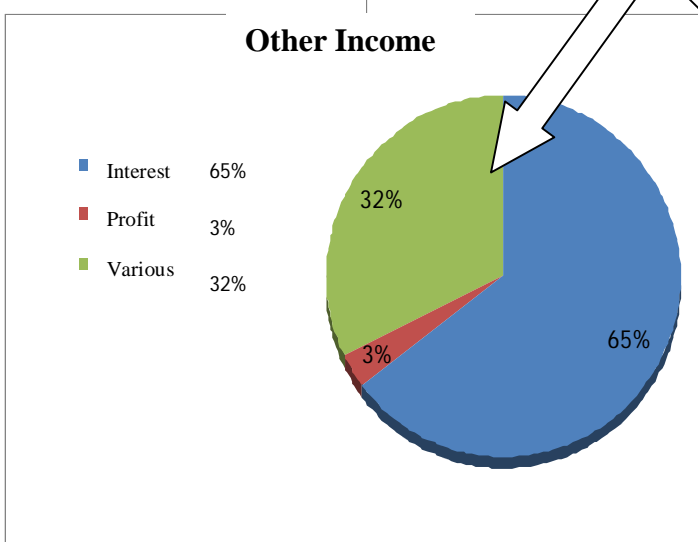
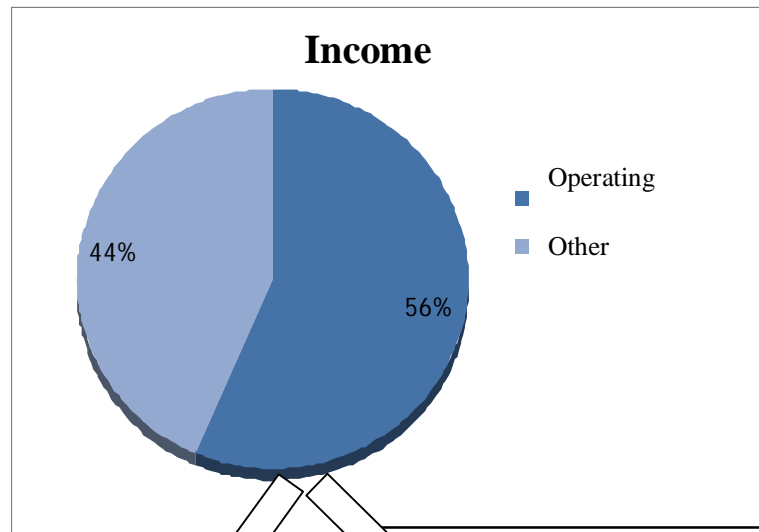


### Income

Total income of the Authority is consisted with income, rent, land vending, charges for services, interests and dividends.

Income category	2012 Rs.mn.
Operating Income	1,055
Other income	822

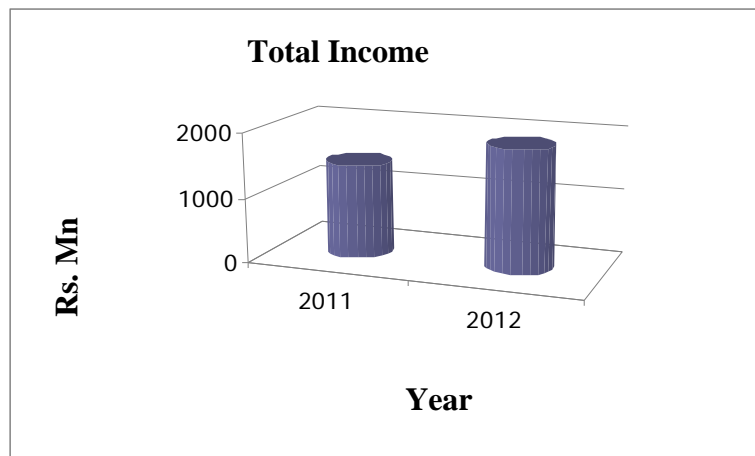




### Income growth

As a result of promoting control system in Authority, the income during 2012 is Rs.1,877 mn and it was Rs. 1,449 mn in 2011. Accordingly it is a 25.5% income growth in compared to last year.

Year	Income Rs Mn
2011	1,449
2012	1,877

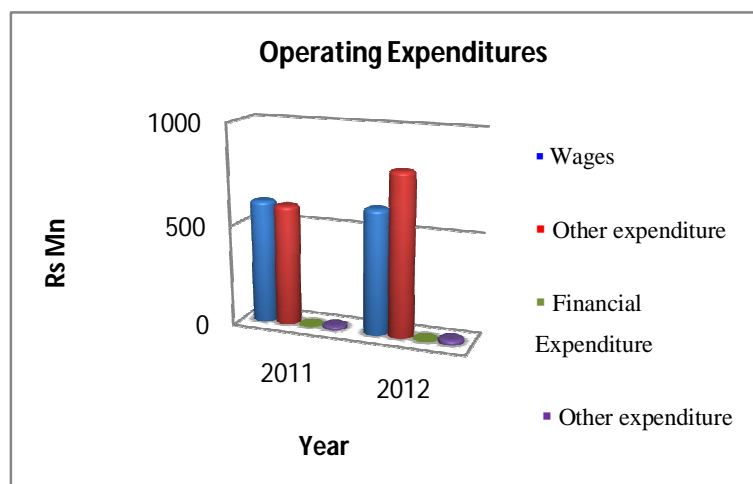


## Expenditures

Administrative expenditures recorded as Rs. 1,423 mn in 2012 and it had been recorded as Rs. 1,210 mn during 2011. It shows 18.48% growth of Administrative expenditures compared to the previous year.

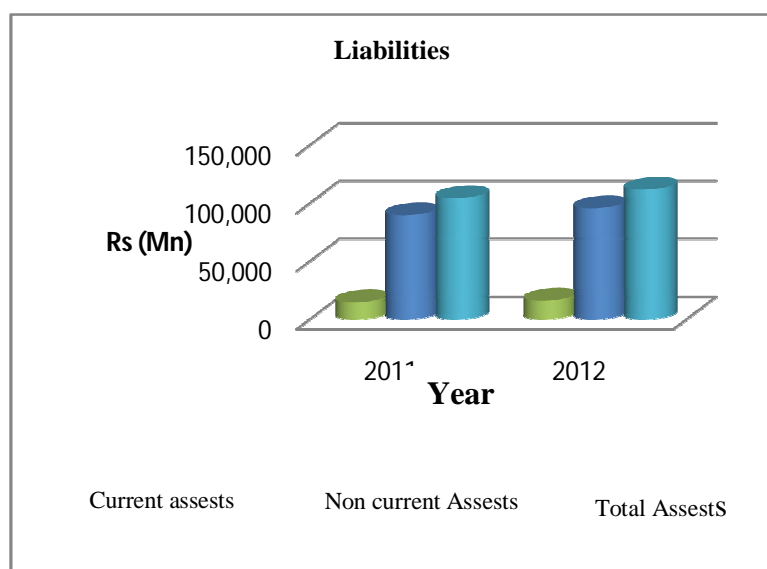
### Expenditure summary

Type of Expenditure	2011	2012
Wages	604	618
Other Administrative expenditure	597	805
Financial Expenditure	2	1
Other expenditure	18	23
<b>Total</b>	<b>1,219</b>	<b>1,447</b>



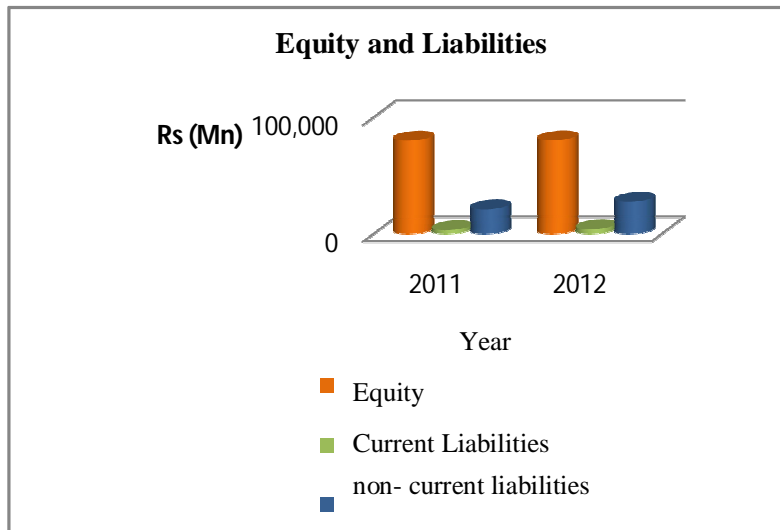
## Assets

Current assets and non-current assets are respectively Rs. 95,659 mn and Rs. 16,069 mn for 2012 and it was respectively Rs.89,644 mn and Rs.14,703 mn in 2011. It shows a growth of overall assets in 7.07% relatively 2011.



## Liabilities

Non-current and current liabilities are respectively Rs.27,556 mn and Rs.3,931mn in 2012 and it was in 2011 respectively Rs.21,095 mn. and Rs.3,186mn. It shows a growth of overall Liabilities in 7.07% relatively 2011. It is consisted with Loan taken from NSB for constructing Sethsiripaya Phase II and Rs. 10 bn of debenture issue (enables to release within 5 years) for imperfection housing restoration project in Colombo town.



## Income Tax

Income tax expenditure in connection with the profit of the Authority is Rs.254 mn and it was Rs. 173 mn in 2011.

**Summarized Balance Sheets**  
**As at 31<sup>st</sup> December**

	(Rs Mn)				
	2008	2009	2010	2011	2012
<b>Liabilities</b>					
Non-current liabilities	5,204	6,503	7,699	89,644	95,659
Current Liabilities	2,184	2,069	12,210	14,703	16,069
<b>Total Liabilities</b>	<b>7,388</b>	<b>8,122</b>	<b>19,909</b>	<b>104,347</b>	<b>111,728</b>
<b>Equity and Liabilities</b>					
<b>Capital and reserves</b>					
Capital	100	100	100	100	100
Net government Contribution	1,023	1,009	1,059	1,044	1,030
externally Provided Equity	1,123	1,109	1,159	1,144	1,130
Reserves	(815)	(1,047)	(1,329)	78,922	77,764
Non-current Liabilities	5,241	5,854	17,220	21,095	27,556
Current Liabilities	1,839	2,206	2,859	3,186	5,278
<b>Total Equity and Liabilities</b>	<b>7,388</b>	<b>8,122</b>	<b>19,909</b>	<b>104,347</b>	<b>111,728</b>

**Summarized Income and Expenditure Statements**  
**For the year ended 31<sup>st</sup> December**

(Rs. Mn)

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Income	712	740	845	816	1,055
Other operating income	190	219	228	642	822
	902	959	1,073	1,458	1,877
Administration and General Expenditure	(862)	(1,163)	(1,327)	(1,209)	(1,423)
Other operating Expenditures	(300)	(18)	(23)	(18)	(23)
Financial Cost	(21)	(11)	(5)	(2)	(1)
Operating profit/loss before financial cost	(281)	(233)	(282)	229	430
Non Operating income	14	14	14	14	14
Operating Profit/loss after financial cost	(282)	(234)	(268)	228	430
Levy paid for consolidated funds	-	-	(8)	-	-
Net Profit/(loss) before tax	(268)	(219)	(276)	242	444
Income tax expenditure	(12)	(13)	(6)	(173)	(254)
<b>Net Profit/(loss) after tax</b>	<b>(279)</b>	<b>(232)</b>	<b>(282)</b>	<b>69</b>	<b>190</b>

## Summarized Cash Flow Statements

For the Year Ended 31<sup>st</sup> December

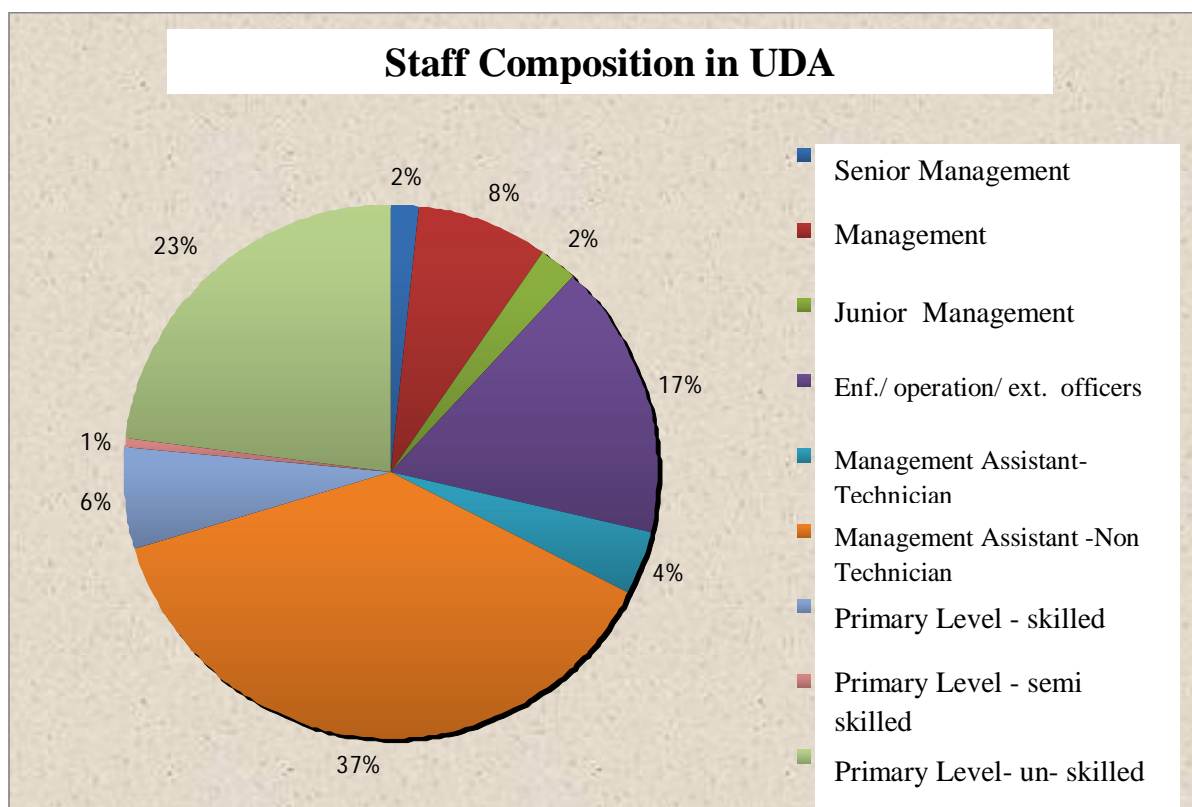
	(Rs Mn)				
	2008	2009	2010	2011	2012
<b>Cash flow from operating activities</b>					
Net Profit/loss before income tax	(268)	(219)	(276)	242	444
Adjustments	(334)	(383)	(239)	(732)	(953)
Operating loss before working capital	(602)	(602)	(513)	(490)	(509)
Working capital changes	23	257	444	(1,385)	1,345
Cash flow from operating	644	567	504	3,349	5,253
Cash flow from investments	143	(664)	8,286	(4,137)	(14,271)
Cash flow from financial activities	(139)	366	905	914	452
Net increase in cash and cash equivalent	69	(86)	9,626	(1,749)	(7,730)
Cash and cash equivalent at the beginning of the year	25	94	8	9,634	7885
<b>Cash and cash equivalent at the end of the year</b>	<b>94</b>	<b>8</b>	<b>9,634</b>	<b>7,885</b>	<b>155</b>

## Human Resource Management

### *Staff composition in UDA by the end of 2012*

Servant Grade	No of servants
Senior Management	27
Management	127
Junior management	33
Enf./ operation/ ext. officers	261
Management Assistant- Technician	61
Management Assistant -Non Technician	594
Primary Level - skilled	95
Primary Level - semi skilled	11
Primary Level- un- skilled	361
<b>Total Staff</b>	<b>1,570</b>

### Staff composition in UDA



## Summary of Changes of Staff in UDA by the end of 2012

Year	Grade		
	Executive	Non executive	Others
2008	77	775	868
2009	69	911	901
2010	57	870	844
2011	53	863	592
2012	87	829	654





# ***CORPORATE GOVERNANCE***

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Board of Management and Corporate Management of Urban Development Authority (UDA) believe and are committed to good governance system and it also ensure that Authority is controlled and managed for purposes of transparency and accountability with a view to be responsive to people's needs.

As a government owned enterprise, the Urban Development Authority should ensure economic development and better standards and quality of life of the public. Regulations, rules, circulars and directives are aimed at on financial discipline and controls; it has been the practice that many of these are observed. These guidelines are helpful to avoid recurrence of non-compliance with regulations, rules, circulars and directives in the future and to improve the performance of the Authority through Best Practices in Corporate Governance.

The main objective of following these guidelines is to make the regulatory framework a simplified working document, summarizing existing procedures and removing those that are obsolete and creating new or modified procedures, to meet the current developments and trends for an effective financial management system for good governance in the Authority.

This statement below describes some of the structures, process and procedures of governance at the UDA.

## **Board of Management**

Under the Urban Development Authority law the Chairman of the Authority who is appointed by the relevant Minister in Charge, also Chairman of the Board of management. The Board of Management also appoints by the same Minister. Among the others, the Board of Management is responsible for the followings:

- Formulation of policies and strategies and monitoring successful implementation thereof
- Approval of the Budget, Action Plan and Corporate Plan
- Approval of Annual and Interim Financial Statements and Annual Report
- Ensuring compliance with applicable laws, regulations and principles of Corporate Governance
- Overseeing the activities and affairs of the Authority
- Decisions on major capital investment and expansions
- Appointing of members to the Board of Subsidiaries

The Secretary of the Board of Management is the Director General of the Authority and his role in the Board as follows:

- Circulating notice, minutes of Board meeting and board papers together with the other documents
- Follow up decision taken on the board
- Providing information to the Board

During the year 2012 twenty two meetings were held, while special Board meetings were convened as and when required. (to approve Annual Report, Financial Statements, Budget, Audit Report etc.) Following statements and reports were submitted to the Board every month to monitor and find defects of senior management and staff of the Authority responsible for their assigned functions and also to ensure that transparency is achieved.

- Performance Statement in financial and physical items
- Operating Statement for the month
- Cash Flow Statement for the month
- Liquidity position and borrowings

Every quarter and half year Financial Statements are submitted to the Board to monitor the financial position of the Authority.

### **Audit & Management Committee**

**Role of the Audit Committee:**The Terms of reference, Chapter 7 of the Good governors provides a clear understanding of the committee's role, structure, process and membership requirements. This conveys the frame work of the committees' organisation and responsibilities that can be referred to by the Board, committee members and external and internal auditors.

The Audit & management Committee comprises following members met five times during the year 2012.

- |                                 |  |
|---------------------------------|--|
| 1. Dr. B. M. S. Batagoda        | - Chairman of the Committee & Board Member                     |
| 2. Mr. L.A.P. Harshana De Silva | - Board Member   |
| 3. Mr. Jayantha Wickramasinghe  | - Board Member   |
| 4. Mr. K.E.V.N. Fernando        | - Secretary of the Committee & Director<br>General (Actg.) UDA |

The Chief Financial Officer , Chief Internal Auditor and External Auditor normally attend meetings of the Audit Committee and other Heads of the divisions attend the Audit and Management Committee as and when necessary on the invitation of the Audit Committee.

**Tasks of the Audit Committee:**In full filling its responsibilities following activities were carried out by the Audit Committee during the year under review.

1. Review and evaluate internal control systems and regulatory compliance in par with external and internal audit report and make recommendation for remedial.
1. Review and make recommendations for revising the existing scheme of recruitment
2. Assist the Senior Management to revise the existing Organization Chart
3. Make recommendation and guide to revise the UDA Carder
4. Prepare Annual Training Plan for UDA under the each Category of Staff
5. Assist and guide to submit the Annual Report 2007-2010 to Parliament
6. Review the Long outstanding debtors and m suggestion to clear those from Balance Sheet

### **Tender Board**

The Authority has Tender Boards call Major and Minor to deal with all procurements of goods and services in terms of the Guidelines on Government Procurement Procedures.

### **Training and Scholarship Committee**

Because of training is an important component of personnel development, to improve the efficiency and productivity of the employee, Authority evaluates and formulates the training needs of the organization locally and abroad. Human Resources Management ensures the organizing of seminars and other programs with the instruction of such Committee. Training & Scholarship Committee comprise of Senior Management of the Authority. The Committee members are as follows:

1. Mr. K.E.V.N. Fenando - Director General (Acting)
2. Mr. W.L.D.P.V. Jayawardana - Dy. Director General (Finance)
3. Mr. W.A.S. Sumanasooriya - Director (HRM)
4. Mrs.R.L.Wickramasingha - Dy. Director (Project Management)

### **Board of survey**

Annual Board of Survey and special Board of Survey have been done to carry out verification of fixed Assets and inventory at Stores. It was helpful to assets management like replacing & disposing items, deemed to be redundant/ obsolete etc.

### **Financial Disclosures**

The Board of Management is responsible for presenting Financial Statements that provide a true and fair view. The Financial Statements are prepared in accordance with the requirements of the Sri Lanka Accounting Standards.

### **Internal controls**

The Board is responsible for the operation of an adequate system of internal control and the Audit committee verses the review and assessment of internal controls implemented at the Urban Development Authority.

# AUDITOR GENERAL'S REPORT



## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය }  
எனது இல. } DE/E/UDA/FA/2012

මගේ අංකය }  
உமது இல. } Your No. }

දිනය }  
திகதி } 19 February 2015

### Report of the Auditor General on the Financial Statements of the Urban Development Authority for the year ended 31 December 2012 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Urban Development Authority for the year ended 31 December 2012 comprising the balance sheet as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 10 of the Urban Development Authority Act, No. 41 of 1978. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued to the Chairman of the Authority on 27 September 2013.

#### 1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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### 1.3 Auditor's Responsibility

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub - sections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

### 1.4 Basis for Qualified Opinion

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



## **2. Financial Statements**

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### **2.1 Qualified Opinion- Group**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Urban Development Authority and its subsidiaries as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **Qualified Opinion- Authority**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Urban Development Authority as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## **2.2 Comments on Financial Statements**

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### **2.2.1 Consolidated Financial Statements**

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The consolidated financial statements had been prepared based on the unaudited financial statement for the year 2012 of Peliyagoda Warehouse Complex Company, a subsidiary of the Authority.

### **2.2.2 Debenture Issue**

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For the purpose of raising funds for the national program to construct 65,000 permanent residences for the people living in shanties in Colombo City, a debenture of Rs.10 billion to be redeemable in 5 years had been issued by the Urban Development Authority in October 2010 and the General Treasury had agreed to provide interest on debenture for the period of first 3 years.



### 2.2.3 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standards- No:01

Creditor balances aggregating Rs. 903,758 had been set off against the debtor balances aggregating Rs. 8,287,857 at the time of writing off of such balances, contrary to the provisions made in the Accounting Standards.

(b) Sri Lanka Accounting Standards- No:16

The following observations are made.

(i) According to the Standards, fully depreciated assets of the Authority which are still in usable condition should be revalued and the adjustments should be made for the useful life of such assets in the accounts. However, action as required by the Standards had not been taken in connection with 72 vehicles procured at a cost of Rs. 90,369,030 which were fully depreciated and used by the Authority at the end of the year under review.

(ii) Action had not been taken to revalue the land and buildings owned by the Authority and leased out to external parties for over 50 years to bring the values of such assets into account.

(c) Sri Lanka Accounting Standards- No:24

Although bad debts amounting to Rs. 33,099,872 had been written off during the year under review as losses and writing offs, such fact had not been disclosed in the financial statements.

(d) Sri Lanka Accounting Standards- No:26

Although a Retirement Benefit Plan is required to be prepared by the Authority, action had not been taken thereon.



#### 2.2.4 Accounting Deficiencies

The following observations are made.

- (a) According to the financial statements, the balance of the capital work -in – progress related to development projects carried out by the Authority amounted to Rs.6,032,758,837 and recurrent expenditure such as fuel, travelling, repairs etc which were not directly related to the development purposes had been included therein. As a result, value of the capital work- in progress shown in the Balance Sheet as at 31 December 2012 had been overstated.
- (b) A sum of Rs. 52,931,659 incurred in connection with 10 small and medium scale projects implemented by the Authority on behalf of the external parties which cannot be considered as assets of the Authority had been shown under capital work- in-progress.
- (c) Out of the commission amounting to Rs. 64,305,777 paid on bank guarantees during the months of June and November of the year under review, a sum of Rs. 50,967,170 was related to the next years. However, the total amount of commission had been capitalized during the year under review without considering the above matter and as a result, the value of capital work- in-progress had been overstated by Rs. 50,967,170.
- (d) Investments had not been made separately on retirement gratuity payable amounting to Rs. 115,921,061 and compensation on lands acquired and interest to be payable thereon amounting to Rs. 729,646,332 at the end of the year under review.
- (e) The value of land acquired by the Authority and subsequently alienated had not been accounted. As a result, the accuracy of the amount of Rs. 729,646,332 shown as the compensation payable could not be verified in audit.





#### **2.2.5 Contingent Liabilities**

The contingent liabilities likely to be arisen in future due to calculation of the contributions contrary to the provisions made by the Employee's Provident Fund and Employee's Trust Fund had not been disclosed in the financial statements.

#### **2.2.6 Un reconciled Control Accounts**

The balances shown in the accounts were not reconciled timely with the corresponding schedules and as a result there were differences aggregating Rs. 8,058,925 related to balances shown in 06 Ledger Accounts in the financial statements. The compensation on lands acquired and interest thereon amounting Rs. 5,417,109 which overstated than the balance shown in the corresponding schedule had also been included therein.

#### **2.2.7 Unexplained Differences**

Even though the provision for bad debts amounting to Rs. 13,856,162 had been made in previous years on the balance of work- in - progress remained as at 31 December, details of calculations made thereon had not been explained for audit.

#### **2.2.8 Accounts Receivable and payables**

The following observations are made.

- (a) A sum of Rs. 6,707,089 had to be paid during the year under review to the National Building Research Organization on various services obtained under 09 projects implemented by the Authority. It was observed that some of such balances were remained unsettled over 15 years.
- (b) A building at the premises of Charmas Granary owned to the Authority had been allowed to be used by the Department of Police on rent basis and rent amounting to Rs. 3,031,534 for the year under review had not been recovered.
- (c) The Rest House owned to the Urban Council of Ambalangoda which was vested in the Authority for administration purposes had been allowed to outside party to continue the operations and a sum of Rs. 16,139,095



- receivable over 10 years since September 1997 to 2007 had remained outstanding at the end of the year under review. Further, the Authority had allowed to continue the operations of the Rest House to the Southern Provincial Council on the request of the said Council and after that the Rest House Building had been demolished completely.
- (d) Action had not been taken to settle the balances of sundry deposits aggregating Rs. 56,161,902 which remained at outside parties over 03 years.
- (e) The assessed value of Rs. 406,483,000 of the Water's Edge Hotel vested in the Authority in 2008 under a Court order required to be paid to the company which was the owner of the Hotel had not been settled even as at the end of the year under review. Net Profit of Rs. 130,323,032 had been earned by the Hotel from its operations during the year under review.
- (f) Advances aggregating Rs. 186,312,726 paid to the contractors had remained unrecovered over 03 years. The possibility of recovering such balances could not be ruled out in audit due to absence of details on physical progress or the bills related to these contracts.
- (g) The Authority had transferred the rights of the land of bus stand at Balangoda Town in 2008 to the Urban Council, Balangoda. However, action had not been either taken to recover the assessed value of the land amounting to Rs. 40,000,000 from the Urban Council, Balangoda or account it as a receivable.
- (h) Eventhough the Board of Directors had decided to write off the balances of advances made on foreign visits of the staff amounting to Rs. 1,576,216 , fuel advances amounting to Rs. 240,379 and other staff advances amounting to Rs. 1,523,961 etc, adequate action had not been taken to recover such balances. However, the Chairman had informed that the decision had been taken by the Board based on the factors such as some of the officers not in the service at present, lack of source documents as certain transactions were over 10 years and certain balances arisen due to accounting errors etc,



- (i) The balances aggregating Rs. 2,623,531 shown as “Sundries” under rents receivable had not been identified accurately.

**2.2.9 Lack of Evidence for Audit**

The following observations are made.

- (a) Several negative balances had been included in the balance of festival advances to be recovered amounting to Rs.537,551 and further information thereon had not been furnished to the audit.
- (b) The schedule presented by the Authority on fully depreciated motor vehicles had indicated that the cost of motor vehicles aggregating Rs. 52,639,788 without registration numbers. Further, it was observed that the Authority had not possessed adequate information to prove either such motor vehicles are still being used or already disposed.
- (c) It was mentioned that the motor vehicles valued at Rs. 3,136,274 had been disposed prior to the year under review, the detailed schedule thereon had not been furnished for audit.
- (d) Proper controls on application of journal entries in the Ledger Accounts had not been stipulated in preparation of the financial statements of the Authority. Therefore, the Journal entry No 21386 made at Rs. 22,476,895 had not been properly authorized at the time of carrying out the audit and respective amount of the journal entry had been taken in to the account as Rs. 98,855,289.
- (e) The schedules of fixed assets such as investment properties and land and buildings of the Authority revalued during the year under review at Rs. 83,774,107,118 and Rs. 1,752,471,622 respectively had not been furnished for audit. As a result, the evidence had not been received to prove both all the investment properties and land and buildings belonging to the Authority had been identified for the revaluation purposes or documented such assets.



- (f) The value of investments amounting to Rs.206,759,841 made by the Authority at various outside 6 entities and a sum of Rs.149,567,591 to be received from 03 state owned entities could not be confirmed due to lack of originals of the certificates of the investments and confirmations of balances respectively.

**2.2.10 Non- Compliances with Laws, Rules and Regulations**

The following instances of non- compliances were observed.

<b>Reference to the Laws, Rules and Regulations</b>	<b>Non- compliance</b>
(a) Urban Development Authority Act, No. 41 of.1978	
(i) Paragraphs 3(1) and 3(3)	The areas in the island to be developed by providing physical and economic facilities should be identified, published and action should be taken thereon. However, no action had been taken thereon during the year under review.
(ii) Paragraph 8(a)(1) of Section 11(a)	Development plans for each area so as to enable the development of such areas are required to be prepared. However, action had not been taken accordingly during the year under review.
(iii) Paragraphs 8(b) i and 5	The development committees to consult the Authority with regard to the matters to be considered in preparation of development plans had not been appointed during the year under review.
(iv) Paragraph 8(e)	The development plans along with the observations of the Authority to be submitted for the approval of the Minister within 60 days from submission of such plans to the relevant Local Authority for their comments had not been submitted accordingly.



- (b) Urban Development Authority  
( Amendment ) Act, No. 04 of  
1982
- (i) Paragraphs 8(a) to (g) and 28(a) The Authority had not approved development plans for any area to be developed during the years 2011 and 2012 and published in the Gazette Notification, Thus indicated that proper attention had not been made thereon.
- (ii) Paragraph 8(j) There were several instances that the action not taken according to the said paragraph against constructions made without development permits and approved building plans. The audit investigation made in this connection had revealed that there were 22 unauthorized constructions remained in areas of Homagama and Seethawaka Pradeshiya Sabhas. However, no action had been taken against such constructions.
- (iii) Paragraph 8(j)(2) The Compliance Certificate from the Authority is required to be obtained, complying with the permit issued for development purposes. However, a test check had revealed that 07 storied housing complex had been constructed at No. 32 of Fernando Mawatha, Wellawatta and rented out. However, no action had been taken against that construction.
- (c) Gazette Notification No 1459 of 23 August 2006 and Paragraph 6(vii) of Gazette Notification No 1597/8 of 17 April 2009 of the Democratic Socialist Republic of Sri Lanka The service charges in terms of the Gazette Notification based on the estimated cost of the building should be deposited at the Authority. However, service charges for the 07 storied housing complexes constructed at No. 32 of Fernando Mawatha, Wellawatte had not been obtained. The charges of Rs 50 per day on residing and using the premises without a compliance certificate had not been recovered thereon.



- (d) Gazette Notification No 1597/8 of 17 April 2009 of the Democratic Socialist Republic of Sri Lanka, Planning Circular No.8 of 30 September 1987, Planning Circular No.15 of 18 November 1993 and Planning Circular No.14 of 16 March 1993
- The bank accounts are required to be opened and maintained by the local authorities as per relevant provisions for the purposes of the Urban Development Authority. However, 15 local authorities under the purview of Gampaha District office had not opened the bank accounts, so as to collect the service charges of the Authority.
- (e) Financial Regulation of the Democratic Socialist Republic of Sri Lanka F.R. 135
- The delegation of financial authority for the staff of the Authority had not been updated since 1999.
- (f) Chapter XLVIII of Volume 11 of the Establishment Code of the Democratic Socialist Republic of Sri Lanka
- (i) Section 13(1)
- When any suspicion on malpractices of an officer arises, preliminary investigations are required to be commenced in terms of the said Section in order to disclose the details thereon. The test check revealed that such investigation had not been commenced in 13 instances. Further, it was observed that such investigations had commenced with significant delays in 13 other instances.
- (ii) Section 22.1.1
- It was observed in an audit test check that letters of demand had not been furnished to accused officers in 02 instances and complete the disciplinary orders by the authorized person within a year.



(g) Public Enterprises Circular No  
PED/12 of 02 June 2003

(i) Section 4.2.6

The quarterly progress reports had not been sent to the Public Enterprises Department within 30 days from the end of the quarter.

(ii) Section 9.4

The Authority had released 14 officers to various institutions in the public sector several years ago. However, action had not been taken to reimburse a sum of Rs. 548,580 from such institutions. Out of that an officer had been released since 1998.

(h) Decision of the Board of Directors arrived at its meeting held on 14 February 2012  
It was decided to write off the debit balance of Rs. 8,287,587 of receivables and bring back the credit balance of Rs. 9,455,627 of payable to the income which included in the Balance Sheet of the Authority.

Eventhough the receivables had been written off the credit balances of Rs. 400,000 and Rs. 8,151,869 had not been brought to the income. Further, the approval of the General Treasury had not been obtained for this decision of the Board of Directors

### 2.3 Transactions not confirmed by adequate Authority

The following observations are made.

(a) In terms of the Section 10(1) of the Extraordinary Gazette Notification No 392/9 of 10 March 1986 of the Democratic Socialist Republic of Sri Lanka, the Authority issues Initial Planning Settlement Certificates for various development purposes. However, the instances of implementation of conditions and limitations stipulated by Gazette Notification in improper manner had been revealed in audit. The details thereon are as follows.



- (i) The Authority had granted the approval for the development plan for the proposal for construction of 11 storied building in Gampaha area without required recommendations from various regulatory bodies such as Agrarian Services Department, Sri Lanka Land Reclamation and Development Corporation, Central Environment Authority, Ministry of Health, Urban Council and Road Development Authority etc.,.
- (ii) A Land Auctioneer in private sector had demarcated a land in Gampaha area without considering it as a one unit and removed a portion of coconut cultivation, contrary to the conditions stipulated in the certificate issued for the development purposes by the Tea, Rubber and Coconut Estates Fragmentation Control Board. However, the Authority had issued an Initial Planning Settlement Certificate without considering the breach of such condition.
- (iii) Eventhough a land with a coconut cultivation of 04 acres in extent located at Kadirana area in Gampaha had been demarcated into 37 plots before receiving the recommendation of Coconut Cultivation Board, the Initial Planning Settlement Certificate had been issued by the Authority.
- (iv) An Initial Planning Settlement Certificate had been issued to construct a factory for production of wood preservatives in a land located at Primary Residential Area of the Proposed Development Plan for Kelaniya Pradeshiya Sabha, contrary to the intended purposes which it approved.
- (v) A field inspection is required to be carried out before issuing Initial Planning Settlement Certificates. However, such certificates had been issued on 07 occasions by the Regional Office at Gampha.





- (vi) The approval from the Tea, Rubber and Coconut Estates Fragmentation Control Board had been obtained to demarcate 4 portions and transfer the ownership of a land of 31 acres, 02 roods and 06 perches at Heiyantuduwa area. However, action had been taken to demarcate the land into further portions improperly. The Authority had taken action to issue the settlement certificates to develop a piece of the respective land for residential purposes. Further, the Authority had not carried out field inspections before issuing the Settlement Certificates.
  - (vii) The Initial Planning Settlement Certificates had been issued by the Authority based on unrealistic estimates presented by the applicants without making detailed examinations. Therefore, it was revealed that lower rates for service charges had been applied thereon. The charges made on construction of a factory for the production of plastic materials and the construction of a housing scheme consisted of 144 units in 11 levels in the flyover road in Gampaha were the indicative examples thereon.
- (b) Eventhough the basic payments on leasing out of lands belonging to the Authority to be recovered fully from the leasees, it was allowed on several occasions to pay it in annual installments. Therefore, it was allowed to pay the basic payment in annual installments for over 28 years with regard to the leasing out of a land with an extent of 2 roots and 31 perches owned by the Authority in Narahenpita area for the construction of a private hospital.
- (c) The charges amounting to Rs.207,331,767 recovered on issuing Development Permits which required to be remitted to the Urban Settlement Development Authority in terms of the paragraph 16(1) e of Section II of Urban Settlement Development Authority Act, No. 36 of 2008 had been utilized for the purposes of the Authority without being remitted to the Urban Settlement Development Authority.



**3. Financial Review**

**3.1 Financial Results**

According to the financial statements, the operating results before taxes of the Group and the Authority for the year under review were the profits amounted to Rs. 686,176,790 and Rs.444,910,230 respectively corresponding results of the previous year amounted to Rs.325,426,585 and Rs.242,576,469 respectively. Therefore, the increases of the financial results were Rs, 360,750,205 represented by 111 per cent and Rs. 202,333,761 represented by 83 per cent respectively were influenced significantly by the increases of income from call deposits and prepayments.

**3.2 Analytical Financial Review**

According to the financial statements presented, the figures related to several Commercial Operations of the Authority for the year under review and previous year are compared and shown below.

Activity	Profits of the Activity	
	(Rs '000)	
	<u>2012</u>	<u>2011</u>
Rental Income	743,939	498,929
Sale of Lands and Properties	5,907	17,620
Water's Edge( Gross profit)	403,281	317,919
Lanka Rest House ( Gross Profit)	17,960	12,886

The rent income had been increased by 49 per cent whilst the income on selling of lands and buildings had been declined by 66 per cent compared to the previous year. According to the above data, the gross profits of the subsidiaries had been increased by 27 per cent and 39 per cent respectively.



#### 4. **Operating Review**

##### 4.1 **Performance**

The following observations are made.

- (a) An audit test had revealed that out of 16 Local Authorities in Gampaha District, development plans for 14 Local Authorities had not been prepared and published in the Gazette Notifications. Only one female officer had been deployed by the Authority for the preparation of development plans and thus indicated that the adequate priority had not been given by the Authority for this purpose.
- (b) The activities included in the Action Plan for the year under review such as construction of buildings for office complexes at Trincomalee, Ampara, Anuradhapura and Pollonnuruwa and construction of a building for a market at Angulakolapelessa had not been commenced even at the end of the year under review. The allocation amounting to Rs. 101.5 million made for this purpose in the Annual Budget had not been utilized.
- (c) An advance amounting to Rs. 26,000,000 representing 50 per cent of the value of assessment to transfer the right of the Authority of a land located at Pitipana in Homagama to construct buildings for a training centre of the Foreign Employment Bureau had been made in 2010. However a correct plan under new lay out plan had not been prepared, and as a result, the balance amounting to Rs. 26,000,000 could not be recovered. Further, the construction of the building for a training centre was not yet started.

##### 4.2 **Management Inefficiencies**

The following observations are made.

- (a) According to the agreement entered in to with a Government owned Board to rent out a building located in Colombo 07 for 99 years, the rent should be revised in every 05 year based on the assessment made by the Chief Valuer. However, the rent had not been amended and upgraded accordingly. Further,



a sum of Rs. 5,250,000 had not been recovered as the rent of the land for period from 21 July 1994 to 20 July 2009.

- (b) A building had been obtained to use as the District Office at Gampaha on rent basis. It was observed that the rent agreement had not been signed for this purpose and building rent had not been paid in an updated manner. Further, several instances of disconnection of power supply, as a result of electricity bills not settled in a timely manner, and payments of building rents not paid in an updated manner, had been observed.
- (c) The lands owned by the Authority had been rented out to the outside parties and instances of rentals not recovered and rights not vested in timely manner, due to control weaknesses, had been observed. The following instances had arisen due to such control weaknesses.
- (i) According to the policy applied by the Authority, it is required to be mentioned in the rent agreement that the annual Ground Rent should be revised in every 05 year period. However, that fact had not been included on several occasions. The examples thereon are the land located at Kamburupitya which rented out for Gamudawa exhibition activities and the land located at Hikkaduwa rented out to the Ceylon Electricity Board.
- (ii) There were several instances of amendments of rents not done once in every 5 years as mentioned above eventhough it was mentioned in the Agreements.
- (iii) It was observed in several instances that the development activities in the lands rented out had not been commenced as agreed. The legal actions required to be taken in such instances had not been included in the rent agreements. Further, follow-up action thereon had not been made by the Authority. Therefore, it was observed that the crown lands, which are treated as limited resources, had not been used for development purposes in an optimum manner.



- (iv) It was observed that the rent amounting to Rs. 5,250,000 (excluding VAT) to be recovered on renting out of a land with the extent of 19.6 perches which located at Thunmulla Junction on Bauddaloka Mawatha, Colombo -07 for 99 years, had not been recovered for over several years.
- (v) A land located at Ratmalana area of 220 perches in extent had been rented out in 1992 to an apparel company in private sector. However, rent and the penalty charges thereon amounting to Rs. 33,037,595 as at 31 October 2012 had remained outstanding.
- (vi) A property located at No. 234 on Galle Road, Colombo 03 had been rented out for 50 years. However, a proper written agreement in this regard had not been entered into. Further, the Authority had failed to recover a sum of Rs. 5,563,750 to be recovered on usage of land by the respective institute from 20 February 2002 to 05 October 2009. The permission of the Minister in charge had been received on 02 occasions to vest the right of the land. However, necessary action had not been taken by the Authority even at the end of the year under review.
- (d) The audit examination carried out on unauthorized constructions and land filling in the areas of local authorities of Gampaha and Colombo Districts had revealed that such unauthorized constructions and land fillings had been done on 43 occasions. However, any action in this regard had not been taken by the Authority.
- (e) Action had not been taken to recover a sum of Rs 4 million from Balangoda Urban Council on exchanging of a land.
- (f) According to the provisions made in the Employees Provident Fund (Amendment) Act, the cost of living allowance and other allied allowances etc should be considered in addition to the basic remuneration in calculating the contribution for the Employees Provident Fund. However, the Authority had not calculated the contribution accordingly, and as a result, underpayment



of Rs. 19,823,420 had been remitted to Employees Provident Fund. Further, the Authority had not taken action to remit a sum of Rs. 13,215,613 to the Fund eventhough it was recovered from the employees. Similarly, a sum of Rs. 3,964,684 to be remitted for the year under review, as a result of non-application of various allowances for the calculation of contributions to the Employees Trust Fund had also remained outstanding.

#### 4.3 **Operational Inefficiencies**

The administration building complex of Sethsiripaya Stage II had been opened on 18 May 2012 and monthly rental per square meters of the building had been determined as Rs. 260. However, action had not been taken to provide office premises for the external parties promptly. Therefore, 254,951 square meters of the building had remained idle for over 06 months up to the end of the year under review, and as a result, loss of revenue amounting to Rs. 464 million had been observed.

According to the explanation made by the Chairman, renting out activities of the premises was delayed due to several reasons such as time taken to make internal arrangements of the building, and delays in receiving allocation from the General Treasury for the completion of the construction works.

#### 4.4 **Matters in Contentious Nature**

According to the powers vested in the relevant Minister under the provision made in the Urban Development Act, 04 members for the Board of Management could be appointed by the Minister in Charge. However, 05 members for the Board of Management had been appointed exceeding the above provision.

#### 4.5 **Apparent Irregularities**

The Authority had been advised by the relevant authorities to identify the Dengue breeding grounds at the Sethsiripaya premises and dispose useless materials properly within 07days. However, useless materials were removed on several occasions through a private firm which was selected without adopting the tender procedure in a transparent manner. On such occasions, the firm had disposed valuable metal materials including 03 motor cycles.



#### 4.6 Idle and Underutilized Assets

The following observations are made.

- (a) A land with the extent of 24 acres had been acquired in 1998 for development purposes of the Avissawella town and out of that, 15 acres had remained without being used for any development purpose. Further, a scheme for the development of the land had not been prepared. In addition, it was observed that the compensation amounting to Rs. 20, 125,500 and interest of 7 per cent per annum thereon since 07 October 1998 had not been paid.
- (b) A land with an extent of 27.17 acres had been acquired by the Authority in 1988 for Balangoda Urban Development Project and portion of land with the extent of 21.17 acres had not been used for development purposes even at the end of the year under review.

#### 4.7 Uneconomic Transactions

The following observations are made.

- (a) A sum of Rs. 92,000,000 had been invested by the Authority to purchase shares of a Private Company and no return on investment had been received at the end of the year under review, since 2005. According to the decision taken by the Cabinet of Ministers subsequently, the Company should be transformed as a Public Company and recover the value of investment made by the Authority. However, the Authority had not taken action accordingly.
- (b) A Subsidiary Company had issued its 18 per cent preference shares valued at Rs.28,950,000 to the Authority in 2005 to compensate value of land transferred by the Authority to said Company. However, no return on investment had been received since the inception of the investment.
- (c) No return for the year under review had been received on investment made at a cost of Rs. 500,000 at Housing Development Finance Corporation and other investments made at a cost of Rs.36,309,841 at Colombo Land and Development Company.



- (d) An investment of Rs. 299,999,930 had been made at Peliyagoda Warehouse which is a subsidiary of the Authority and a provision had been made to write off the cost of investment due to continuous losses incurred by the subsidiary. An interest income amounting to Rs. 1,251,634 on loan of Rs. 250,326,914 granted to the subsidiary was being received monthly (at a rate of 6 per cent) at the beginning of the year under review. In the meantime, out of the above mentioned loan, a sum of Rs. 200 million had been converted as an investment in April of the year under review and 100 per cent provision had been made thereon. As a result of reduction of the loan, by Rs. 200 million monthly interest income of Rs.1,000,000 received by the Authority was stopped and total loss of income of interest to the Authority for the year under review amounted to Rs.8,000,000. However, it was planned to acquire a land owned by the company by the Sri Lanka Ports Authority and pay the compensation and as a result, the Board of Management of Authority had decided to liquidate the company. According to the Chairman, the balance of loan amounting to Rs. 200 million had been converted as the capital accordingly.
- (e) Action had not been taken to recover a sum of Rs. 15,034,046 granted during the year under review to the Guest House Company as a capital and a payment to settle recurrent expenses. Any return on investment had not been received.
- (f) According to the practice followed by the Authority, the bids are called with value Added Taxes on application of procurement process for various purposes. However, such policy had not been applied for calling bids for disposal of vehicles, and as a result, Value Added Taxes amounting to Rs. 1,692,650 had to be paid out of the funds of the Authority.
- (g) According to the Paragraph 6 (II) of the Schedule V of the Gazette Notification No 1597/8 of the Democratic Socialist Republic of Sri Lanka of 17 April 2009, fees of Rs 500 and Rs. 2,000 per square meters can be charged if it is possible to regularize the improper constructions completed for residential and commercial purposes. However, action had not been taken to recover total fees amounting to Rs. 26,878,000 made on 02 occasions.





#### **4.8 Identified Losses**

A sum of Rs. 9,289,467 spent by the Authority for suppling of water and electricity for the occupants living in the temporary houses constructed for the purpose of rehabilitation works carried out under the Relocation of Underserved Settlement Project had been written off against the income of the Authority.

#### **4.9 Delayed Projects**

It was planned to construct 20,500 houses at the end of 2013 under the first phase of the Project implemented to provide 65,000 houses with facilities for the settlements with lower facilities at the Colombo City and suburbs. Further, it was planned under the first phase to free 150 acres of lands by removing settlements with lower facilities and earns an income of Rs. 25 billion by leasing out of such lands under long term basis to the investors. For the purpose of generating funds to implement the first phase, debentures valued at Rs. 5 billion to be redeemed within 5 year period had been scheduled to be issued in September 2010. However, funds expected to be raised under the second phase amounting to 5 billion had also been collected at the first phase itself due to high demand prevailed in 2010.

However, the houses expected to be constructed under the first phase had not been completed after lapse of 04 years from raising of funds. Therefore, the Authority had failed to collect expected revenue of Rs 25 billion. Further, Authority had bound to collect funds to redeem the debentures valued at Rs 10 billion in 2015.

#### **4.10 Commencement of Projects in the Lands which were not Duly Acquired**

The construction works at the Bus Stand at Horana and the trade stalls therein and the houses affiliated to the office complex at Hambantota had been carried out by the Authority without vesting of legal ownership of the land. Revenue on certain constructions had also been generated.

#### **4.11 Staff Administration**

The following observations are made.

- (a) The scheme of recruitment and promotion for the Authority had not been approved according to the Circular No.30 of DMS/ Salary/General Administration Services of 22 September 2006 of the Department of Management Services. The promotion for 31 posts of Deputy Directors



included in the Class (I) of the Management Service category of the Authority had been granted contrary to the paragraph 5 of the Annex II of the said Circular.

As a result of actions not taken by the Authority to confirm the genuineness of the examination certificates etc immediately after recruiting staff for the posts, several instances were observed in employing persons in the jobs of the Authority for over 10 years by producing bogus certificates. As an example, delays occurred up to 08 June 2012 to get confirmation from the Department of Examination to prove the educational certificates produced by a Receptionist recruited in 1997, as fraudulent documents.

#### **lization of Motor Vehicles**

the following observations are made.

Rents aggregating Rs. 5,783,159 had been spent by the Authority during the year under review for 22 motor vehicles obtained by the Authority on monthly lease basis. According to the provisions made in the Public Finance Circular No. 353/(5) of 31 August 2004, payable monthly rental was limited to Rs 40,000. However, instances were observed that payment of monthly rentals up to Rs. 57,142 for 04 motor vehicles exceeding the above mentioned limit. Further, the fuel had been provided for 10 motor vehicles and drivers of the Authority had been employed by the Authority for 06 motor vehicles.

At the time of taking actions on accidents of the motor vehicles owned by the Authority;

- (i) Instances were observed that actions not taken by the Authority in terms of Financial Regulation No 103(1)
- (ii) Actions had not been initiated even at the end of the year under review to repair 05 motor vehicles which met with accidents during the first 06 months of the year. Further, it was observed that the long delays in



obtaining police reports related to the accidents and instances of meeting with further accidents in the meantime of delaying period.

- (iii) Instances of receiving lesser amount of insurance claims due to abnormal delays in repairing of the motor vehicles and instances of non- recovering of repair costs which were not covered by the insurance claims were observed in audit.

**5. Issues on Accountability and Good Governance**

**5.1 Presentation of Financial Statements**

The following observations are made.

- (a) Eventhough the draft financial statements along with the Annual Report for the year under review to be submitted for audit within 60 days from the end of the year in terms of Section 6.5.1. of the Public Enterprises Circular No PED /12 of 02 July 2003, the draft financial statement which prepared in compliance with new accounting standards had been submitted only on 03 July 2014 with delay of 16 months.
- (b) The Management Responsibility Statement had not been included in the financial statements as required by the Public Enterprises Circular No. PED /45 of 02 October July 2007.

**5.2 Weaknesses in Financial Controls**

It was observed that the controls on financial accounting system of the Authority was weak due to several reasons such as dates not stated in 61 journal entries made during the year under review, signatures not made to verify the preparation and checking of journal entries, details of credits/ debits not included, narrations not included, values not indicated and included in the computer system etc.



### 5.3 Corporate Plan

The following observations are made.

- (a) The Corporate Plan prepared for the period of 2008-2012 had not been annually updated.
- (b) The activities of Project proposed to construct 65,000 houses under Colombo City Development Plan had not been included in the Corporate Plan.

### 5.4 Action Plan

The following observations are made.

- (a) The Annual Action Plan prepared was not in line with the targets indicated in the Budget Estimate for the year under review.
- (b) Eventhough progress reports are prepared quarterly by the Authority, such reports are not compared with the data presented in the Action Plan, thus observed that it was not utilized as an effective instrument of control.
- (c) Edirisinhe Watta Housing Project implemented during the year under review at an estimated cost of Rs. 1,375 million, had not been included in the Annual Action Plan for the year.

### 5.5 Internal Audit

Eventhough the Internal Audit Section had observed that certain existing control systems remained weak, it was observed that there was not an approach within the Entity to empower such control systems. Further, the staff of the Internal Audit Section had not been motivated to enable to obtain a quality service. Further, action had not been taken to empower the staff of the Internal Audit Section in line with widening of the functions of the Authority. Several instances were observed that the management had not paid an adequate attention on deficiencies pointed out by the staff of the Internal Audit Section.



**5.6 Budgetary Controls**

Significant variations of actual income with the estimated income from the sources of rent, selling of fixed assets, service charges, interest, dividends and sundry income etc, were observed and thus indicated that the budget had not been utilized as an effective instrument of control.

**5.7 Tabling of Annual Reports**

Eventhough the Authority should table its Annual Reports in Parliament within 150 days after the close of the year of account in terms of Section 6.5.3 of the Public Enterprises Circulars No. PED/12 of 02 June 2003, the Annual Reports after the year 2010 had not been tabled.

**5.8 Un resolved Audit paragraphs**

An adequate attention had not been paid by the Authority on the following observations made in the audit reports published in previous years, and out of that certain observation had drawn the attention of the Committee of Public Enterprises.

- (a) Idling of alternative trade centre constructed for road hawkers at a cost of Rs 16 million at Saunders Place in Pettah in 2002.
- (b) Lack of the approval of the General Treasury on payment of 1/3 allowance for the officers attached to the offices of Chairman, Director General and Additional Director General.
- (c) Recovery of outstanding usage fees receivable amounting to Rs. 92 million related to New Town Plan of Dambulla, not done.
- (d) Non - payment of contribution payable to the Employees' Provident Fund and Employees' Trust Fund.

**5.9 Achievement of Environmental and Social Responsibility**

It was observed that an adequate attention had not been paid by the Authority on achievement of environmental and social responsibility due to following reasons.



- (a) Action had not been taken to make a balanced development of the country to create an easy living environment for the community. However, the Chairman had stated that the Project covering Colombo and other districts of the island had been initiated during the year under review.
- (b) Optimum contribution of the Authority had not been made to block the unauthorized constructions as the empowered entity for that purpose. The Chairman had stated that the responsibility on preventing of unauthorized constructions is rested with the Local Authorities as the responsibility thereon had been decentralized.
- (c) The Authority had faced with questioning of Provincial Health Authorities on the spread of Dengue disaster due to poor maintenance with proper cleaning of office premises of the Authority.

**6. Systems and Controls**

The Chairman of the Authority had been informed from time to time on deficiencies on systems and controls during the course of audit. Special attention is needed on following areas of control.

- (a) Budgetary Controls
- (b) Accounting
- (c) Disposal of Motor Vehicles
- (d) Security Bonds
- (e) Debtors' Control
- (f) Settlement of Advances
- (g) Maintaining and updating of Registers of Fixed Assets
- (h) Preparation of Development Plans
- (i) Issuing of Settlement Certificates for Development Purposes
- (j) Observations on Uncompleted Assignments

W.P.C Wickramaratne  
Acting Auditor General

## 2.2 Comments on Financial Statements

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### 2.2.1 Consolidated Financial Statements

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Financial Statement of the Paliyagoda Warehouse Complex Co.Ltd for the year 2012 has been audited by the respective auditors and the related the actions have taken to hand over to Government Audit Division.

### 2.2.2 Debenture Issue

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Authority received Rs.532 mn during the year 2011 and thereafter no funds been received from the General Treasury.

### 2.2.3 Sri Lanka Accounting Standards

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- (a) The amount represents as Rs.903,758/- is not a revenue and it is a net error resultant from a accounting that was recorded for long due and the Board of Management Approval has been given for the respective correction.
- (b) (i) In accordance to the SLFRS 16, an entity can adopt either Cost Model or Revaluation model. Accordingly in recording assets Cost Model has been used by the Authority.
- (ii) The SLFRS 16 is not relevant to this. Accounting for leased out properties had been recorded as per the SLFRS 17 but not related to SLFRS 40.

As per the SLFRS 17, Assets which have been leased out for more than 50 years should record as finance lease. Accordingly it is required to write - off these assets completely from the financial statements.

However, the entity being a government enterprise had not taken the decision of writing-off these assets completely from the financial statements. The reason for the above accounting treatment is to avoid assets of the authority being removed from the Asset Registers. As the above assets of the authority do not constitute a significant value the respective value of assets had been added to the cost.

Also, with the kind notice it should be noted that the SLFRS 17 not applying for the assets which were been leased out for more than 50 years.

- (c) Losses and write-offs amounts to Rs. 33,099.872/- had not separately presented in the summarized financial statements and this will be corrected in due course.
- (d) The retirement benefit allocate for the said plan was valued by "Actuarial Valuer" and it had been recorded accordingly.

#### **2.2.4 Accounting Deficiencies**

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- (a) Cost that is incurred directly for a project considered as Capital Expenditure and accounted accordingly. Town development, town beautifications are part and parcel of Authorities projects and the cost incurred considered as cost apportion able to the project. In addition to cost that incur for projects that do not create an asset to the Authority write off from the year or successive years.
- (b) At the inception the authority had treated projects that were funded by treasury or other projects as a capital working progress. However funds for these projects were also been financed by the Authority. Accordingly cost that were incurred for projects that deprive of creating an asset to the Authority had written off in the given financial year or successive years based on the approval of the Board of Management.
- (c) The commission charge had not written off against the income .This expenditure considered as a capital expenditure and this has been accounted at the point of recognition. In addition as this expenditure does not constitute a recurrent expenditure it has not been written against the profit for the year.
- (d) Since the gratuity payment and the payment for compensation for land acquisition and interest need not to pay immediately a separate investment for the above payables has not made. However as the financial year end Authority has made an investment of Rs.12,430 mn .
- (e) Until the compensation examinations are completed an approximate compensation value is presented in the financial statements. However at the financial year end an adjustment was made to the above approximately by taking into lands which were acquired and divested. As the compensation payable represents auxiliary lands which were under the same project code apart from the above stated divested & it includes annual interest payable the adjustment made to the divested lands difficult to distinguished.

#### **2.2.5 Contingent Liabilities**

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Under the Additional Labour Commissioner, The department of labour is conducting an investigation regarding the above matter. Accordingly as per the directions given, if a provision is to be made respective adjustment are to be made accordingly.



## 2.2.6 Unreconciled Control Accounts

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Reasons for the difference in the balances represent in the financial statements and relevant sub schedules.

### **Inventory Item (Difference Rs.148,933/-)**

The inventory item comprises the UDA head office and the Central Province Office. Accordingly it equals to the amount represent in the financial statement under the schedule number 02.

### **Furniture & Fittings (Difference Rs.9,813/-)**

Furniture and fittings purchased amounts to Rs.9,812.18/- during the December 2012 has been corrected in the year 2013.

### **Office Equipments (Difference Rs.750/-)**

A measuring tape that was purchased by the Kandy District Office has been recorded as a fixed asset and the respective error has been corrected accordingly in 2013.

### **Capital Working Progress (Difference Rs.20,137,968/-)**

The schedule representing the Capital Working Progress is submitted herewith.

## 2.2.7 Unexplained Differences

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As highlighted in the previous year audit, if a Capital working progress balances are to be write off in the following manner. Accordingly when preparing final accounts Rs.13,856,162/- was made as a Provision for doubtful debt.

## 2.2.8 Accounts Receivable and Payable

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- (a) With the discussions had with the National Building Research Organization (NBRO) documents were collected for the invoices that required to be paid in relation to following transactions. Accordingly, respective changes are to be made in future.

<u>Project</u>	<u>Rs.</u>
Kollupitiya 8 <sup>th</sup> Lane Housing Project	221,968.55
Kalpitiya Peoples Assembly	28,750.00
Palawatta Market Complex	58,230.00

In addition the amount required to be paid for Nuwaraeliya Racecourse ground service rendering by the NBRO has been requested from the Sport Ministry but still no consent has received regarding it.

- (b) All the warehouses of the Charmers Granaries site has been transferred to Urban Development Authority on 31.01.2011 except the Police Department. However the Police Department has taken steps to evacuate the warehouse items but it has taken them to complete above evacuation till 28.02.2012. Accordingly, the respective rent of Rs.7,594,066.79 /- calculated and had noticed it for the Police Department . For the above notification the due of Rs.4,562,532.31 as at 31.01.2011 has been paid by the F44407 receipt.

In addition, Police Department since 01.02.2011 has taken steps to evacuate, and accordingly it has taken steps to handover warehouses that have not been equipped. Therefore the respective Department higher officials have stated that it is not possible to pay an amount of Rs.3,031,534/ for this authority and inevitably it is difficult to recover the cost incurred for the electricity, water ,security and other services that were arrears.

- C. Due to the manager of the Ambalangoda Rest house has not paid ,the authority as per the Management Agreement Dated 13.05.2005 has cancelled the Management Agreement and has taken steps to transfer back the right to the Authority.

However successively for redevelopment, maintenance the Chief Minister of Central Province has requested The Minister in Charge of Urban Development and Sacred Development Minister through the letter dated 12.03.2008 .Accordingly, the Board of Management has taken a decision at its meeting held on 23.03.2008 has taken a decision to handover the rest house to the provincial office.

However in accordance with the gazette 105/03 and 09.08.1980 Gazette the management of the Rest house was under the Urban Development Authority thus the assets of the authority was handed over to the Ambalangoda Town Council.

Accordingly, based on the gazette published Authority do not have the right for the ownership of the asset.

- (d) Deposits and prepaid advances represent the deposits made by the contractors for the use of resources. These advances made by the contractors are paid back to contractors as and when they requested and outstanding for more than 03 years as it seems to have an ownership.

In addition a balance of Rs.7 mn that outstanding more than 30 years without proof documents had written off based on the Board of Management Decision dated 13.06.2004.

- (e) As per the court decision Urban Development Authority required to pay compensation of Rs.406,483,000/- for the respective company to the value of constructing the building. Accordingly authority has paid a compensation amounts to Rs.38 mn as at December 2013.

In addition the profit earned by Waters Edge Ltd had been adjusted in the consolidated financial Statements and Waters Edge Ltd has only paid Rs.5.16 as dividends.

- (f) Advances to contractors overdue for 03 year classified follows.

<b>Description</b>	<b>Value (Rs.)</b>
Projects underway at present	29,668,346
Abandon projects	27,887,938
Capitalise projects	107,370,380
Projects that have been written off	20,386,056
<b>Total</b>	<b>186,312,721</b>

Abandon projects include projects such as “ Madiwella Government Project” balances and above can be claimed following its commencement. However advances to contractor balances that cannot reclaimed is to write off by taking the necessary approval from the Board of Management.

In addition steps have taken to capitalize balances that required to capitalize and an amount of Rs.20,386,056 was written off by the Journal entry J23056 dated 01.07.2014 that prolong outstanding for more than 03 years.

- (g) At the development of the Balangoda Town some of the land parcels were been exchanged with the Balangoda Town Council. Accordingly it was decided to pay or receive any value to either party based on the valuation for land given by the Government Chief Valuer.

Accordingly the Balangoda Town Council required to deposit Rs.40 mn to the Urban Development Authority. However the respective town council has informed to the Authority that its not possible to pay the respective amount.

Considering above Authority has taken following options to handover the Balangoda Bus Stand to the town council.

1. Transfer the ownership based on 30 years lease mechanism.
2. Total Lease value to be deposited in at once subjected to 30 year lease arrangement

Accordingly, based on the valuation obtained from the government chief valuer the lease value payable at once for 30 year lease mechanism was Rs.26 mn if that is to pay on annual basis the annual lease rental is Rs.1,500,00/- with an increase of every 05 years.

With the above options this was informed to the Balangoda Town Council by the letter dated 23.06.2013 thus no reply regarding the above had received to date.

#### **2.2.9 Lack of Evidence for Audit**

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- (a) The amount represented as Rs.13,220,888/- is the festival advances given for the employees who were under the Housing Development Authorities Urban Housing Unit that was successively transferred to Urban Development Authority. This should records in the books of account as expenditure but not as an advance given. However the respective entry was corrected by the Journal number J23461.
- (b) The correct schedule was given to the Audit Division with the reference DE/E/UDA/212/V14 and however the same will submit herewith for your concern.
- (c) Vehicles that were been disposed before the year 2012 amounts to Rs.9,146,217/-.For the year 1998,1999,2000,2004 and 2009 have disposed vehicles and the values amounts to Rs.910,194/- ,Rs.457,944/,Rs.1,817,334/-,Rs.2,137,140 and Rs.3,823,605.
- (d) Journal entries entered to the system once been certified by the relevant accountant. Above journal entries have been correctly entered to the system and it contained two attachments of which one of the attachment been misplaced. However by using the other journal entry the respective journal was corrected.
- (e) The detail report containing the Investment Property,land and building by the Land Division of this authority is in progress based on detail investigatyion that would made availabe befor financial year end 2014.

- (f) As requested by the Audit Division copies of investment certificates of the Authority was handed over on 30.09.2014.

### 2.2.10 Non Compliances' with Laws, Rules and Regulations

Reference to the Laws, Rules and Regulations	Non – Compliance
<p>(i) Urban Development Authority Act, No.41 of 1978</p>	<p>The 3(1) statement contains that it is possible to declare an area by the respective minister if the area suits for any development. Accordingly development areas that were been identified declared as and when.</p> <p>The area in the island to be developed by providing physical and economic facilities should be identified, published and action should be taken thereon. However, no action had been taken thereon during the year under review. For any development. Accordingly development areas that were been identified declared as and when.</p>
<p>(ii) Paragraph 8 (a) (1) section and 11 (a)</p>	<p>The 3(1) statement contains that it is possible to declare an area by the respective minister if the area suits for development.</p>

Based on 3(1) statement in the act it is required to prepare development plans for the declared areas. Accordingly it is required to utilize resources efficiently and effectively for the development of above plan. However in preparing such an development plan it is clearly required to carry out respective technical and legal aspects in an comprehensive manner and it would at least require 06 months time frame. In addition the staff involve in preparing development plans also accountable for the commencement and carryout of the above tasks and based on the priority respective tasks are expected to carry out accordingly. Preparation of development plans that have expired also conduct in addition to the above normal process. For each area that was declared as development a development committee was formed and these development committee comprises of a UDA representative and the committee is responsible to carryout respective development under the supervision of the UDA main development committee.

(iii) Paragraph 8(b) I and 5

For each area that was declared as development a development committee was formed and these development committee comprises of a UDA representative and the committee is responsible to carryout respective development under the supervision of the UDA main development committee. As per the authority vested for the UDA it has been delegated for the respective committee and time to time the committee takes the advice from the UDA main development committee.

(iv) Paragraph 8 (e)

Draft development plans that have been handed over to Provincial Councils for the observation required to hand over to the Minister in charge after 60 days of such expiry to get the approval from the Minister with respective observations. Accordingly following draft development plans are available for the year 2014.

- 1.Kolonnawa Urban council
- 2 Kasbava Urban Council
- 3.Moratuwa Urban Council(
- 4.Panadura Urban Council
- 5.Beruwala Urban Council
- 6.Nawalapitiya Urban Council
- 7.Kundesale Urban Council
- 8.Haputale Council
- 9.Mulathiw Pradeshiya Sabha
- 10.Pollanruwa Pradeshiya Sabha

11. Hanguranketha Pradeshiya Sabha
12. Kantale Pradeshiya Sabha
13. Akkerepathu
14. Ahaliyagoda Pradeshiya Sabha
15. Kuruvita Pradeshiya Sabha
16. Godakawella Pradeshiya Sabha
17. Valigama Urban Council
18. Ambalangoda Town Council
19. Tangalla Pradeshiya Sabha
20. Ambalangoda Pradeshiya Sabha
21. Nikavaratiya

(b) Urban Development Authority  
(Amendment) Act, No.04 of 1982

(i) Paragraph 8 (a) to (g) and 28 (a)

For the unauthorized construction discussions were had with relevant administrative offices in respective areas and it was advised to take corrective actions accordingly.

(ii) Paragraph 8 (j)

The Compliance Certificate from the Authority is required to be obtained, complying with the permit issued for development purposes. However, a test check had revealed that 07 stories housing complex had been constructed at No.32 of Fernando Mawatha, Wellawatta and rented out. However, no action had been taken against that construction.



For the unauthorized construction discussions were had with relevant administrative offices in respective areas and it was advised to take corrective actions accordingly.

The service charges in terms of the Gazette Notification based on the estimated cost of the building should be deposited at the Authority. However, service charges for the 07 stories housing complexes constructed at No.32 of Fernando Mawatha, Wellawatte had not been obtained. The charges of Rs.50 per day on residing and using the premises without a compliance certificate had not been recovered thereon.

(iii) Paragraph 8 (j) (2)

Do

(c ) Gazette Notification No.1459 of 23 August 2006 and Paragraph 6 (vii) of Gazette Notification No.1597 /8 of 17 April 2009 of the Democratic Socialist Republic of Sri Lanka

Do

Also directions have given to the Colombo Municipal Council to charge any defaults from not confirming to building regulations that were issued as per the C.O.C and the respective coordination process is in the process at the moment.

The service charges are required to be paid at the time of approving the building plan. Accordingly as at today the required approval has not been given to the developer thus it was instructed to the respective developed to pay the service charge at the time approving the building plan. In addition in order to provide a legality it was advised to charge the respective service charges and the conformity accordingly.

(d) Gazette Notification No.1597/8 of 17 April 2009 of the Democratic Socialist Republic of Sri Lanka, Planning Circular No.08 of 30 September 1987, Planning Circular No.15 of 18 November 1993 and planning Circular No. 14 of 16 March 1993

It was informed during August 2014 to the respective provincial office to open relevant accounts

(e) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 135

The authority has updated the delegation of powers of the Authority in the year 2013 and the respective details were sent to the Auditor General and the Government Enterprise & Management Department.

(f) Chapter XLVIII of volume 11 of the Establishment Code of the Socialist Republic of Sri Lanka

(i) Section 13 (1)

As per the Establishment Code II of XLVIII paragraph 13:1 chapter it is required to carry out primary investigations without any delays. However respective primary investigations have been conducted by ex officio to date. As per the letter dated 04.10.2012 V13(1) issued by the Government Audit Division in respect to above pointed out that the related support can be obtained from the relevant line ministry. Accordingly, the support from the respective line Ministry was obtained as such it has taken a time lag.

(ii) Section 22.1.1

The reason to issue code of conduct directives to accused officers within a period of 01 year is due to the occurrence of two systematic code of conduct examinations regarding the above, thus one has recommended to cease the service and had that been executed inevitably it is difficult to carry out the other examination in a proper manner.

(g) Public Enterprise Circular  
No PED /12 of 02 June 2003

(i) Section 4.2.6

At the end of each quarter a progress report is to be prepared and should submit the same to Ministry of Defense and Urban Development, Government Audit Division, Chairman, Director General and the directors. Accordingly, the above process was conducted orderly and from 2014 onwards the relevant progress report is to be send to the Ministry of Finance, Management Department.

(ii) Section 9.4

It was requested to refund the Salaries and wages given to employees who were been transferred to other institutions. However salaries for employees who were been released to Presidential Secretarial Office, Ministry of Defiance and the Economic Development Ministry have not been refunded but other respective refunds were been collected.

(h) Decision of the Board of Director arrived at its meeting held on 14 February 2012

At the end of each quarter a progress report is to be prepared and should submit the same to Ministry of Defence and Urban Development, Government Audit Division, Chairman, Director General and the directors. Accordingly, the above process was conducted orderly and from 2014 onwards the relevant progress report is to be send to the Ministry of Finance, Management Department.

### **2.3 Transactions not confirmed by adequate Authority**

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- (a) (i) Errors in relation to primary planning , for above approval is on the process of correction and an investigation is underway at present to ascertain whether the officer in charge of the subject has made any misconduct. With the view of the above the respective officer was transferred to the Batticolo District office to conduct a transparent investigation.
- (ii) Errors in relation to primary planning, for above approval is on the process of correction and an investigation is underway at present to ascertain whether the officer in charge of the subject has made any misconduct. With the view of the above the respective officer was transferred to the Batticolo District office to conduct a transparent investigation.
- (iii) Errors in relation to primary planning, for above approval is on the process of correction and an investigation is underway at present to ascertain whether the officer in charge of the

subject has made any misconduct. With the view of the above the respective officer was transferred to the Batticolo District office to conduct a transparent investigation.

(iv) Errors in relation to primary planning, for above approval is on the process of correction and an investigation is underway at present to ascertain whether the officer in charge of the subject has made any misconduct. With the view of the above the respective officer was transferred to the Batticolo District office to conduct a transparent investigation.

(v) Errors in relation to primary planning, for above approval is on the process of correction and an investigation is underway at present to ascertain whether the officer in charge of the subject has made any misconduct. With the view of the above the respective officer was transferred to the Batticolo District office to conduct a transparent investigation.

(vi) Errors in relation to primary planning, for above approval is on the process of correction and an investigation is underway at present to ascertain whether the officer in charge of the subject has made any misconduct. With the view of the above the respective officer was transferred to the Batticolo District office to conduct a transparent investigation.

(vii)

(a) This matter was responded to you by the letter dated 20.11.2012 in response to your referencing letter DE/E/UDA/212/V 35. However for your concern the response is submitted herewith.

When the Authority leased out lands in practice the lease value is collected either through a single installment or by through multiple installments. In leasing out for installment a nominal lease value is charged and it this is to represent that there exist an legal relationship between the Authority and the lessee.

In addition the annual nominal values applicable for the Authority for the period of 1978 to 1990 were not recognized, but thereafter it has been recognized under the "Non- profit organization" category in accordance with the respective decisions that were taken at the government level.

(c) In accordance to the Memorandum to the Board of Management 2012/55 balance of Rs.8,287,857/- as Debtors and a balance of Rs.9,455,627/- were been accounted in the Final Accounts in 2012 and the balance values were been adjusted in 2014 financials. The respective Treasury approval for the above is under way at present.

### **3. Financial Review**

#### **3.1 Financial Results**

Urban Development Authority was able to record an increased net profit of Rs.202 in compared to the year 2011. In addition as a result of the efficient management and administrative practices carried out by the authority it was able to reduce the operational cost and also to increase the income of the authority significantly. During the year under review due to significant amount of project been completed it was also able to increase the income through key money in compared to the previous year.

3.2 The above data and the summarizations are in relation to the financials for the year 2011 & 2012 and the gross profit of the Lanka Rest house should be corrected as Rs.17,960

### **4. Operating Review**

#### **4.1 Performance**

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(a) The Development Plan for the Attanagalla Pradeshiya Sabha was Gazzeted .Accordingly:

<b>Provincial Institute</b>	<b>Present Situation</b>
Biyagama Pradeshiya Sabha	Tamil Translation is in examination
Seeduwa- Katunayake Urban Coucil	English Translation is in progress
Divulapitiya Pradeshiya Sabha	Though the translation process was completed as the issues arose in the demarcated areas respective reconciliations are in progress
Ja-Ela Urban Council	Draft plan was handed over to the Development Planning Division on 14.11.2014
Minuwangoda Pradeshiya Sabha	Draft plan was handed over to the Development Planning Division on 14.11.2014
Kalaniya Pradeshiya Sabha Mahara Pradeshiya Sabha Ja-Ela Pradeshiya Sabha Wattala Urban Council	Gampha District Office is been conducting the respective development planning.

In addition for other areas various actions have been taken and respective Gazette notifications were been issued.

<b>Declared Area</b>	<b>Date</b>	<b>Gazette Number</b>
Dehiowita Pradeshiya Sabha	20.02.2013	1798/25
Araur Pradeshiya Sabha	25.03.2013	1803/03
Palmadulla Pradeshiya Sabha	09.05.2013	1809/13
Bandarewella Pradeshiya Sabha	13.11.2013	1836/14
Pusselawa (Part of the Uva Povince)	01.10.2014	1883/5
Poodalu Oya Pradeshiya Sabha	07.10.2014	1889/5

(b). The action plan for the year 2012 was prepared during the last quarter of 2011. The above projects were been identified through the said action plan under the year concern and it was compelled to invest funds for important projects successively thus required funds were insufficient and these projects are to be proceed in years to come.

(c). The land at Pitipana ,Homagama was handed over to the Sri Lanka Bureau of Foreign Employment to conduct the respective development programme. However due to the change in the demarcated land boundaries it was requested by the Bureau to open the land boundaries and it was conducted by the Department of survey and the opened land boundaries were notified to the Bureau. Accordingly the amount receivable for the Authority Rs.26 was requested through the letter dated 26.11.2014.

As the Authority has presented the new demarcated open land boundaries the Sri Lanka Bureau of Foreign Employment has the ability to conduct the relevant development.

#### **4.2 Management Inefficiencies**

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(a). detailed response was provided for the above audit query on 26.04.2012 as per your letter referencing TH/B/UDA/2012/V 2 and the present situation pertaining above presented below.

By considering the request of "National Craft Council" the Board of Management of this Authority had proposed following two alternatives.

01. To charge the lease rent from 1994 to 2011 with a 50% increase.

02. To obtain the lease value from the Government Chief Valuer to the date of lease execution 30.03.1993 and to charge a annual ground rent each year.

Accordingly , the approval was sought from Board of Management, and it was directed to obtain details of the land surrounded by the above said land parcel that were not owned by the Authority with the confirmation from Land Reclamation Ministry at its meeting held on 11.01.2012. Accordingly, a detail report was obtained from the relevant ministry and respective actions have been taken to obtained dues from above.

(b). There are no lands available for Urban Development Authority in the Gampaha District .Gampaha District Office is occupied in the Gampha District Secretarial Office under a rental agreement. A rental agreement has not signed for the above occupancy .However respective notifications have been made to the Gampaha Secretarial Office verbally and in written for several occasions and thus not incur any penalty charge as a result of payments of utility and rentals been made on time.

(c).(i).Responses in relation to the above was informed through your audit query referencing DE/E/UDA/2012/V35 dated 20.11.2012.However the following details would furnish for your concern.

When the Authority leased out lands in practice the lease value is collected either through a single installment or by through multiple installments. In leasing out for installment a nominal lease value is charged and it this is to represent that there exist an legal relationship between the Authority and the lessee.

In addition the annual nominal values applicable for the Authority for the period of 1978 to 1990 were not recognized, but thereafter it has been recognized under the "Non- profit organization" category in accordance with the respective decisions that were taken at the government level.

(ii).In addition some of the lease agreement required a revision in the lease rent by 150% at its review in 05 years. Accordingly agreements that satisfy above been changed accordingly and requested to charge the same from the respective lease tenants.

(iii).According to the file 1763/8/10 a two storied house was located in the land at the point it was handed over to the Ratmalana, National Water Supply and Drainage Board. Therefore it is not required to conduct a post investigation. However consecutive investigations were conducted and it was noted in the respective file accordingly (The building was completely refurbished and has converted to a new two storied building)



In addition to 1018/8/10 file, the land that was given for lease at Kataragama completed the construction at time the lease agreement was executed. Therefore it is not required to carry out a detailed examination of the above.

(iv). In addition some of the lease agreement required a revision in the lease rent by 150% at its review in 05 years. Accordingly agreements that satisfy above been changed accordingly and requested to charge the same from the respective lease tenants.

(v). This matter was addressed through the letter dated 28.08.2012 with the reference TH/B/UDA/2012/V20 and further detail on collecting due rentals are attached herewith.

Rentals and penalties due from leaseholds till October 2012 amounts to Rs.33,037,594.74/- and 06 months time was granted to settle the respective due. Accordingly, as at 31<sup>st</sup> October 2013 Rs.14,149,772.64/- except the penalty was received and the right of the land was handed over to the authority and requested to repay the balance within 06 months. Accordingly, it was decided by the Authority to give a time extension to 10<sup>th</sup> December 2013 and to repay the due of Rs.5,563,750/- in two installments considering is unsatisfactory health condition of the Proprietor of the Tri-Star Apparels Export (Pvt) Ltd Deshamanya Mr.Kumar Devepura and the repeated losses faced by the company. Further it was informed that related legal actions will take in due course if the above time lines were not been met by the lessee.

(vi). The said land was proposed to lease out for the said party for a period of 50 years and hence the party was not in a position to pay the lease premium the relevant lease agreement was not executed. However as the institute has used the above premise from 20.02.2002 to 05.10.2009,an occupancy charge of Rs.5,563,750/- was charged on 26.06.2013.In addition Authority has filed a case in the Colombo Magistrate Court under the court case no.68372 dated 30.09.2009 and the freehold ownership was retained by the Authority. Despite the above at present discussions are being held to execute a lease agreement from the above institute for a prolonged period. At present the land boundaries that were demarcated are been revisited and the valuation for the land is to be obtained thereafter.

(d). Authority to date had received numerous complaints regarding the unauthorized constructions that were taken place in various Provincial offices. Despite the delay that was recorded in the above process, respective actions are been made to speed up the process in future.

(e) (f).In accordance to the 1985 No.01 Employee Provident Fund ( Reconciled) 09th paragraph and 1980 No.46 of the Employee Trust Fund from the month of August 2012 respective provisions have been made accordingly to the collective salaries and wages of the employees.

In addition to the areas that required to be paid for above due is expected to paid after the respective investigations are been finalized and the relative actions were been finalized.

#### **4.3 Operational Inefficiencies**

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Square feet charge for Sethsiripaya Stage ii had revised to Rs.160/- .Though the building opened on 18th May 2012,the official work of the building did not started hence it require to structure the office according to the office work. In addition as per the agreements the time taken in arranging funds with the general treasury for rentals has caused the delay.

#### **4.4 Matters Contentious Nature**

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As per the IV Section chapter 13-1 of 1978 No.41 of Urban Development Authority Act emphasize that it is required to have a General Manager. However as per the revised special Act 1984 No.44 section 4 (1) it was changed to a Director General. However according to the printing of the said Act instead of "o" paragraph it was printed as "e" but in 1978 No.41 Act "e" had not changed and the respective printing error is to be corrected in due course.

Accordingly of the 05 member one member treated as an examiner.

#### **4.5 Apparent Irregularities**

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At present an investigation is underway and it is expected to proceed with respective actions thereafter.

#### **4.6 Idle and Underutilized Assets**

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(a). Compensation had paid to part of the Awissawella Manikka Watta land and it requires to pay compensation for the rest of the land thus there exist a legal disputes over the previous ownership of the property.

Though the Authority has taken steps at numerous occasions to facilitate the 15 perch land block of the said property for a suitable development it got failed. However initial steps have taken to provide the same for the Department of Police .

(b). In accordance to the Balangoda Town Development Programme, 6 acres 3 Roods 21.23 perch lands that were been acquired been utilized for bus stand, bank and a public fair. In addition 12 Acres land been allocated for the development in additional streets and the rest of the land is to be allocated for a commercial and a housing development.

#### **4.7 Uneconomic Transactions**

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(a). The respective company has paid a dividend of Rs.1.16 mn for the authority during the month of October 2014 in return for the investment that was made.

(b). Though the above lands have been allocated for the Reel Company Ltd under a 99 years lease agreement due to unsatisfactory financial position the said housing project was unable to carry forward as expected.

In compensation for the above Reel Company Ltd has issued Preference shares to the value of Rs.26,950,000/- but due to the inability to operate the above has resulted the company to paused the above fund profile as accordingly. In addition though the authority has acted as a shareholder of the company from the inception, steps have taken to liquidate the company and approval from the Cabinet of Ministers was obtained for the above.

However, as the said lands were been vested by the Authority, it had helped to utilize the same for the commercial projects that generate financial and social benefits for the general public without been incurring any financial losses.

(c). The dividend declared by a company is determined based on the profit earned by the company for the year under review together by considering various aspects.

However respective actions are to be taken for companies that do not declare dividends by informing the same for the Board of Management.

(d). The land belong to the Paliyagoda Warehouse was proposed to provide for the Ports Authority for the port expansion project. Accordingly, the approval from the Board of Management was granted. In order to provide the legal aspect of the said change the balance due as debtors as at 31.07.2012 Rs.200 mn was transferred to the share capital. Apart from the above after the initiation of the liquidation process the due loan and the interest of Rs.97 was received by the Urban Development Authority.

Further as Paliyagoda Warehouse Company incurred losses consecutively, the respective provision was made for the investment made by UDA in the Paliyagoda Warehouse Company Ltd.

(e). The amount that require to reimburse by Lanka Rest houses Ltd. for the salary and wages paid by Authority amounts to Rs. 13,297,435.11 and accordingly as at 30.04.2013 Rs.5 Mn,2013.07.31

Rs.3Mn was paid accordingly. In addition Authority and the Lanka Rest houses Ltd has agreed to settle the balance due for salaries amounts to Rs.8,307,519.18 and the management charges that been retained through the Journal J20662.

(f).The vehicle misuse been reported in relation to the auction but not in relation to the tender procedure that took place. In deciding the base price of the vehicle quotation been called from two companies. The quotations submitted by the two companies is inclusive of VAT and it has been accounted accordingly.

(g). The building was already built and occupied. In order to rectify above Colombo Municipal Council is in a process of discussion and it is expected to take the respective action once the discussions have finalized.

#### **4.8 Identified Losses**

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As these houses were developed by semi-permanent structures it was declined by the respective institutes to provide separate water and electricity. However, a systematic plan is occupying at present to collect service charges from the occupants of these houses.

#### **4.9 Delayed Projects**

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With the objective of providing shelter for underserved community in the city of Colombo in 2011 the Urban Regeneration Programme of the city of Colombo was initiated. The reason for the commencement of the above housing programme stems from the detail examination carried out by the Authority and the findings of it that reveled 68,000 housing requirement is needed for 53% of the community live in the area. Accordingly, the project aims to provide shelter for occupants and steps have taken to provide these housing schemes. Based on the above it was initially planned to provide 10% of the project cost initially and 90% at the completion of the project. However it was difficult to find investors for the above payment agreement and accordingly it was agreed to pay progress payments accordingly. Therefore in the first phase of the programme only 10,000 units were been able to offer during 2013 and completed 500 units in total.

In addition by the project it was able to liberalize 9 acres of land and during 2014 it was planned to complete 5,000 houses and expected to liberalize 41 acres accordingly.

#### **4.10 Commencement of Projects in the lands which were not duly acquired**

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When acquiring land for any development purpose for UDA, it takes significant amount time as a result of extent of legal proceedings that involves with the government institutes. In such situation

until the legal transfer of the ownership, development is undertaken by UDA by obtaining the physical possession of the land.

However, at present a Possession Certificate was obtained by the Authority based on the section 44 of the Land Acquisition Act for the land which the Horana bus stand is located. Accordingly, this authority has taken initiatives to develop the Horana Bus stand and the related shops spaces.

The receipt by allocating spaces at the above shop spaces were been allocated to the development of the second stage of the bus stand.

Houses located at the Hambanthota Administrative complex were also developed under the same methodology and the required process is been followed at present to in order to obtain the ownership of the land.

#### **4.11 Staff Administration**

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(a) A scheme of recruitment and promotion was completed at present and the process of obtaining the respective approval is in progress.

(b) At the inception it was not mandatory to certify the educational certificates by the Education Department but at present processes are been carried out to obtain such certification.

#### **4.12 Utilization of Motor vehicles**

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(a) The reason for paying a monthly rental for hired vehicle above Rs.40,000/- for 04 vehicles by deviating from the circular is due to the approval that was received from the Chairman. In addition as the owners of the hired vehicle didn't agree on the said vehicle of Rs.40,000/- inevitable it resulted to obtain the board of management approval.

Accordingly, on vehicles that were hired on rent basis as per the Board Circular no. 13/2014 dated 17/07/2014 decided to provide a monthly rental of Rs.55,000/-.

The vehicles of Ministry of policy planning bearing vehicle numbers MPD1/MPRO and based on the circular dated 11.10.2002 it was approved to obtain vehicles on rent basis for 03 different methodologies. Accordingly 10 drivers were also been provided .The reason in following up of the said mechanism is due to the sale of 20 number of vehicles in the current year.

(b) (i).When making decisions pertaining to Vehicles that met with damages the reason for the inability to act according to Financial Regulations 103 (1) is due to the time taken in obtaining police reports, and the valuation for the damage caused. In addition the reason for vehicles that met with

accidents were not been provided for the insurance companies is due to the shortage of vehicles in the pool. Further respective actions are carryout to conduct duties in accordance to the Financial Regulations 103 (1).

(ii). Relevant repair works have completed for 06 vehicles during 2012.

(iii). When conducting repairs, the reduced insurance claims is due to manufacturing year in year 02 is 5% 03 year 10% and 4th year 15%,05th year 20%, 6th year 25%,and for years successively 35% to 40% for the insurance premiums made. Vehicles that were depreciated more than 10 years insurance contribution reduced by 20%. Accordingly, when conducting repairs the nature of the accident and the cost been considered.

## **5. Issues on Accountability and Good Governance**

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### **5.1 Presentation of Financial Statements**

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(a). The draft financial statements were handed over to Auditor Generals on 27.02.2013 and due to the change in standards that occurred in the year. Accordingly to comply the accounts as per the International Financial Reporting Standards(IFRS) the consultancy service was obtained from an audit firm and accordingly with the respective consultancy the financial statements for the year was handed over the Government Audit on 02nd July 2014.

(b). Respective actions will be taken indicate directors responsibility statement in the financial statement during the year 2013 and for prospective financial statements.

### **5.2 Weaknesses in Financial Controls**

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Preparation of Journal Entries with primary documents, Accounting the respective journal entries are been handled with the supervision of the accountant. At the end of each month the manual cash book and monthly accounts been checked. Accordingly once the monthly accounting process is completed it is not possible to manipulate any data that was updated previously.

However most of the journal entries that was highlighted in your query are accrual expenditure that related for the year 2012 and thus it has taken steps to correct respective errors that you have been highlighted.(Further the above change do not have any manipulation on the previous information)

Journal entries that been recorded without any credit or debit details were cancelled journals. In addition respective errors were been discussed with the relevant unit heads and the necessary arrangement will be made accordingly to rectify any forthcoming issues.

### **5.3 Corporate Plan**

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(a). The exclusion of 65,000 housing programme highlighted in 2008-2012 Corporate Plan was rectified and incorporated in 2013-2017 Corporate Plan and the report was submitted to Government Audit on 21<sup>st</sup> July 2014,

(b). The Corporate plan for the year 2012-2017 was prepared and Board of Management Approval was obtained by incorporating the 65,000 housing units .

### **5.4 Action Plan**

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(a) Respective adjustments are to be made for the variations recorded in the Action Plan prepared for the year 2012 and the Budget that was prepared for the same year.

(b) A progress report is conducted every three months and the reviews of projects conduct by the UDA to evaluate on the merits that generates for the public. Accordingly there were instances that completely new projects are been implemented by considering the positive externalities that would provide.

(c ) When preparing the Action Plan for the year 2012 Edirisinghawatta Housing Project was not included. However the project been considered as a priority project was completed during the same year.

### **5.5 Internal Audit**

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Due to the expansion of the spectrum of activities of the Authority inevitably it requires to expand the human resource element of the Internal Audit Division. Accordingly the respective Audit committee and the Board of Management approval was received and the approval was sought from the Treasury and the Management Service Department.

### **5.6 Budgetary Control**

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The Differences that were noted are as follows.

### **Rental Income**

As a result of opening up of new venues and allocating spaces for investors under lease agreement coupled with the efficiencies in collecting rental dues the Authority was able to record an increase actual income in compared to the budgeted for the year 2012.

### **Sale of Fixed Assets**

As per the budget 2012 Rs.125 mn had been allocated under the sale of fixed assets. However the change of policy from outright sale to lease hold basis a variation was occurred. In addition based on the Board of Management Decision dated 28<sup>th</sup> March 2012 it was decided to sell vehicles and accordingly a profit was recorded.

### **Interest on Saving Accounts**

The reason for the actual interest earned for the year been different from budgeted was due to the change that was experienced in the exchange rates.

In addition the unauthorized construction fee charged from the SAIMM hospital and Modern Housing and Construction Institution of Rs.26 Mn and Rs.20 mn respectively and the utilization of resources in an effective manner and the realization of income across multiple segments had resulted to the enhanced performance.

## **5.7 Tabling of Annual Report**

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The Annual Report for the year 2012 was handed over on 22.04.2014 for the Parliament. The annual report for year 2012 has completed and after obtaining the Board of Management Approval it is expected to table the Annual Report in the Parliament.

## **5.8 Unsolved Audit Paragraphs**

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(a.) Though the Authority provided alternative commercial complexes for vendors in the Pettah area in the Sonders Place during 2,002. However due to the establishment of a similar commercial facility by Economic Development Ministry the commercial value of the area was devaluated and vendors experience low sales volumes. However in order to compensate the cost incurred for the above facility Authority has taken initiative to reclaim cost from the vendors but was not succeeded eventually.

Accordingly by considering the above it was decided to use the unutilized space for further developments by utilizing the participation of the private sector. In addition there are developments centered around the Manin Market and the Railway station in the Pettah area with the view of providing an enhanced transportation mechanism together with a high potential growth surrounding.



Based on such development the it will be able to recover the Rs.16 mn worth of capital incurred for the building as well as to gain additional benefits.

(b) The Chirman, Director General , Additional Director General staff were been carried out special duties beyond the normal work and hence based on the approval given by the Board of Management an additional allowance been paid to those staff.

(c.) The lands that were been acquired in Dambulla , Maradamanyaya area were given to tenants on fee for use based on the value that was agreed by the Authority.

However ,the tenants were unable to pay the relevant rentals despite several reminders were been sent by the Authority. In addition with the involvement of the Mayor and the representatives of the political authority and also with the involvement of the Police in the area tenants were been summoned to the police station in collecting dues thus the attempt was not succeeded.

By considering this situation the Additional Director General Office with the aid of the Dambulla Police station sealed 13 number of shops owned to tenants on 14.03.2012.However tenants without adhering to the above have removed the locks of sealed shops and entered at their own aspiration. Accordingly based on the decision taken at the board of management it was decided to file a legal case against the tenants by giving due consideration for the tenants who have removed the seals that were been placed by the UDA.

Summary of the Law proceeding is as follows.

01. Two court orders were obtained and the free hold of the land was obtained by the Authority. By considering the request made by a tenant it was decided to recover 50% of the due at immediately and the balance in 03 equal installments and then to transfer the ownership back to the tenants.

02. Two Court orders were been reviewed at the Kandy Magistrate Court based on a petition.

03. Other Court orders were been reviewing at the Court at present.

04. It was decided to carry out law proceedings for 37 tenants who have not been given any law proceedings.

(b) An investigation is underway at present under the Commissioner General of Labour regarding the areas rentals that were been due in relation to the Employee Provident Fund and Employee Trust Fund. Accordingly , it is expected to pay any due that will be directed based on the above investigation.

## **5.9 Achievement of Environmental and Social Responsibility**

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a. Not agreed. Number Small and Medium scale development projects have started in Colombo and island wide during 2012.

b. The main objective of the Urban Development Authority is the Urban Development. Accordingly, development projects have started covering various districts. As stated it is expected to execute decisions when unauthorized constructions are taken place. In addition powers vested on UDA have been decentralized thus the respective administrative council also have a responsibility towards it.

C. Respective actions have been taken since October 2014 to minimize any conflicts that prevails.

## **6. System and Control**

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In order to provide a special concentration on the administrative matters an efficient and effective control mechanisms were introduced and Internal Audit Division of the Authority has taken an initiative to review it.

**Chairman**

**Urban Development Authority**

# **FINANCIAL STATEMENTS**

## **2012**

**URBAN DEVELOPMENT AUTHORITY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2012**

	Note	Group		Authority	
		2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Revenue	2	1,532,864,381	1,201,086,434	1,055,442,758	816,018,659
<b>Gross Profit</b>		<b>1,532,864,381</b>	<b>1,201,086,434</b>	<b>1,055,442,758</b>	<b>816,018,659</b>
Other Income	3	885,426,974	679,919,241	822,269,992	641,601,930
Government Grants		14,422,001	14,422,001	14,422,001	14,422,001
Administration Expenses		(1,792,595,353)	(1,573,946,188)	(1,423,380,809)	(1,209,537,051)
Selling and Distribution Expenses		(16,565,567)	(16,290,646)	-	-
Other Expenses		(23,646,756)	(19,322,790)	(22,980,569)	(18,414,210)
<b>Results from Operating Activities</b>		<b>599,905,680</b>	<b>285,868,051</b>	<b>445,773,373</b>	<b>244,091,328</b>
Finance Cost		(4,299,579)	(5,074,150)	(863,143)	(1,514,859)
<b>Net Finance Cost</b>		<b>(4,299,579)</b>	<b>(5,074,150)</b>	<b>(863,143)</b>	<b>(1,514,859)</b>
Share of profit of equity accounted investees		90,570,689	44,632,684	-	-
<b>Profit before income tax</b>		<b>686,176,790</b>	<b>325,426,585</b>	<b>444,910,230</b>	<b>242,576,469</b>
Income tax expense		(283,265,047)	(186,758,309)	(254,205,771)	(173,998,337)
<b>Profit/(Loss) for the Year</b>		<b>402,911,743</b>	<b>138,668,276</b>	<b>190,704,459</b>	<b>68,578,132</b>
<b>Other comprehensive income</b>					
Actuarial gain/(loss)		(1,743,636)	-	(1,743,636)	-
<b>Other comprehensive income for the year</b>		<b>(1,743,636)</b>	<b>-</b>	<b>(1,743,636)</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>401,168,107</b>	<b>138,668,276</b>	<b>188,960,823</b>	<b>68,578,132</b>

URBAN DEVELOPMENT AUTHORITY  
CONSOLIDATED BALANCE SHEET  
As at 31st December 2012

	Note	Group		Authority			
		2012 RS	2011 RS	1/1/2011 RS	2012 RS	2011 RS	1/1/2011 RS
<b>ASSETS</b>							
<b>NON CURRENT ASSETS</b>							
Property, plant and equipment	8	3,772,818,490	3,779,526,182	3,810,898,590	1,740,434,909	1,766,154,596	1,803,190,624
Investment Property	9	81,642,397,921	81,625,783,055	81,716,256,410	83,515,712,921	83,499,098,055	83,589,571,410
Investments in Subsidiaries	10	-	-	-	345,000,080	345,000,080	345,000,070
Investments in Associates	11	304,516,071	232,320,380	203,287,694	132,000,000	132,000,000	132,000,000
Other Investments	12	74,762,341	74,762,341	74,762,341	74,759,841	74,759,841	74,759,841
Receivable from Subsidiaries	13	-	-	-	3,718,366,311	2,780,637,660	1,685,798,258
Loan given to local authorities		100,071,639	115,642,688	131,213,739	100,071,639	115,642,688	131,213,739
Capital work in progress		9,552,419,424	3,469,469,034	1,466,334,879	6,032,758,837	905,306,510	157,355,168
Stock in trade		-	25,644,892	58,294,981	-	25,644,892	58,294,981
<b>TOTAL NON CURRENT ASSETS</b>		<b>95,446,985,885</b>	<b>89,323,148,572</b>	<b>87,461,048,633</b>	<b>95,659,104,537</b>	<b>89,644,244,322</b>	<b>87,977,184,092</b>
<b>CURRENT ASSETS</b>							
Inventories		29,221,978	28,551,276	22,766,388	8,006,719	9,570,654	8,081,737
Trade Receivables and Other Receivables	14	1,101,602,754	1,529,351,346	988,754,554	1,010,620,482	1,434,616,670	878,360,916
Staff Debtors	15	141,997,940	137,617,498	126,879,697	141,997,940	137,617,498	126,879,697
Prepaid Staff Cost		46,028,076	41,405,089	39,332,197	46,028,076	41,405,089	39,332,197
Deposits, prepayments & advances	16	2,193,375,477	2,042,102,530	821,770,296	2,014,382,908	1,999,852,181	709,117,277
Fixed Deposits		12,605,246,336	3,200,910,140	631,696,314	12,430,008,865	3,110,000,000	550,000,000
Investment In Repos		444,917,802	8,058,008,746	9,721,460,739	339,999,952	7,887,999,952	9,616,916,561
Cash & cash equivalents	17	115,544,888	112,096,132	105,231,989	77,558,114	81,667,438	81,682,126
<b>TOTAL CURRENT ASSETS</b>		<b>16,677,935,251</b>	<b>15,150,042,757</b>	<b>12,457,892,172</b>	<b>16,068,603,055</b>	<b>14,702,729,482</b>	<b>12,010,370,510</b>
<b>TOTAL ASSETS</b>		<b>112,124,921,136</b>	<b>104,473,191,329</b>	<b>99,918,940,805</b>	<b>111,727,707,592</b>	<b>104,346,973,805</b>	<b>99,987,554,602</b>
<b>EQUITY &amp; LIABILITIES</b>							
<b>EQUITY</b>							
Stated Capital	18	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Net government contribution	19	1,030,078,896	1,044,500,897	1,058,922,898	1,030,078,896	1,044,500,897	1,058,922,898
Capital reserves	20	1,130,078,896	1,144,500,897	1,158,922,898	1,130,078,896	1,144,500,897	1,158,922,898
Revenue reserves	21	8,462,785	8,462,785	8,462,785	8,462,785	8,462,785	8,462,785
Retained Earnings	22	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000
		79,294,585,798	78,891,305,214	78,659,154,660	79,047,068,733	78,858,107,909	78,666,047,499
		80,488,127,479	80,099,268,895	79,881,540,343	80,240,610,413	80,066,071,591	79,918,433,182

contd.

URBAN DEVELOPMENT AUTHORITY  
CONSOLIDATED BALANCE SHEET  
As at 31st December 2012

	Note	Group		Authority		
		2012 RS	2011 RS	2012 RS	1/1/2011 RS	
<b>LIABILITIES</b>						
<b>NON CURRENT LIABILITIES</b>						
NSB Loan	23	2,680,000,000	2,302,606,973	1,388,699,092	2,302,606,973	1,388,699,092
Debtenture	24	10,251,337,275	10,248,896,830	10,246,748,229	10,248,896,830	10,246,748,229
UDSP Loan	25	185,882,079	201,453,129	217,024,179	201,453,128	217,024,179
Deferred Lease Rent	26	11,572,221,822	6,729,887,780	3,864,422,923	7,046,137,779	4,187,572,923
Accrued compensation on lands		729,646,332	751,314,769	781,848,606	751,314,769	781,848,606
Key Money Received On Project Developments		24,618,991	24,618,991	24,618,991	24,618,991	24,618,991
Defined Benefit Obligation - Gratuity	27	131,122,394	127,450,921	216,183,833	113,211,312	213,479,945
Payable to contractor	28	1,280,231,347	-	-	-	-
Payable to Asia Pacific Golf Course Ltd		419,163,210	419,163,210	419,163,210	406,483,000	406,483,000
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>27,274,223,449</b>	<b>20,805,392,603</b>	<b>17,158,709,064</b>	<b>21,094,722,784</b>	<b>17,466,474,965</b>
<b>CURRENT LIABILITIES</b>						
Bank overdraft						
NSB Loan	23	75,000,000	-	-	-	-
Expense & other creditors	29	1,908,280,695	1,178,853,577	1,175,726,558	865,073,594	913,641,992
Deposits & advances	30	2,109,181,004	2,257,043,449	1,643,513,420	2,252,255,449	1,638,725,421
Bank overdraft	31	270,108,510	132,632,804	59,451,418	68,850,388	50,279,045
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,362,570,209</b>	<b>3,568,529,829</b>	<b>2,878,691,398</b>	<b>3,186,179,430</b>	<b>2,602,646,458</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>112,124,921,136</b>	<b>104,473,191,329</b>	<b>99,918,940,805</b>	<b>104,346,973,805</b>	<b>99,987,554,602</b>

Significant Accounting Policies and Notes to the Financial Statements Disclosed on Pages 06 to 46 are integral part of these Financial Statements.

Signed by Mr. W. L. D. P. V. Jayawardena  
**Dy. Director General (Finance)**

**Date**

Signed by Mr. Nimal Perera  
**Chairman**

**Date**

**URBAN DEVELOPMENT AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**  
**As at 31st December 2012**

**Statement Of Changes In Equity for the Authority**

	Stated Capital Rs.	Net Govt Contribution Rs.	Capital Reserve Rs.	Revenue Reserve Rs.	Retained Surplus Rs.	Total Rs.
Balance as at 1st January 2011	100,000,000	1,058,922,898	8,462,785	55,000,000	78,696,047,499	79,918,433,182
Change in Accounting policy for Gratuity	-	-	-	-	93,482,278	93,482,277
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	68,578,132	68,578,132
<b>Balance as at 31st December 2011</b>	<b>100,000,000</b>	<b>1,044,500,897</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>78,858,107,909</b>	<b>80,066,071,591</b>
<b>Balance as at 1st January 2012</b>	<b>100,000,000</b>	<b>1,044,500,897</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>78,858,107,909</b>	<b>80,066,071,590</b>
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	190,704,459	190,704,459
Total Other Comprehensive Income	-	-	-	-	(1,743,636)	(1,743,636)
<b>Balance as at 31st December 2012</b>	<b>100,000,000</b>	<b>1,030,078,896</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>79,047,068,733</b>	<b>80,240,610,413</b>

**Statement Of Changes In Equity for the Group**

	Stated Capital Rs.	Net Govt Contribution Rs.	Capital Reserve Rs.	Revenue Reserve Rs.	Retained Surplus Rs.	Total Rs.
Balance as at 1st January 2011	100,000,000	1,058,922,898	8,462,785	55,000,000	78,659,154,660	79,881,540,343
Change in Accounting policy for Gratuity	-	-	-	-	93,482,278	93,482,278
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	138,668,276	138,668,276
<b>Balance as at 31st December 2011</b>	<b>100,000,000</b>	<b>1,044,500,897</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>78,891,305,214</b>	<b>80,099,268,896</b>
Balance as at 1st January 2012	100,000,000	1,044,500,897	8,462,785	55,000,000	78,891,305,214	80,099,268,896
Adjustments to waters Edge	-	-	-	-	2,112,477	2,112,477
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	402,911,743	402,911,743
Total Other Comprehensive Income	-	-	-	-	(1,743,636)	(1,743,636)
<b>Balance as at 31st December 2012</b>	<b>100,000,000</b>	<b>1,030,078,896</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>79,294,585,798</b>	<b>80,488,127,479</b>

**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2012  
STATEMENT OF CASH FLOW**

	<b>2012</b> Rs.	<b>2011</b> Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit/(loss) before Income Tax	444,910,230	242,576,469
<b>Add:</b> Provision for bad debts	42,090,757	90,027,002
Depreciation	200,241,214	83,881,988
Provision for gratuity	19,633,564	6,655,934
prepaid Staff cost	10,224,076	
Reduction of risk of Recovery of PWCC loan	39,547,752	16,573,907
	<b>756,647,594</b>	<b>439,715,300</b>
<b>Less :</b> Rent	687,759,096	444,666,203
Profit on sale of Land & Buildings	5,907,257	17,620,296
Written Back portion of Govt Grants	14,422,001	14,422,001
Dividend	26,593,713	17,064,947
Interest	531,222,632	1,265,904,699
	<b>(509,257,105)</b>	<b>(489,583,856)</b>
<b>OPERATING SURPLUS/(DEFICIT) BEFOR WORKING CAPITAL CHANGES</b>		
<b>WORKING CAPITAL CHANGES</b>		
Increase / (decrease) in trade & other creditors	659,437,285	(39,273,774)
(Increase) / decrease in debtors	459,914,341	(100,040,199)
(Increase) / decrease in Staff debtors	(9,003,429)	10,737,802
(Increase) / decrease in inventories, deposits	(12,966,791)	(1,305,127,476)
Increase / (decrease) in Advances & Deposits	(1,032,331,270)	48,332,663
Increase / (decrease) in Payable on bank Guarantee	1,280,231,347	-
	<b>1,345,281,484</b>	<b>(1,385,370,984)</b>
<b>CASH GENERATED/(USED) FROM/TO OPERATIONS</b>		
Rent Received in Cash	525,002,876	366,174,044
Income Tax paid	(263,475,942)	(165,068)
Premia on Land leased out	5,010,006,642	2,996,419,056
Gratuity paid	(18,667,451)	(13,442,289)
	<b>5,252,866,125</b>	<b>3,348,985,743</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Received	18,177,622	17,375,031
Interest Received	1,316,431,593	282,987,427
Purchase of Fixed Assets	(16,564,871)	(14,708,397)
(Increase) / Decrease of Fair value of Debenture	2,440,445	2,148,601
(Increase) / Decrease Lands & Buildings	(6,309,860)	(10,480,627)
(Increase) / Decrease Capital Working Progress	(5,127,452,328)	(747,954,909)
Compensation paid on land Acquisition	(152,828,374)	(12,765,631)
Investment in subsidiary Company	(977,276,404)	(1,111,413,309)
investment in Fixed Deposite	(9,336,316,550)	(2,560,000,000)
Short term Investments	(792,072)	(1,775,033)
Sale proceeds from sale of Land & Buildings	9,563,000	19,370,388
Net cash provided /(used) by investing activities	<b>(14,270,927,798)</b>	<b>(4,137,216,459)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
NSB loan Received	467,393,027	913,907,881
NSB loan Repaid	(15,000,000)	-
Net cash provided/(used) by financing activities	<b>452,393,027</b>	<b>913,907,881</b>
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>		
	<b>(7,729,644,266)</b>	<b>(1,749,277,674)</b>
<b>CASH &amp; BANK BALANCE AT BEGINNING OF THE YEAR</b>		
<b>B</b>	<b>7,884,605,355</b>	<b>9,633,883,029</b>
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>		
<b>A</b>	<b>154,961,089</b>	<b>7,884,605,355</b>
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>		
	<b>A</b>	<b>B</b>
Bank Over Draft	(245,593,259)	(68,850,388)
Bank balance (Favorable)	60,186,716	65,091,131
Petty cash & Cash in Hand	367,680	364,660
Investment In REPO	339,999,952	7,887,999,951
	<b>154,961,089</b>	<b>7,884,605,355</b>



**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE ACCOUNTS**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**For the Year ended 31st December 2012**

	<b>2012</b> Rs.	<b>2011</b> Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss before Income Tax	686,176,790	302,111,149
<b>Add:</b> Provision for bad debts	42,237,945	96,837,283
Depreciation	222,185,158	112,745,266
Provision for gratuity	24,387,779	7,222,023
Amortization of Leased Assets	-	288,333
	<u>288,810,882</u>	<u>217,092,905</u>
	974,987,672	519,204,054
<b>Less :</b> Rent	743,939,087	498,929,396
Profit on sale of Land & Buildings	5,907,257	17,620,296
Share of Investment in Associates	90,570,689	5,717,250
Written Back portion of Govt Grants	14,422,001	14,422,001
Dividend	3,058,164	17,064,947
Interest	544,614,305	426,944,345
	<u>1,402,511,504</u>	<u>980,698,236</u>
<b>Operating surplus/(deficit) before working capital Changes</b>	(427,523,831)	(461,494,181)
<b>working capital changes</b>		
Increase / (decrees) in trade & other creditors	732,327,884	17,908,604
Increase / (decrees) in payable to APGCL	-	-
(Increase) / decrees in debtors	706,351,385	(81,265,700)
(Increase) / decrease in Staff debtors	(9,003,429)	10,737,802
(Increase) / decrees in inventories, deposits	(151,943,649)	(1,239,020,778)
Increase / (decrees) in Advances & Deposits	(1,019,656,510)	48,332,663
Increase / (decrease) in Payable on bank Guarantee	1,280,231,347	-
	<u>1,538,307,028</u>	<u>(1,243,307,409)</u>
<b>Cash generated/(used) from/to operations</b>		
Rent Received in Cash	586,777,314	426,942,166
Income Tax paid	(290,214,022)	(17,239,873)
Premia on Land leased out	5,010,006,642	2,996,419,056
Gratuity paid	(22,459,942)	(13,531,389)
	<u>5,284,109,991</u>	<u>3,392,589,960</u>
<b>Net cash provided by operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Received	2,142,072	17,375,031
Debenture Issues	2,440,445	2,148,601
Interest Received	1,095,396,004	272,341,329
Purchase of Fixed Assets	(31,185,152)	(45,080,163)
Increase / Decrease Lands & Buildings	(32,645,517)	(14,652,096)
(Increase) / Decrease Capital Working Progress	(6,082,950,390)	(2,000,989,122)
Compensation paid on land Acquisition	(152,828,374)	(12,765,631)
investment in Fixed Deposit	(9,404,336,196)	(2,569,213,826)
Short term Investments	(792,072)	(1,775,034)
Sale proceeds from sale of Land & Buildings	9,563,000	19,370,388
	<u>(14,595,196,179)</u>	<u>(4,333,240,523)</u>
<b>Net cash provided / (used) by investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
NSB loan Received	467,393,027	913,907,881
Debenture redeemed	(15,000,000)	-
Service charge for Development permit fund	-	-
	<u>452,393,027</u>	<u>913,907,881</u>
<b>Net cash provided/(used) by financing activities</b>		
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	(7,747,909,965)	(1,731,544,271)
<b>CASH &amp; BANK BALANCE AT BEGINNING OF THE YEAR</b>	<b>B</b> 8,021,260,426	<b>B</b> 9,752,804,697
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>	<b>A</b> <u>273,350,461</u>	<b>A</b> <u>8,021,260,426</u>
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>	<b>A</b>	<b>A</b>
Bank Over Draft	(270,108,510)	(132,632,804)
Bank balance (Favorable)	92,823,378	91,643,756
Petty cash & Cash in Hand	5,717,791	4,240,729
Investment In REPO	444,917,802	8,058,008,746
	<u>273,350,461</u>	<u>8,021,260,426</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year ended 31st December, 2012**

**1. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.1 CORPORATE INFORMATION**

**1.1.1 Reporting Entity**

Urban Development Authority is a body corporate, duly established on 6th September 1978 under the Urban Development Authority Law No.41 of 1978 enacted by the National State Assembly. The Head Office of the Authority is located at 06<sup>th</sup> Floor, Sethsiripaya, and Battaramulla.

The consolidated financial statements of the Authority as at and for the year ended 31 December 2012 comprise the Authority and its subsidiaries. (Together referred to as the “Group”).

The Financial Statements of all Companies in the Bureau have a common financial year which ends on December 31st.

**1.1.2 Principle Activities and Nature of Operation**

The Urban Development Authority (“UDA”) is a multi-disciplinary organization engaged in urban planning and sustainable urban development in Sri Lanka.

Waters Edge Ltd, UDA Rest House Company Ltd, Urban Investment & Deverlopment Co (Pvt) Ltd and Peliyagoda Ware House Complex Co. Ltd are fully owned subsidiaries of UDA, the principle activities of the subsidiaries are as follows

<b>Subsidiary</b>	<b>Operation</b>
Waters Edge Ltd	Managing and operating conference facilities, banqueting facilities and gym on behalf of UDA.
UDA Rest House Company Ltd	Managing and operating rest houses
Urban Investment & Deverlopment Co (Pvt) Ltd	Develop, build and operate a multistory office complex
Peliyagoda Ware House Complex Co. Ltd	Managing and operating where houses

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year ended 31st December, 2012**

**1.2 BASIS OF PREPARATION**

**1.2.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with new Sri Lanka Accounting Standards. The consolidated financial statements were authorized for issue by the Board of Directors on [date]

**1.2 BASIS OF PREPARATION (Continued)**

**1.2.2 Basis of Measurement**

The Financial Statements of the Company have been prepared on the historical cost basis except for the following material items included in the Statement of Financial Position;

- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

**1.2.3 Functional and presentation currency**

These consolidated financial statements are presented in Sri Lankan Rupee's, which is the Company's functional currency. All financial information presented in Sri Lankan Rupee's has been rounded to the nearest thousand.

**1.2.4 Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with SLFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Estimates and associated assumption are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from the other sources.

The Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that financial year or in the period of the revision and future periods if the revision affects both current and future financial years.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Critical accounting estimate/ judgment	Note No	Page No
classification of investment property	09	27

Information about assumptions and estimates uncertainties that have a significant risk resulting in a material adjustment in the financial statements are included in the table below:

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2012

#### 1.2 BASIS OF PREPARATION (Continued)

Critical accounting estimate/ judgment	Note No	Page No
Investment Property	09	27-28
Capital Working Progress		
Property, plant and equipment	08	25-26
Employee Benefits	26	33

#### 1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and in preparing the opening SLFRS Statement of Financial Position at January 01st, 2011 for the purpose of transition to SLFRSs and have been applied consistently by Group entities

##### 1.3.1 Basis of Consolidation

###### (a) Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group also takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any Non-controlling interests in the acquiree ; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships such amounts are generally recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

###### (b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the consolidated financial statements from the date that control commences, until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2012

#### 1.3.1 Basis of Consolidation (Continued)

##### (c) Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

##### (d) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### 1.3.2 Foreign Currency Transactions

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are affected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

#### 1.3.3 Financial assets and financial liabilities

##### (a) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2012

#### 1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 1.3.3 Financial assets and financial liabilities (Continued)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. -

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts intends either to settle on a net basis or realize the assets and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

##### (i) Loans and receivables

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

##### (ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call and fixed deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### (iii) Held to maturity Financial Investments

Held to Maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement.

##### (b) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contracted obligations are discharged, cancelled or expired.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2012

#### 1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 1.3.3 Financial assets and financial liabilities (Continued)

The Group classifies non-derivative financial liabilities in to the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, such financial liabilities including finance lease liabilities are subsequently measured at amortised cost using the EIR method. All other short term liabilities which are neither trading liabilities nor liabilities designated as at fair value through profit or loss are classified as 'Trade and other payables'. Trade and other payables are initially recognised at fair value which is the transacted amount on an arm's length basis. Amortised cost method is not applied as the basis for subsequent measurement since these liabilities are payable on demand. The details of the Authority's Financial liabilities at amortised cost . Other financial liabilities comprise: loans and borrowings, trade and other payables.

##### 1.3.4 Impairment

###### 1.3.4.1 Non-derivative Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers evidence of impairment for financial assets measured at amortized cost (accounts receivables) at both specific asset and collective levels. The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reserved through profit or loss. Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the

**URBAN DEVELOPMENT AUTHORITY**

**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2012**

**1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.3.4.1 Non-derivative Financial assets ( Continued)**

difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

**1.3.4.2 Non-financial assets**

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For the purpose of impairment testing, assets are Grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



**URBAN DEVELOPMENT AUTHORITY**

**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2012**

**1.3.5 Property, Plant and Equipment**

**i. Recognition and Measurement**

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

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for separate items (major component) of property, plant and equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment

**ii. Reclassification to investment property**

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

**iii. Subsequent Costs**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**iv. De-recognition**

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

**v. Depreciation**

Depreciation is recognized in profit or loss on the straight-line basis over the estimated useful lives of each part of item of Property, Plant and Equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal Group that is classified as held for sale) and the date that the asset is derecognised. Depreciation is not charged on Freehold Land and Capital Work in Progress.

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year ended 31st December, 2012**

**1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The estimated useful lives are as follows:

Asset Category	Useful Lives
Buildings New	Over a period of 50 years
Motor Vehicles	Over a period of 5 years
Furniture & Fittings	Over a period of 10 years
Office Equipment	Over a period of 5 years
Books and manuals	Over a period of 4 years
Plant and Equipment	Over a period of 5 years

**1.3.6 Recognition and Measurement**

Property which is held to earn rental income or for capital appreciation or for both are classified as Investment Property. Investment Property is measured initially at cost, including transaction costs.

**1.3.7 Subsequent Measurement**

Subsequent to initial recognition, Investment Property is measured using cost model.

**1.3.8 Depreciation**

Depreciation is recognized in profit or loss on the straight-line basis over the estimated useful lives of building item of investment property.

The estimated useful lives are as follows:

Asset Category	Useful Lives
Buildings New	Over a period of 50 years

**1.3.9 De recognition**

Investment Property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of derecognition.

**URBAN DEVELOPMENT AUTHORITY**

**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2012**

**1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.3.10 Leasing**

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**\* Operating Leases - Company as a lessor**

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The Company as a lessor as well as the Company has a portfolio of land and building all over the country which has been used to earn rental and capital appreciation. Contingent rents are recognised as revenue in the period in which they are earned, if any.

**1.3.11 Capital Work in Progress**

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

**1.3.12 Borrowing cost**

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying assets have been capitalized as part of the cost of the asset in accordance with Sri Lanka Accounting Standards 23 (LKAS 23) "Borrowing Cost". Capitalization of borrowing cost ceases when substantially all activities necessary to prepare the qualifying assets for its intended use are completed.

**1.3.13 Inventories**

Inventories are valued at lower of cost and net realizable value. Cost is determined on the weighted average cost basis and includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.

**URBAN DEVELOPMENT AUTHORITY**

**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2012**

**1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.3.14 Employee benefits**

**(a) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**(b) Defined Contribution Plans - Employees Provident Fund and Employees Trust Fund**

All employees who are eligible for Employees Provident Fund contribution and Employees Trust Fund contribution are covered by relevant contribution funds in line with respective statutes and regulations. The Group contributes 15 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

**(c) Defined Benefit Plan - Gratuity**

A Defined Benefit Plan is a post-employment benefit plan other than a Defined Contribution Plan as defined in the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'. The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No.12 of 1983. Provision has been made in the Financial Statements for retirement gratuity as Employee benefit liability from the first year of service for all employees. Gratuity plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The liability recognised in respect of employee benefit liability in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized past service costs. The employee benefit liability is calculated annually by independent actuaries using the 'projected unit credit method' as required by the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'.

The present value of the defined benefit plan is determined by discounting the estimated future cash outflows using interest rates of long term Government Bonds. Actuarial gains or losses are recognised in Other Comprehensive Income in the period in which they arise. The current service cost and interest cost are recognised as an expense in the Income Statement.

**1.3.15 Provisions**

Provisions are recognised if, as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions and liabilities are recognised in the balance sheet. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognised as finance cost

**URBAN DEVELOPMENT AUTHORITY**

**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2012**

**1.3.16 Statement of Comprehensive Income**

**1.3.16.1 Revenue**

**(a) Rental income**

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

**(b) Fees for Service rendered**

All fees for services rendered except for fee for electricity, water charges, and Management of Rest House & Client projects are accounted on cash basis.

**1.3.16.2 Interest Income**

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

**1.3.16.3 Dividend Income**

Dividend income is accounted when the shareholders' right to receive payment is established.

**1.3.16.4 Other Income**

Profits or losses from disposal of property, plant and equipments recognized having deducted from proceeds on disposal, the carrying value of the assets and the related expenses. Foreign currency gains and losses are reported on a net basis.

**1.3.16.5 Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.<sup>1</sup> Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

**1.3.16.6 Expenditure Recognition**

**(a) Other Expenses**

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.

**URBAN DEVELOPMENT AUTHORITY**

**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2012**

**1.4 OTHER GENERAL ACCOUNTING POLICIES**

**(a) Related Party Transactions**

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

The relevant details are disclosed in the Note 33 to the Financial Statements.

**1.5 DETERMINATION OF FAIR VALUES**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**1.5 DETERMINATION OF FAIR VALUES( continued)**

**(i) Property, plant and equipment**

The fair value of Land and Buildings is based on the market approach using quoted market prices for similar items when available.

**(ii) Investment property**

The groups internal independent valuation team having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the Group's investment property portfolio as at 1<sup>st</sup> January 2011. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents. Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

**URBAN DEVELOPMENT AUTHORITY**

**NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2012**

**1.6 EVENTS OCCURRING AFTER THE REPORTING PERIOD**

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

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

**1.7 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

**(i) SLFRS 10 Consolidated Financial Statements, SLFRS 11 Joint Arrangements, SLFRS 12 Disclosure of Interests in Other Entities**

SLFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

**(i) SLFRS 10 Consolidated Financial Statements, SLFRS 11 Joint Arrangements, SLFRS 12 Disclosure of Interests in Other Entities ( continued)**

Under SLFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. SLFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. SLFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

**(iii) SLFRS 13 Fair Value Measurement**

SLFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout SLFRS. Subject to limited exceptions, SLFRS 13 is applied when fair value measurements or disclosures are required or permitted by other SLFRSs. The Group is currently reviewing its methodologies in determining fair values.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE DRAFT CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2012

#### 1.8 First Time Adoption of SLFRSs/LKAS

These Financial Statements, for the year ended 31 December 2012, are the first financial statement of the Group has prepared in accordance with SLFRS/LKAS. For periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLASs) which were effective up to 31st December 2011.

Group has prepared its Financial Statements which comply with SLFRSs applicable for periods ending on or after 31 December 2012 and prior periods, together with the comparative period's data as at and for the years ended 31 December 2011, as described in the accounting policies.

In preparing these financial statements, the Group's opening Statement of Financial Position was prepared as at 1 January 2011, the Group's date of transition to new Sri Lanka accounting standards. Note 36 explains the principal adjustments made by the Group in restating its previous statement of financial position as at 1 January 2011 and its previously published financial statements as at and for the year ended 31 December 2011.

The effect of Group's transition to SLFRSs described in Note 36 is summarized in this note as follows:

- Transition elections;
- Reconciliation of equity and comprehensive income as previously reported under previous SLAS and SLFRSs.

#### 1.9 Transition Elections

SLFRS 1 - First-time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRSs.

Accordingly the Group has applied the following transition exceptions and exemptions to full retrospective application of SLFRSs.

##### (a) Fair value or revaluation as deemed cost

Deemed Cost of Land and Building of Owner occupied property and Deemed Cost of Land and Building of Investment Property have been measured at fair value at the date of transition to SLFRSs which were carried in the statement of financial position prepared in accordance with previous SLAS on the basis of acquisition cost.

The Group has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.



**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2012**

	Sub Note	Group		Authority	
		31st December 2012	31st December 2011	31st December 2012	31st December 2011
		Rs.	Rs.	Rs.	Rs.
<b>2. REVENUE</b>					
Rent	2.1	743,939,087	498,929,396	687,759,096	444,666,203
Profit from sale of land & buildings	2.2	5,907,257	17,620,296	5,907,257	17,620,296
Profit from sale of Moter vehicle	2.3	15,952,659	-	15,952,659	-
Fee for services rendered	2.4	275,069,797	274,967,231	275,069,797	274,967,231
Service Charge on high-rise building		11,779,142	7,683,985	11,779,142	7,683,985
Service Charge on Development Permit		58,974,806	71,080,943	58,974,806	71,080,943
Waters Edge Gross Profit	2.5	403,281,220	317,918,905	-	-
Lanka Rest House Gross Profit	2.6	17,960,412	12,885,677	-	-
		<u>1,532,864,381</u>	<u>1,201,086,434</u>	<u>1,055,442,758</u>	<u>816,018,659</u>
<b>3. OTHER INCOME</b>					
Interest Income	3.1	544,614,305	435,606,442	531,222,632	444,187,805
Dividend Received	3.2	3,058,164	1,464,949	26,593,713	17,064,947
Miscellaneous Income	3.3	337,754,504	242,847,850	264,453,647	180,349,177
		<u>885,426,974</u>	<u>679,919,241</u>	<u>822,269,992</u>	<u>641,601,930</u>
<b>4. ADMINISTRATION EXPENDITURE</b>					
Salaries & Wages		744,554,218	728,357,680	617,566,827	613,096,196
Contribution to EPF/ETF , Gratuity etc		135,171,693	102,909,190	98,716,801	72,936,335
Prepaid Staff Cost		10,224,076	8,662,097	10,224,076	8,662,097
Bonus		31,829,069	31,778,917	15,031,346	10,851,938
Unutilized leave		22,475,760	21,700,015	20,978,120	21,096,448
Welfare payment		26,987,435	25,127,860	5,476,921	5,353,627
Traveling		17,732,334	15,282,154	9,868,839	10,410,148
Office Supplies Requisites		107,179,068	70,759,207	63,126,368	51,410,679
Repairs and Maintenance		98,808,693	79,715,773	70,796,320	48,531,483
Electricity Charges		166,048,381	127,973,496	121,288,859	90,816,769
Telephone Charges		12,587,816	13,656,992	8,401,179	9,237,382
Charges for Water		22,460,354	18,429,873	16,741,148	13,459,254
Health & Sanitation Services		18,649,050	19,082,554	18,158,975	16,560,860
Rental & Hire Charges		28,731,051	20,733,211	24,398,473	16,411,112
Transport , Advertising , Security & Others		46,245,400	40,823,361	30,569,771	25,495,318
Depreciation		222,185,158	187,060,015	200,241,214	158,196,737
Audit Fees		1,649,029	1,898,644	550,000	500,000
Rates & Taxes		10,316,708	2,634,045	7,119,568	1,212,634
Insurance Premium		4,444,850	5,148,406	1,621,166	1,543,951
Subscription & Membership Fees		223,196	420,212	223,196	280,386
Losses & Write Off		42,237,945	22,522,534	81,638,509	32,286,160
Others		6,674,429	14,390,562	643,134	1,187,538
Directors Emoluments		815,750	515,500	-	-
Laundry Charges		14,363,890	14,363,890	-	-
		<u>1,792,595,353</u>	<u>1,573,946,188</u>	<u>1,423,380,809</u>	<u>1,209,537,051</u>
<b>5. FINANCIAL COST</b>					
Interest on Bank over Draft		200	7,233	200	4,726
Bank Charges		978,471	961,786	862,943	770,617
Debit Tax		-	1,078,938	-	739,515
Credit Card Discount & Other		3,320,908	3,026,193	-	-
		<u>4,299,579</u>	<u>5,074,150</u>	<u>863,143</u>	<u>1,514,859</u>
<b>6. OTHER EXPENSE</b>					
Grants, Contributions/Others		474,046	1,877,903	51,683	1,169,116
Nation Building Tax		23,172,710	17,444,887	22,928,886	17,245,094
		<u>23,646,756</u>	<u>19,322,790</u>	<u>22,980,569</u>	<u>18,414,210</u>
<b>7. TAXATION</b>					
Taxation on Profit for the year		283,265,047	186,758,309	254,205,771	173,998,337
Annual Report		<u>283,265,047</u>	<u>186,758,309</u>	<u>254,205,771</u>	<u>173,998,337</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2012**

	Group		Authority	
	31st December 2012 Rs.	31st December 2011 Rs.	31st December 2012 Rs.	31st December 2011 Rs.
<b>2.1 Rent</b>				
2.1.1 Monthly Rent	385,992,881	382,601,857	322,912,890	321,438,664
2.1.2 Lease Rents	257,040,057	106,233,607	263,940,057	113,133,607
2.1.3 Ground Rent	1,840,621	1,236,349	1,840,621	1,236,349
2.1.4 Fee for Use & Occupation of Premises	7,426,069	6,796,029	7,426,069	6,796,029
2.1.5 Key money Received	91,639,460	2,061,554	91,639,460	2,061,554
	<u>743,939,087</u>	<u>498,929,396</u>	<u>687,759,096</u>	<u>444,666,203</u>
<b>2.2 2.2.1 Profit from sale of land &amp; buildings</b>				
Sale proceeds on Lands	8,618,000	16,650,393	8,618,000	16,650,393
Sale proceeds on building	945,000	2,720,000	945,000	2,720,000
<u>Total</u>	<u>9,563,000</u>	<u>19,370,393</u>	<u>9,563,000</u>	<u>19,370,393</u>
Less : Cost of Lands sold	3,296,400	1,548,427	3,296,400	1,548,427
Cost of building Sold	359,343	448,149	359,343	448,149
<u>Total</u>	<u>5,907,257</u>	<u>17,373,817</u>	<u>5,907,257</u>	<u>17,373,817</u>
Add : Accumulated Depreciation on Buildings sold	-	246,485	-	246,485
Profit on sale of Lands & building	<u>5,907,257</u>	<u>17,620,296</u>	<u>5,907,257</u>	<u>17,620,296</u>
<b>2.3 2.2.1 Profit from sale of Moter vehicle</b>				
Sale proceeds on Moter Vehicle	15,952,659	-	15,952,659	-
Less : Cost of Moter vehicle sold	9,956,222	-	9,956,222	-
	5,996,437	-	5,996,437	-
Add : Accumulated Depreciation on Moter vehicle sold	9,956,222	-	9,956,222	-
Profit on sale of Moter vehicle	<u>15,952,659</u>	<u>-</u>	<u>15,952,659</u>	<u>-</u>
<b>2.4 Fee for services rendered</b>				
2.4.1 Planning Approval	63,689,683	38,795,516	63,689,683	38,795,516
2.4.2 Legal Services	8,143,083	7,088,790	8,143,083	7,088,790
2.4.3 Rest House Management Fees	7,632,131	6,297,141	7,632,131	6,297,141
2.4.4 Maintenance Services	39,630	234,278	39,630	234,278
2.4.5 Financial Management Services	734,712	734,689	734,712	734,689
2.4.6 Mgt Fees on client's projects	13,603,180	35,712,700	13,603,180	35,712,700
2.4.7 Change of Use of Buildings	39,297,628	33,492,202	39,297,628	33,492,202
2.4.8 Fee for Electricity	130,143,615	140,013,555	130,143,615	140,013,555
2.4.9 Service Charge on leases	2,853,866	3,741,920	2,853,866	3,741,920
2.4.10 Fee for Architectural Services	8,290,704	8,718,720	8,290,704	8,718,720
2.4.11 Consultancy Charges	497,704	66,390	497,704	66,390
2.4.12 Fee for computer services	143,861	71,329	143,861	71,329
	<u>275,069,797</u>	<u>274,967,231</u>	<u>275,069,797</u>	<u>274,967,231</u>
<b>2.5 Waters Edge Ltd Gross Profit</b>				
Food & Beverages Revenue	610,451,136	498,527,114	-	-
Cost of Sale	(207,169,916)	(180,608,209)	-	-
Gross Profit	<u>403,281,220</u>	<u>317,918,905</u>	<u>-</u>	<u>-</u>
<b>2.6 Lanka Rest House Ltd Gross Profit</b>				
Food & Beverages Revenue	30,660,901	22,285,489	-	-
Cost of Sale	(12,700,490)	(9,399,812)	-	-
Gross Profit	<u>17,960,412</u>	<u>12,885,677</u>	<u>-</u>	<u>-</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2012**

	Group		Authority	
	31st December 2012 Rs.	31st December 2011 Rs.	31st December 2012 Rs.	31st December 2011 Rs.
<b>3.1 Interest Income</b>				
3.1.1 on Term Deposits	500,470,824	98,110,512	480,094,971	94,775,548
3.1.2 on Re-Purchase Order	7,569,814	288,771,466	7,569,814	285,749,732
3.1.3 on Savings Accounts	9,630,202	642,935	9,630,202	642,935
3.1.4 on Staff Loans	17,053,176	15,354,308	17,017,741	15,272,754
3.1.5 on Lease Rent	6,984,414	29,512,568	6,984,414	29,512,568
3.1.6 on PWHC Loan	-	-	7,019,615	15,019,615
3.1.7 on UDSP Loan	2,905,875	3,214,654	2,905,875	3,214,654
	<u>544,614,305</u>	<u>435,606,442</u>	<u>531,222,632</u>	<u>444,187,805</u>
<b>3.2 Dividend Received</b>				
3.2.1 Onally Holdings Ltd.	-	-	18,374,997	15,599,998
3.2.2 Lanka Electricity Company ( Private) Ltd	1,350,000	-	1,350,000	-
3.2.3 WatersEdge Limited	-	-	5,160,551	-
3.2.4 State Institution Temporary Surplus Trust	1,708,164	1,464,949	1,708,164	1,464,949
	<u>3,058,164</u>	<u>1,464,949</u>	<u>26,593,713</u>	<u>17,064,947</u>
<b>3.3 Miscellaneous Income</b>				
3.3.1 Non-Refundable Tender Deposits	709,917	1,817,197	709,917	1,817,197
3.3.2 Processing Fees for Issuing C.O. C	10,638,354	6,599,551	10,638,354	6,599,551
3.3.3 Penalty-Delayed Payments	60,475,317	62,452,102	60,475,317	62,452,102
3.3.4 Unauthorised Construction Fees	66,535,383	-	66,535,383	-
3.3.5 Demolition Fee	71,251,709	26,103,765	71,251,709	26,103,765
3.3.6 Sundries	3,589,922	5,511,536	3,589,922	5,511,536
3.3.7 Unclaimed Deposits	-	8,966,411	-	8,966,411
3.3.8 Temporary Rentals	14,039,038	14,876,228	14,039,038	14,876,228
3.3.9 Car Parking Fees	20,492,774	19,520,702	20,492,774	19,520,702
3.3.10 Other Miscl revenue	907,522	850,505	739,782	850,325
3.3.11 Sale of Publication	1,240,449	2,262,464	1,240,449	2,262,464
3.3.13 Transfer Fee For Legal Matters	14,704,518	30,870,010	14,704,518	30,870,010
3.3.14 Sundry Income from staff	36,486	518,887	36,486	518,887
3.3.15 Membership Fee Income	47,500,313	39,673,032	-	-
3.3.16 Hall hire Charges & Other Charges	25,632,804	22,825,461	-	-
	<u>337,754,504</u>	<u>242,847,850</u>	<u>264,453,647</u>	<u>180,349,177</u>

URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
As at 31st December 2012

8 a Property, Plant & Equipment for the Authority

Cost	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Office equipments	Library books	Total
<b>Balance as at 1/1/2011</b>	90,883,000	1,655,820,333	144,698,135	65,335,009	101,196,080	219,513,868	1,528,964	2,278,975,390
Additions	-	-	3,280,628	4,489,044	327,000	6,591,061	20,664	14,708,397
<b>Balance as at 31/12/2011</b>	<b>90,883,000</b>	<b>1,655,820,333</b>	<b>147,978,763</b>	<b>69,824,053</b>	<b>101,523,080</b>	<b>226,104,929</b>	<b>1,549,628</b>	<b>2,293,683,787</b>
<b>Depreciation</b>								
<b>Balance as at 1/1/2011</b>	-	-	142,091,028	48,125,176	91,988,300	192,076,491	1,503,771	475,784,766
Charges	-	<b>33,116,407</b>	1,543,092	2,468,316	6,229,220	8,619,183	14,692	51,990,910
Written back on Disposal	-	<b>(246,485)</b>	-	-	-	-	-	(246,485)
<b>Balance as at 31/12/2011</b>	<b>-</b>	<b>32,869,922</b>	<b>143,634,120</b>	<b>50,593,492</b>	<b>98,217,520</b>	<b>200,695,674</b>	<b>1,518,463</b>	<b>527,529,191</b>
<b>WDV</b>	<b>90,883,000</b>	<b>1,622,950,412</b>	<b>4,344,643</b>	<b>19,230,561</b>	<b>3,305,560</b>	<b>25,409,255</b>	<b>31,165</b>	<b>1,766,154,596</b>
<b>Cost</b>	<b>Land</b>	<b>Building</b>	<b>Plant &amp; Machinery</b>	<b>Furniture &amp; fittings</b>	<b>Motor vehicles</b>	<b>Office equipments</b>	<b>Library books</b>	<b>Total</b>
<b>Balance as at 1/1/2012</b>	90,883,000	1,655,820,333	147,978,763	69,824,053	101,523,080	226,104,929	1,549,628	2,293,683,786
Additions	-	5,768,289	3,501,682	7,008,447	-	6,049,922	4,820	22,333,160
Disposals	-	-	-	-	(9,956,222)	-	-	(9,956,222)
<b>Balance as at 31/12/2012</b>	<b>90,883,000</b>	<b>1,661,588,622</b>	<b>151,480,445</b>	<b>76,832,500</b>	<b>91,566,858</b>	<b>232,154,851</b>	<b>1,554,448</b>	<b>2,306,060,725</b>
<b>Depreciation</b>								
<b>Balance as at 1/1/2012</b>	-	32,869,922	143,634,120	50,593,492	98,217,520	200,695,674	1,518,463	527,529,192
Charges	-	33,231,772	2,285,164	3,118,554	417,075	8,987,208	13,072	48,052,845
Written back on Disposal	-	-	-	-	(9,956,222)	-	-	(9,956,222)
<b>Balance as at 31/12/2012</b>	<b>-</b>	<b>66,101,694</b>	<b>145,919,284</b>	<b>53,712,046</b>	<b>88,678,373</b>	<b>209,682,883</b>	<b>1,531,535</b>	<b>565,625,816</b>
<b>WDV</b>	<b>90,883,000</b>	<b>1,595,486,928</b>	<b>5,561,161</b>	<b>23,120,454</b>	<b>2,888,485</b>	<b>22,471,968</b>	<b>22,913</b>	<b>1,740,434,909</b>

As per the exemption given in SLFRS1, the Authority measured items of Property plant and equipment at the date of transition to SLFRS at its fair value and used the fair value as its deemed cost at date of 1<sup>st</sup> January 2011. For this purpose, the Land and Building of the Company had been revalued at Rs. 2,277,503,333/- by the Team of the valuers attached to the UDA Land Division as at 31<sup>st</sup> December 2011, and adjust it to 1<sup>st</sup> January 2011 using assumptions. The surplus arising from the revaluation amounting to Rs. 2,063,937,864/- was transferred to Retained Earnings. The valuation has been conducted on the basis of current market value.

URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
As at 31st December 2012

8 a Property, Plant & Equipment for the Group

Cost	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Office equipments	Library books	Total
<b>Balance as at 1/1/2011</b>	98,017,334	3,932,323,318	147,048,923	77,066,942	120,637,894	230,855,219	1,528,964	4,607,478,594
Additions	-	4,171,469	4,944,833	18,491,483	327,000	21,296,183	20,664	49,251,632
Disposals	(288,333)	-	-	-	-	-	-	(288,333)
<b>Balance as at 31/12/2011</b>	<b>97,729,001</b>	<b>3,936,494,787</b>	<b>151,993,756</b>	<b>95,558,425</b>	<b>120,964,894</b>	<b>252,151,402</b>	<b>1,549,628</b>	<b>4,656,441,893</b>

Depreciation	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Office equipments	Library books	Total
<b>Balance as at 1/1/2011</b>	-	300,106,951	142,522,168	50,379,115	106,649,638	195,418,361	1,503,771	796,580,004
Charges	-	53,219,745	1,866,338	4,406,846	8,232,404	12,842,167	14,692	80,582,192
Written back onDisposal	-	(246,485)	-	-	-	-	-	(246,485)
<b>Balance as at 31/12/2011</b>	<b>-</b>	<b>353,080,211</b>	<b>144,388,506</b>	<b>54,785,961</b>	<b>114,882,042</b>	<b>208,260,528</b>	<b>1,518,463</b>	<b>876,915,711</b>

<b>WDV</b>	<b>97,729,001</b>	<b>3,583,414,576</b>	<b>7,605,250</b>	<b>40,772,464</b>	<b>6,082,852</b>	<b>43,890,874</b>	<b>31,165</b>	<b>3,779,526,182</b>
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Cost	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Office equipments	Library books	Total
<b>Balance as at 1/1/2012</b>	97,729,001	3,936,494,787	151,993,756	95,558,425	120,964,894	252,151,402	1,549,628	4,656,441,893
Additions	549,644	31,554,302	3,802,396	10,151,385	-	17,226,551	4,820	63,289,098
Disposals	-	-	-	-	9,956,222	-	-	9,956,222
<b>Balance as at 31/12/2012</b>	<b>98,278,645</b>	<b>3,968,049,089</b>	<b>155,796,152</b>	<b>105,709,810</b>	<b>130,921,116</b>	<b>269,377,953</b>	<b>1,554,448</b>	<b>4,729,687,213</b>

Depreciation	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Office equipments	Library books	Total
<b>Balance as at 1/1/2011</b>	-	353,080,211	144,388,506	54,785,961	114,882,042	208,260,528	1,518,463	876,915,711
Charges	-	45,197,136	2,515,908	5,670,466	2,449,492	14,150,716	13,072	69,996,790
Written back onDisposal	-	-	-	-	9,956,222	-	-	9,956,222
<b>Balance as at 31/12/2012</b>	<b>-</b>	<b>398,277,347</b>	<b>146,904,414</b>	<b>60,456,427</b>	<b>127,287,756</b>	<b>222,411,244</b>	<b>1,531,535</b>	<b>956,868,723</b>

<b>WDV</b>	<b>98,278,645</b>	<b>3,569,771,742</b>	<b>8,891,738</b>	<b>45,253,383</b>	<b>3,633,360</b>	<b>46,966,709</b>	<b>22,913</b>	<b>3,772,818,490</b>
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**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2012**

**9 INVESTMENT PROPERTY - AUTHORITY**

		At Cost				
	Balance as at <b>01/01/2011</b>	Additions During the year	Revaluation During the year	Written back on Disposals	Adjustments During the year	Balance as at <b>12/31/2011</b>
Land	76,157,828,590	7,560,674		-	(202,422)	76,165,186,842
Buildings	7,431,742,820	9,013,986		-	(639,764)	7,440,117,042
<b>Total</b>	<b>83,589,571,410</b>	<b>16,574,660</b>	<b>-</b>	<b>-</b>	<b>(842,186)</b>	<b>83,605,303,883</b>
<b>Depreciation</b>						
	Balance as at <b>01/01/2011</b>		Charges for the year	Written back on Disposals	Adjustments During the year	Balance as at <b>12/31/2011</b>
Land	-		106,205,828			106,205,828
Buildings	-		<b>106,205,828</b>			<b>106,205,828</b>
<b>Total</b>	<b>83,589,571,410</b>					<b>83,499,098,055</b>
<b>At fair value</b>						
	Balance as at <b>01/01/2012</b>	Additions During the year	Revaluation During the year	Written back on Disposals	Adjustments During the year	Balance as at <b>12/31/2012</b>
Land	76,165,186,842	5,247,411		(3,296,400)	(1,450,058)	76,165,687,795
Buildings	7,440,117,042	168,661,624		(359,343)		7,608,419,323
<b>Total</b>	<b>83,605,303,884</b>	<b>173,909,035</b>		<b>(3,655,743)</b>	<b>(1,450,058)</b>	<b>83,774,107,118</b>
<b>Depreciation</b>						
	Balance as at <b>01/01/2012</b>		Charges for the year	Written back on Disposals	Adjustments During the year	Balance as at <b>12/31/2012</b>
Land	-		152,188,369			258,394,197
Buildings	106,205,828		<b>152,188,369</b>			<b>258,394,197</b>
<b>Total</b>	<b>83,499,098,055</b>					<b>83,515,712,921</b>

As per the exemption given in SLFRS1, the Group measured Investment Property at the date of transition to SLFRS at its fair value and used the fair value as its deemed cost at date of 1st January 2011. For this purpose, the Land and Building included in investment property of the Company had been revalued at Rs. 81,626,820,370/- by the Team of the valuers attached to the UDA Land Division as at 31st December 2011 and adjust it to 1st January 2011 using assumptions. The surplus arising from the revaluation amounting to Rs. 80,259,702,085/- was transferred to Retained Earnings. The valuation has been conducted on the basis of current market value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2012**

INVESTMENT PROPERTY - GROUP

	At Cost						
	Balance as at 01/01/2011	Additions During the year	Revaluation During the year	Written back on Disposals	Adjustments During the year	Balance as at 12/31/2011	
Land	74,284,513,590	7,560,674	-	-	(202,422)	74,291,871,842	
Buildings	7,431,742,820	9,013,986	-	-	(639,764)	7,440,117,042	
<b>Total</b>	<b>81,716,256,410</b>	<b>16,574,660</b>	<b>-</b>	<b>-</b>	<b>(842,186)</b>	<b>81,731,988,883</b>	
	Depreciation						
	Balance as at 01/01/2011	Charges for the year	Written back on Disposals	Adjustments During the year	Balance as at 12/31/2011		
Land	0	106,205,828	-	-	106,205,828		
Buildings	-	106,205,828	-	-	106,205,828		
<b>Total</b>	<b>0</b>	<b>212,411,656</b>	<b>-</b>	<b>-</b>	<b>212,411,656</b>		
<b>Net Value of Assets</b>	<b>81,716,256,410</b>				<b>81,625,783,055</b>		
	Cost						
	Balance as at 01/01/2012	Additions During the year	Revaluation During the year	Written back on Disposals	Adjustments During the year	Balance as at 12/31/2012	
Land	74,291,871,842	5,247,411	-	(3,296,400)	(1,450,058)	74,292,372,795	
Buildings	7,440,117,042	168,661,624	-	(359,343)	7,608,419,323	7,608,419,323	
<b>Total</b>	<b>81,731,988,884</b>	<b>173,909,035</b>	<b>-</b>	<b>(3,655,743)</b>	<b>(1,450,058)</b>	<b>81,900,792,118</b>	
	Depreciation						
	Balance as at 01/01/2012	Charges for the year	Written back on Disposals	Adjustments During the year	Balance as at 12/31/2012		
Land	-	152,188,369	-	-	258,394,197		
Buildings	106,205,828	152,188,369	-	-	258,394,197		
<b>Total</b>	<b>106,205,828</b>	<b>304,376,738</b>	<b>-</b>	<b>-</b>	<b>516,788,394</b>		
<b>Net Value of Assets</b>	<b>81,625,783,055</b>				<b>81,642,397,921</b>		

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2012**

	Group			Authority		
	2012 RS	2011 RS	1/1/2011 RS	2012 RS	2011 RS	1/1/2011 RS
<b>10 INVESTMENT IN SUBSIDIARIES</b>						
Urban Investment & Development Co.(Pvt) Ltd	-	-	-	345,000,000	345,000,000	345,000,000
Waters Edge Ltd	-	-	-	10	10	
UDA Rest House Company Ltd	-	-	-	70	70	70
Peliyagoda Ware House Complex Co. Ltd.	-	-	-	499,999,930	299,999,930	299,999,930
Less : Provision for Falling of value of Investment				(499,999,930)	(299,999,930)	(299,999,930)
				<b>345,000,080</b>	<b>345,000,080</b>	<b>345,000,070</b>
<b>11 INVESTMENT IN ASSOCIATES COMPANIES</b>						
11.1 Ocean View Development Co.(Pvt) Ltd	169,004,944	163,287,694	158,351,789	92,000,000	92,000,000	92,000,000
Share of Results after Tax	10,516,770	5,717,250	4,935,905			
	179,521,713	169,004,944	163,287,694	92,000,000	92,000,000	92,000,000
11.2 Onally Holdings Plc.	63,315,436	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Share of Results after Tax	80,053,919	38,915,434	-	-	-	-
Less:						
Dividend Received	(18,374,997)	(15,599,998)	-	-	-	-
	124,994,358	63,315,436	40,000,000	40,000,000	40,000,000	40,000,000
	<b>304,516,071</b>	<b>232,320,380</b>	<b>203,287,694</b>	<b>132,000,000</b>	<b>132,000,000</b>	<b>132,000,000</b>
<b>12 OTHER INVESTMENTS</b>						
12.1 Lanka Electricity Company (pvt) Ltd	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
12.2 Housing Development Finance Corp.	500,000	500,000	500,000	500,000	500,000	500,000
12.3 R.E.E.L. Company	28,950,000	28,950,000	28,950,000	28,950,000	28,950,000	28,950,000
12.4 Colombo Lands & Development Co. Ltd.	36,309,841	36,309,841	36,309,841	36,309,841	36,309,841	36,309,841
12.5 Lanka Hospital Pvt Ltd	2,500	2,500	2,500			
	74,762,341	74,762,341	74,762,341	74,759,841	74,759,841	74,759,841
<b>Note :</b>	The liquidation process for REEL Company has been started and therefore, out of above investment of Rs. 28.95mn would be revised					
<b>13 RECEIVABLES FROM SUBSIDIARIES</b>						
13.1 Peliyagoda Warehouse Complex Company Ltd (Note 12.1)	-	-	-	50,326,914	89,874,666	106,448,573
13.2 Urban Investment & Development Company (Pvt) Ltd	-	-	-	3,668,039,397	2,690,762,994	1,579,349,685
	-	-	-	<b>3,718,366,311</b>	<b>2,780,637,660</b>	<b>1,685,798,258</b>



**URBAN DEVELOPMENT AUTHORITY**  
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14	Debtors	2012	Group	1/1/2011	2012	Authority	2011	1/1/2011
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Rent Debtors	668,712,659	778,292,288	753,425,654	660,469,442	771,753,077	747,812,968	
	Lease Debtors	701,183,753	219,168,579	356,661,958	701,183,753	219,168,579	356,661,958	
	Rest House Debtors	302,573,597	282,741,710	256,199,908	302,573,597	282,741,710	256,199,908	
	Development Expenditure	175,748,658	168,498,871	168,627,741	175,748,658	168,498,871	168,627,741	
	Interest Receivable	2,523,607	793,712,143	88,915,564	19,326,366	839,651,284	137,759,707	
	Consultancy Fees	20,610,574	38,339,470	28,569,199	20,610,574	38,339,470	28,569,199	
	VAT Receivable	106,139,146	124,108,474	109,703,948	-	-	-	
	Other Debtors	108,338,333	149,741,091	300,899,618	114,566,952	139,375,660	256,713,857	
		2,085,830,326	2,554,602,627	2,063,003,590	1,994,479,341	2,459,528,652	1,952,345,341	
	Less: Provision for bad debt	984,227,572	1,025,251,281	1,074,249,036	983,858,859	1,024,911,982	1,073,984,426	
	<b>Total Debtors</b>	<b>1,101,602,754</b>	<b>1,529,351,346</b>	<b>988,754,554</b>	<b>1,010,620,482</b>	<b>1,434,616,670</b>	<b>878,360,916</b>	
<b>14</b>	<b>DEBTORS</b>							
<b>14.1</b>	<b>Debtors</b>							
	<b>RENT DEBTORS</b>							
	14.1.1 Monthly Rental				146,990,163	200,405,399	188,525,931	
	- 14.1.2 V.A.T. Receivable From Monthly Rentals				20,521,373	26,439,050	24,942,568	
	14.1.3 V.A.T. Receivable From Key Money				138,441	754,392	1,219,161	
	14.1.4 20% Of Frozen Arrears				41,145,931	50,870,007	38,596,747	
	14.1.5 Rent Arrears Frozen				24,513,273	31,445,793	59,041,570	
	14.1.6 Fee For Electricity				20,616,689	23,022,706	17,239,627	
	14.1.7 Fee For Use & Occupation				50,035,406	51,896,718	52,307,618	
	14.1.8 Penalty On Delayed Monthly Rent & Fee For Use				335,677,462	362,135,474	337,425,608	
	14.1.9 Key Money receivable				65,601	3,842,792	7,189,817	
	14.1.10 Penalty On Key Money				217,132	272,557	301,311	
	- 14.1.11 Arrears Of Government Tax (Rent)				20,547,971	20,668,189	21,023,015	
	<b>LEASE DEBTORS</b>							
	- 14.1.12 V.A.T. Receivable From Premia And Lease Rent				428,766,368	8,922,969	45,634,714	
	14.1.13 Annual lease rent				102,931,391	49,285,606	63,123,325	
	- 14.1.14 Ground Rent				906,220	705,921	247,636	
	14.1.15 Interest on Lease Premia				223,836	117,248	(368,714)	
	14.1.16 Penalty on Delayed Lease Rent & Premia				133,348,234	117,769,503	151,478,034	
	14.1.17 Premia on Land Leased out				12,467,169	19,159,042	73,390,445	
	- 14.1.18 Arrears of Govt. Tax - Lease Rent				20,325,989	20,448,479	20,443,291	
	14.1.19 Service charges on lease properties				2,214,546	2,759,810	2,713,226	
	<b>REST HOUSE DEBTORS</b>							
	14.1.20 Rest House Penalty				221,876,943	198,777,908	173,390,219	
	14.1.21 VAT Receivable from Rest Houses				11,165,973	11,374,081	11,077,213	
	- 14.1.22 VAT Receivable from Circuit Bungalows				161,777	162,264	162,264	
	14.1.23 Rest House Rent Receivable				52,871,023	55,929,527	55,072,282	
	- 14.1.24 Room Charges from Circuit Bungalows				375,670	375,670	375,670	
	- 14.1.25 Frozen Rest House Penalty				14,061,255	14,061,255	14,061,255	
	14.1.26 Rest House Other Debtors				1,653,230	1,653,280	1,653,280	
	- 14.1.27 Food & Bev. Receivable from Circuit Bungalows				129,349	129,349	129,349	
	- 14.1.28 Hire of Furniture				125,000	125,000	125,000	
	- 14.1.29 Room Charges from Rest Houses				153,376	153,376	153,376	
	<b>DEVELOPMENT EXPENDITURE</b>							
	14.2.1 My. of Sports & Youth Affairs				84,615,679	84,615,679	84,683,449	
	- 14.2.2 Bills Receivable NHDA				39,944,782	39,945,140	39,944,640	
	14.2.3 My. Of Urban Development Cons. & Pub Utilities				25,007,130	25,007,130	25,007,130	
	- 14.2.4 Receivables from Treasury				4,393,732	4,393,732	4,393,732	
	- 14.2.5 Colombo Municipal Council				4,447,302	4,447,302	4,447,302	
	- 14.2.6 Other MISCL Debtors				17,340,034	10,089,888	10,151,488	
	<b>INTEREST RECEIVABLE</b>							
	- 14.2.7 Current A/C PWCC				17,514,579	45,994,964	48,975,349	
	14.2.8 Interest on Fixed Deposit					160,231,514	13,229,259	
	- 14.2.8 Interest on Treasury Bills				1,423,977	633,036,996	75,360,180	
	- 14.2.9 Interest Receivable from other Sources				387,810	387,810	194,919	
	<b>CONSULTANCY FEES</b>							
	- 14.2.10 Consultancy Fees SRCC & Treasury Fund				472,000	472,000	472,000	
	- 14.2.11 Management Fee Receivable On Client's Project				20,138,574	37,867,470	28,097,199	
	<b>OTHER DEBTORS</b>							
	- 14.2.13 Current A/C Ocean View				10,085,613	10,085,613	10,085,613	
	14.2.14 Rest House Company LTD A/C				90,141,014	75,106,969	60,456,294	
	14.2.15 Waters Edge Limited Current A/C				3,999,990	4,610,004	4,780,595	
	14.2.16 Hamabantota Priority Project Current A/C				-	47,928,600	166,778,600	
	- 14.2.17 Dividend Receivable				8,416,091	-	310,084	
	- 14.2.18 Ministry of Education				5,406	5,406	5,406	
	- 14.2.19 UDSP Receivables Personnel Emoluments				16,479	16,479	16,479	
	- 14.2.20 Cheque Rtn/Dishnrd Control A/C				1,478,454	1,192,596	1,421,329	
	- 14.2.21 Cheques Return Charges Receivable				255,977	256,969	269,678	
	14.2.21 Income Tax Receivable				-	-	12,416,164	
	- 14.2.22 vat retained on UDA income				135,901	135,901	133,808	
	- 14.2.23 Stamp Duty from Employees				32,029	37,124	40,054	
					1,994,479,341	2,459,528,653	1,952,345,342	
	14.2.27 <b>Provision for Bad Debts</b>				<b>(983,858,859)</b>	<b>(1,024,911,982)</b>	<b>(1,073,984,426)</b>	
					<b>1,010,620,483</b>	<b>1,434,616,671</b>	<b>878,360,916</b>	
<b>15</b>	<b>STAFF DEBTORS</b>							
	- 15.1 Staff Loans				142,059,151	137,584,160	126,753,396	
	- 15.2 Staff Receivable				(61,211)	33,339	126,301	
					<b>141,997,940</b>	<b>137,617,498</b>	<b>126,879,697</b>	

**URBAN DEVELOPMENT AUTHORITY**  
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		Group			Authority		
		2012 RS	2011 RS	1/1/2011 RS	2012 RS	2011 RS	1/1/2011 RS
<b>16</b>	<b>DEPOSITS, PRE-PAYMENTS &amp; ADVANCES</b>						
16.1	Advances to Contractors	2,064,022,608	1,934,541,984	730,402,884	1,902,934,025	1,908,928,617	619,219,323
16.2	Deposits with Suppliers	18,007,831	20,242,085	8,280,855	5,969,043	8,280,855	8,280,855
16.3	Deposits for Services	1,624,761	2,062,227	1,742,127	1,134,761	1,572,227	1,742,127
16.4	Sundry Advances	48,147,314	24,385,012	23,304,459	46,627,114	24,385,012	23,288,959
16.5	Deposit for Electricity	8,998,494	9,674,818	6,608,444	5,248,494	5,924,818	6,608,444
16.6	Security Deposits - Electricity	1,567,293	383,548	115,548	1,567,293	383,548	115,548
16.7	Receivable form Contractors(UDSP)	3,485,138	3,485,138	3,485,138	3,485,138	3,485,138	3,485,138
16.8	Pre Payments	2,426,520	2,490,827	2,957,413	2,426,520	2,490,827	2,385,208
16.9	Compensation Deposits	40,900,891	37,372,617	40,350,891	40,900,891	37,372,617	40,350,891
16.10	Advance Given to Staff	4,089,626	7,028,524	3,640,787	4,089,626	7,028,524	3,640,787
16.11	Other Deposits	105,000	435,750	881,750	-	-	-
		<b>2,193,375,477</b>	<b>2,042,102,530</b>	<b>821,770,296</b>	<b>2,014,382,908</b>	<b>1,999,852,181</b>	<b>709,117,277</b>
<b>17</b>	<b>CASH &amp; CASH EQUIVALENTS</b>						
<b>17.1</b>	Short Term Investments:						
	- S.I.T.S.T.Fund	17,003,719	16,211,647	14,436,613	17,003,719	16,211,647	14,436,613
		<b>17,003,719</b>	<b>16,211,647</b>	<b>14,436,613</b>	<b>17,003,719</b>	<b>16,211,647</b>	<b>14,436,613</b>
<b>17.2</b>	CASH & BANK BALANCES						
	<b>COLLECTION ACCOUNTS</b>						
17.2.1	BOC - Mahiyangana Branch	325,560	325,560	325,560	325,560	325,560	325,560
17.2.2	BOC - Battaramulla Branch	48,517,146	61,915	3,162,359	48,517,146	61,915	3,162,359
17.2.3	BOC - Dalada veediya Kandy	270,213	147,981	969,498	270,213	147,981	969,498
15.2.4	BOC - Kataragama Branch	-	16,622	8,568	-	16,622	8,568
17.2.5	BOC - Central Super Market Branch	377,818	2,112,141	729,572	377,818	2,112,141	729,572
17.2.6	BOC - Anuradhapura Branch	38	-	322,204	38	-	322,204
17.2.7	BOC- Nuwraeliya Branch	-	262,823	120,985	-	262,823	120,985
	<b>CURRENT ACCOUNTS</b>						
17.2.8	BOC - Kandy Branch	374,343	595,735	255,585	374,343	595,735	255,585
17.2.9	BOC - Hambntota priority Project	88,951	88,951	88,951	88,951	88,951	88,951
17.2.10	BOC -Galle Bazaar Branch	654,009	448,954	448,954	654,009	448,954	448,954
17.2.11	BOC - Badulla Branch	274,288	300,000	300,000	274,288	300,000	300,000
17.2.12	BOC - Supergrade Branch Kurunegala	1,000,000	-	-	1,000,000	-	-
17.2.13	BOC - Jaffna Branch	6,500,000	-	-	6,500,000	-	-
17.2.14	BOC - Anuradapura New Town Branch	500,000	-	-	500,000	-	-
17.2.15	BOC - Supergrade Branch Rathnapura	151,500	-	-	151,500	-	-
17.2.16	Bank Account - PWCC Ltd	13,785,323	10,004,238	4,015,667	-	-	-
17.2.17	Bank Account - Waters Edge	18,731,037	12,505,095	9,731,442	-	-	-
17.2.18	Bank Account - UDA Rest House Ltd	13,131	3,936,174	496,250	-	-	-
17.2.19	BOC - Debit Tax Exempt	107,171	107,118	357,106	-	-	119,142.00
17.2.20	BOC - Debenture Account	225,468	101,129	-	225,468.27	101,129.06	-
17.2.21	BOC - Debenture Interest Account	770,569	(1,703,766)	(1,886,831)	770,569.48	(1,703,766)	(1,886,831)
17.2.22	Peoples Bank Current Account	100,000	100,000	-	100,000.00	100,000.00	-
	<b>SAVINGS ACCOUNTS</b>						
17.2.23	BOC- Foreign Currency Saving Account	56,812	62,233,085	61,783,041	56,812.04	62,233,084.79	61,783,041.00
		<b>92,823,378</b>	<b>91,643,756</b>	<b>82,143,398</b>	<b>60,186,716.45</b>	<b>65,091,130.95</b>	<b>66,747,588.00</b>
<b>17.3</b>	<b>Petty Cash Imprests</b>	609,909	610,659	8,713,243	367,680	364,660	559,190
<b>17.4</b>	<b>Cash in hand</b>	5,107,882	3,630,070	(61,265)	-	-	(61,265)
		<b>115,544,888</b>	<b>112,096,132</b>	<b>105,231,989</b>	<b>77,558,114</b>	<b>81,667,438</b>	<b>81,682,126</b>

**URBAN DEVELOPMENT AUTHORITY**
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**Group**

	2012	2011	1/1/2011	2012	2011	1/1/2011
	RS	RS	RS	RS	RS	RS
<b>18 Capital:</b>						
18.1 1979 Rs. 20,000,000						
18.2 1980 Rs. 80,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
<b>19 Net Government Capital Contribution:</b>						
19.1 For Sethsiripaya Administrative Complex	729,674,900	737,014,900	751,436,901	729,674,900	737,014,900	751,436,901
19.2 For Colombo Central Super Market	235,653,996	242,735,997	242,735,997	235,653,996	242,735,997	242,735,997
19.3 For Sellakataragama Shops	64,750,000	64,750,000	64,750,000	64,750,000	64,750,000	64,750,000
	<u>1,030,078,896</u>	<u>1,044,500,897</u>	<u>1,058,922,898</u>	<u>1,030,078,896</u>	<u>1,044,500,897</u>	<u>1,058,922,898</u>
<b>20 Capital Reserves:</b>						
20.1 Demolition of Structures	1,028,303	1,028,303	1,028,303	1,028,303	1,028,303	1,028,303
20.2 Equity & Central Bank rev.-UDSP	7,434,482	7,434,482	7,434,482	7,434,482	7,434,482	7,434,482
	<u>8,462,785</u>	<u>8,462,785</u>	<u>8,462,785</u>	<u>8,462,785</u>	<u>8,462,785</u>	<u>8,462,785</u>
<b>21 Revenue Reserves:</b>						
Contingency Fund	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000
<b>22 Accumulated Deficit</b>						
Excess of Income over Expenditure For the Year	402,911,743	138,668,276	(256,111,984)	190,704,459	68,578,132	(282,263,051)
Revaluation of Investment Property during the year	-	-	80,088,524,070	-	-	80,088,524,070
Change in Accounting Policy for Gratuity (Note 26)	-	93,482,278	-	-	93,482,278	-
Actuarial Loss (Benefited obligations)	(1,743,636)	-	-	(1,743,636)	-	-
Balance B/F from Previous Year	78,893,417,691	78,659,154,660	(1,173,257,426)	78,858,107,909	78,696,047,499	(1,110,213,520)
Accumulated Deficit	<u>79,294,585,798</u>	<u>78,891,305,214</u>	<u>78,659,154,660</u>	<u>79,047,068,733</u>	<u>78,858,107,909</u>	<u>78,696,047,499</u>

78,858,107,899

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**23 NSB Loan**

Loan balance as at Balance Sheet date represent the loan installments released from the year 2009 from NSB out of the total credit facility of Rs. 2,770 Million obtained for construction of Sethsiripaya Stage ii Building; the project implemented through Urban Investment and Development Company (Pvt) Ltd, a fully owned subsidiary of UDA. Loan repayment will become due after the grace period of 3 years from November 2009. Repayment of the loan and the due interest is guaranteed by General Treasury.

	2012	2011	1/1/2011	2012	2011	1/1/2011
	RS	RS	RS	RS	RS	RS
Balance as at 01st January	2,302,606,973	1,388,699,092	444,402,322	2,302,606,973	1,388,699,092	444,402,322
Add: Loan Drawdown during the year	467,393,027	913,907,881	944,296,770	467,393,027	913,907,881	944,296,770
Less: Loan repayment during the year	(15,000,000)	-	-	(15,000,000)	-	-
Balance as at 31st December	<u>2,755,000,000</u>	<u>2,302,606,973</u>	<u>1,388,699,092</u>	<u>2,755,000,000</u>	<u>2,302,606,973</u>	<u>1,388,699,092</u>
Payable within one year	75,000,000	-	-	75,000,000	-	-
Payable after one year	<u>2,680,000,000</u>	<u>2,302,606,973</u>	<u>1,388,699,092</u>	<u>2,680,000,000</u>	<u>2,302,606,973</u>	<u>1,388,699,092</u>
	<u>2,755,000,000</u>	<u>2,302,606,973</u>	<u>1,388,699,092</u>	<u>2,755,000,000</u>	<u>2,302,606,973</u>	<u>1,388,699,092</u>

**24 Debenture**

The authority(UDA) has issued 5 years redeemable debentures to the value of Rs. 10 billion as at 31st December 2012 to facilitate the implementation of Colombo city development programme. The repayment of the Principal and Interest on these Debentures are being secured by the Government of Sri Lanka

The details of debenture issue are as follows,

	Value (Rs)	Interest Rate	Due date of Interest	Maturity date
Type - A	9,721,160,000	11%	annually	04.10.2015
Type - B	730,000	Treasury Bill Rate +0.75%	bi-annually	04.10.2015
Type - C	<u>278,110,000</u>	10%	monthly	04.10.2015
	<u>10,000,000,000</u>			

	2012	2011	1/1/2011	2012	2011	1/1/2011
Balance as at 01st January 2012	10,248,896,830	10,246,748,229	-	10,248,896,830	10,246,748,229	-
Issued during the year	-	-	10,000,000,000	-	-	10,000,000,000
Interest amortised cost for the period	260,269,411	259,973,999	246,748,229	260,269,411	259,973,999	246,748,229
Interest paid during the year	(257,828,966)	(257,825,398)	-	(257,828,966)	(257,825,398)	-
Balance as at 31st December 2012	<u>10,251,337,275</u>	<u>10,248,896,830</u>	<u>10,246,748,229</u>	<u>10,251,337,275</u>	<u>10,248,896,830</u>	<u>10,246,748,229</u>

**25 UDSP Loan**

Balance B/F GOSL Loan - Non current liabilities	201,453,129	217,024,178	234,482,400	201,453,128	217,024,178	234,482,400
Less:						
Short term liability - Current Portion	15,571,050	15,571,050	17,458,222	15,571,050	15,571,050	17,458,222
Balance C/F GOSL Loan - Non current liabilities	<u>185,882,079</u>	<u>201,453,129</u>	<u>217,024,178</u>	<u>185,882,079</u>	<u>201,453,128</u>	<u>217,024,178</u>

**26 Deferred Lease Rent**

Balance B/F	6,729,887,780	3,864,422,923	3,750,592,014	7,046,137,779	4,187,572,923	4,080,642,014
Add :						
Premia due in 2012	5,063,050,761	3,000,352,094	179,656,424	5,063,050,761	3,000,352,094	179,656,424
Less:						
Revenue written back to the P&L	(220,716,719)	(134,887,238)	(65,825,515)	(227,616,719)	(141,787,238)	(72,725,515)
Balance C/F	<u>11,572,221,822</u>	<u>6,729,887,780</u>	<u>3,864,422,923</u>	<u>11,881,571,821</u>	<u>7,046,137,779</u>	<u>4,187,572,923</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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	Group			Authority		
	2012 Rs	2011 Rs	1/1/2011 Rs	2012 Rs	2011 Rs	1/1/2011 Rs
<b>27 Defined Benefit Obligation - Gratuity</b>						
Provision at 01st January	127,450,921	216,183,834	210,785,398	113,211,312	213,479,945	208,218,367
Benefits paid	(20,533,636)	(13,531,389)	(14,682,663)	(16,741,145)	(13,442,289)	(14,182,998)
Amount recognised as prior year adjustment	(1,926,306)	(93,482,278)		(1,926,306)	(93,482,278)	
	104,990,979	109,170,167	196,102,735	94,543,861	106,555,378	194,035,369
Current Service Cost & interest Cost	24,949,528	18,280,754	20,081,098	19,633,564	6,655,934	19,444,575
(Gain) / loss arising from changes in the assumption	1,181,887	-		1,743,636	-	
Balance at 31st December	131,122,394	127,450,921	216,183,833	115,921,061	113,211,312	213,479,944
Discount Rate	11%	11%		11%	11%	
Salary Increase	1.45%	1.45%		1.45%	1.45%	
	Rs	Rs	Rs	Rs	Rs	Rs
<b>28 Payable to Contractor(Non Current)</b>						
28.1 Accses Engineering Pvt Ltd	366,563,853	-	-	366,563,853	-	-
28.2 IVRI lanka Pvt Ltd	913,667,493	-	-	913,667,493	-	-
	1,280,231,347	-	-	1,280,231,347	-	-
UDA has entered into a contract agreements with Accses Engineering Pvt Ltd and IVRI lanka Pvt Ltd for the construction of housing units under the urban regeneration Project. Accordingly UDA has issued the bank guarantees to both companies through the Bank of Ceylon.						
detail of the bank guarantees issued as at 31/12/2012 are as follows						
	USD		Rs			
Accses Engineering Pvt Ltd		24,675,000		2,750,000,000		
IVRI lanka Pvt Ltd			RS.	2,464,447,500		
<b>29 creditors</b>						
Expense creditors	122,467,165	88,082,993	108,227,203	121,994,449	87,951,971	108,227,203
Rent Deposits	7,963,680	8,921,581	8,052,443	-	-	-
Development Expenditure	1,066,287,358	726,777,300	742,056,369	831,386,838	557,502,596	617,265,991
Taxes Payable	523,699,846	27,135,568	91,949,536	513,380,699	169,622,723	91,350,394
UDSP	22,166,774	19,353,363	17,301,499	22,166,774	19,353,363	17,301,499
Other Creditors	165,695,871	308,582,771	208,139,508	30,165,008	30,642,940	79,496,905
	1,908,280,695	1,178,853,577	1,175,726,558	1,519,093,769	865,073,594	913,641,992
<b>creditors schedules for the Authority</b>						
<b>29 Expense &amp; Other Creditors</b>						
<b>29.1 Expense creditors</b>						
29.1.1 Audit Fees				1,797,113	1,247,113	2,927,850
29.1.2 Electricity				13,699,214	1,466,101	791,947
29.1.3 Maintenance				25,537	26,108	24,908
29.1.4 Other Expenses				60,292,698	43,010,324	51,312,541
29.1.5 Supplies				9,515,547	5,862,869	4,203,733
29.1.6 Telephone				1,265,169	1,696,849	978,661
29.1.7 Gratuity 15% Retention				-	305,882	305,882
29.1.8 Accrued Salaries, Medical Etc				21,723,894	24,094,244	34,981,900
29.1.9 Unpaid Salaries				93,163	-	539,151
29.1.10 Rest House Service Charge payable				(1,410,401)	315,323	1,486,899
29.1.11 E.P.F. Payable				12,284,878	8,015,406	8,072,560
29.1.12 E.T.F. Payable				1,467,657	961,849	943,576
29.1.13 Transport Charges Payable				1,239,978	949,904	1,657,595
<b>29.2 Other Creditors</b>						
<b>Development Expenditure</b>						
29.2.1 Accrued Compensation on Lands with Interest				182,411,583	187,828,692	195,462,152
29.2.2 Bills Payable to Contractors				354,556,764	193,292,592	227,028,068
29.2.3 Retention Money				256,449,909	151,245,130	169,639,590
29.2.4 SEC Current Account				25,136,182	25,136,182	25,136,182
29.2.5 Hamabantota Priority Project Current A/C				12,832,400	-	-
<b>UDSP</b>						
29.2.7 Bills Payable-UDSP & Others				1,531,902	1,531,402	1,531,402
29.2.8 ULG's (UDSP) Loan Inst. & Int Payable - ( Note 29.2.8.1)				20,634,872	17,821,961	15,770,097
<b>Taxes Payable</b>						
29.2.9 GST Control Account				20,228,964	18,264,664	18,264,664
29.2.10 VAT Control Account				335,989,684	(55,355,524)	14,920,198
29.2.11 With Holding Tax Payable				(41,272)	(41,272)	261,804
29.2.12 NSL payable				51,234,738	51,234,738	51,234,738
29.2.13 PAYEE Tax payable				292,853	642,410	1,931,103
29.2.15 VAT Payable in Advance				179,156	179,156	4,130,324
29.2.16 Construction Industry Guarantee Levy				496,541	1,940,564	559,463
29.2.17 Income Tax Payable				105,000,035	152,755,545	-
<b>Other Creditors</b>						
29.2.18 Stamp Duty on Deeds				317,926	452,016	40,750
29.2.19 Fee for water Services				103,725	103,725	103,725
29.2.20 Unpaid Cheque				10,000	172,798	172,798
29.2.21 Over accounted rent payable				4,010,307	4,010,307	4,010,307
29.2.22 Others				691,420	872,464	126,751
29.2.23 Rest House 80% Food & Beverages payable				31,630	31,630	31,630
29.2.25 Success Fee on Debenture Issue				25,000,000	25,000,000	75,000,000
				1,519,093,770	865,073,594	913,635,565
<b>29.2.8.1 ULG's (UDSP) Loan Installment &amp; Interest Payable</b>						
Int. Payable- ULG Loan- UDSP (Treasury)				324,183,969	309,654,595	293,581,326
Payable to GOSL - Year 2002				248,277,353	232,706,303	217,135,253
				572,461,323	542,360,899	510,716,579
ULG's (UDSP) Loan Installment Receivable				(216,631,545)	(204,646,002)	(190,411,655)
ULG's (UDSP) Loan Interest Receivable				(335,194,905)	(319,892,935)	(304,534,828)
				20,634,872	17,821,961	15,770,096

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2012**

	Group			Authority		
	2012	2011	1/1/2011	2012	2011	1/1/2011
	Rs	Rs	Rs	Rs	Rs	Rs
<b>30 Deposits &amp; Advances</b>						
30.1 Tender Deposits	2,929,078	4,619,458	7,509,312	2,884,078	4,619,458	7,509,312
30.2 Security Deposits	39,132,869	23,286,635	21,016,504	26,503,109	23,286,635	21,016,504
30.3 Rest House Rent Refundable	49,167,117	43,405,171	39,078,645	49,167,117	43,405,171	39,078,645
30.4 Clients Deposits (Note 31.4.1)	700,997,450	887,194,706	643,086,741	700,997,450	887,194,706	643,086,741
30.5 Sundry Deposits	7,415,750	7,085,250	10,563,878	7,415,750	7,085,250	10,563,878
30.6 Rent Deposits	85,040,913	84,366,283	16,236,406	85,040,913	84,366,283	16,236,406
30.7 Refundable Processing Fee	482,913	482,913	482,913	482,913	482,913	482,913
30.8 Deposits - Visumpaya	4,358,112	4,358,112	4,358,112	4,358,112	4,358,112	4,358,112
30.9 Deposits for Proposed Projects	379,492	379,492	379,492	379,492	379,492	379,492
30.10 EIA Deposits Received	2,715,045	1,336,625	172,999	2,715,045	1,336,625	172,999
30.11 Land Sale Proceeds Received in Advance	1,208,838,041	1,192,734,664	892,175,594	1,204,050,041	1,187,946,664	887,387,594
30.12 Maintenance Deposit	7,063,500	7,063,500	7,758,500	7,063,500	7,063,500	7,758,500
30.13 Service Charge Deposit	2,707	730,639	694,324	2,707	730,639	694,324
30.14 Deposit for Water Charge	658,018	-	-	658,018	-	-
	<b>2,109,181,004</b>	<b>2,257,043,449</b>	<b>1,643,513,420</b>	<b>2,091,718,244</b>	<b>2,252,255,449</b>	<b>1,638,725,420</b>
<b>30.4.1 Clients Deposits</b>						
Clients Deposits Received				1,992,723,250	1,810,811,425	1,944,767,677
Clients' project Expenditure incurred				1,291,725,800	923,616,718	1,301,680,936
Balance as at 31st December 2012				<b>700,997,450</b>	<b>887,194,706</b>	<b>643,086,741</b>
<b>31 Bank Overdraft</b>						
<b>CURRENT ACCOUNT</b>						
31.1 BOC- Corporate Branch	243,650,538	67,870,549	49,299,207	243,650,538	67,870,549	49,299,207
31.2 BOC- Hambantota Branch	971,986	971,986	971,986	971,986	971,986	971,986
31.3 Bank Account - UNIDEP	7,680,815	55,929,854.00	-	-	-	-
30.4 Waters Edge Bank Account	16,834,436	7,860,415	9,172,373	-	-	-
<b>COLLECTION ACCOUNTS</b>						
30.5 BOC- Nuwraeliya Branch	38,726	-	-	38,726	-	-
30.6 BOC - Kataragama Branch	924,157	-	-	924,157	-	-
30.7 BOC - Matara Branch	7,852	7,852	7,852	7,852	7,852	7,852
	<b>270,108,510</b>	<b>132,632,804</b>	<b>59,451,418</b>	<b>245,593,259</b>	<b>68,850,388</b>	<b>50,279,045</b>

**32. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

No circumstances have arisen, since the balance sheet, which would require adjustment to, or disclosure, in the financial statements.

**33. DIRECTORS' INTEREST**

Following Board Members and Directors of the Authority are also Directors of the following companies

<u>Name of the Company</u>	<u>Name of the Board Members/Directors</u>	<u>Relationship</u>
(1). Peliyagoda Ware House Complex Co.(Pvt)Ltd	Mr. Priyath B Wickrama - UDA Board Member Mr.P.A.I.S. Perera-Chairman UDA Mr. K.E.V.N.Frenando - Director General UDA	Chairman & CEO Director Director
(2). Urban Investment & Development Company ( Pvt) Ltd	Mr.P.A.I.S. Perera-Chairman UDA Mr. K.E.V.N.Frenando - Director General UDA Brrigadiar J.M.S.S. Jayasundara- ADG UDA Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA Mrs. Renuka Wikramasinghe - Director (PM) UDA Mrs,M.W.A.K.S. Wijesuriya- Director (Legal) UDA	Chairman Director Director Director Director Director
(3). UDA Rest Houses Company Ltd	Mr.P.A.I.S. Perera-Chairman UDA Mr. K.E.V.N.Frenando - Director General UDA Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA	Director Director Director
(4). Real Estate Exchange Plc	Mr. K.E.V.N.Frenando - Director General UDA	Director

The Directors have no direct or indirect interest in any other contract or proposed contract with Authority other than the details given in to note 31.

**34. RELATED PARTY TRANSACTIONS**

The Authority has entered in to contracts in the normal course of business with the following companies

<u>Name of the Company</u>	<u>Nature of Transaction</u>	<u>2012 Rs.</u>	<u>Value 2011 Rs.</u>	<u>1/1/2011 Rs.</u>
(1). Peliyagoda Ware House Complex Co.(Pvt)Ltd	- Interest Receivable to UDA on loan granted	7,019,615	15,019,615	15,019,615
(2). Urban Investment & Development Company ( Pvt) Ltd	-Sethsiripaya Stage 11 project Implementation expenditure	977,276,403	1,111,413,309	975,399,624
(3). UDA Rest Houses Ltd	- All capital and recurrent expenditure Net)	15,034,046	14,650,675	9,831,863
(4). Onally Holdings PLC	- Financial Management fee received - Dividend received	734,712 18,374,997	734,689 15,599,998	741,600 14,699,999

There were no related party transactions other than disclosed in Note32 to these financial statements.

**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2012**

**35 Financial risk management**

**overview**

The group has exposure to the following risk arising from financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Interest rate
- Operation risk

The note presents information about the Group's exposure to each of the above risks, the Group's risk management objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**Risk management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Management Committee.

**34.1 Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows

	2012		Group		2010		2012		UDA		2010	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Investment in Fixed Deposit (Long term)	12,605,246,336	-	3,200,910,140	-	631,696,314	-	12,430,008,865	-	3,110,000,000	-	550,000,000	-
Investment in Fixed Deposit (Short term)	444,917,802	-	8,058,008,746	-	9,721,460,739	-	339,999,952	-	7,887,999,952	-	9,616,916,561	-
Investment in Subsidiary	-	-	-	-	-	-	345,000,080	-	345,000,080	-	345,000,070	-
Trade and Other Receivables	1,101,602,754	-	1,529,351,346	-	988,754,554	-	1,010,620,482	-	1,434,616,670	-	878,360,916	-
Cash and Cash Equivalents	115,544,888	-	112,096,132	-	105,231,989	-	77,558,114	-	81,667,438	-	81,682,126	-
	<b>14,267,311,780</b>		<b>12,900,366,364</b>		<b>11,447,143,596</b>		<b>14,203,187,492</b>		<b>12,859,284,140</b>		<b>11,471,959,673</b>	

**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2012**

**35 Financial risk management (continued)**  
**35.1 Credit risk (continued)**

The maximum exposure to credit risk for loans and receivables at reporting date by sources of income and risk

	GROUP				UDA			
	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2011 Rs.	2010 Rs.	2012 Rs.	2010 Rs.
Fee for Use	7,426,069	6,796,029	8,682,817	7,426,069	6,796,029	8,682,817		
Premia	211,458,614	22,610,810	67,870,563	218,358,614	29,510,810	74,770,563		
Lease	45,581,442	83,622,797	61,836,201	45,581,442	83,622,797	61,836,201		
Rent	385,992,881	382,601,857	388,235,475	322,912,890	321,438,664	316,023,964		
	<b>650,459,007</b>	<b>495,631,493</b>	<b>526,625,056</b>	<b>594,279,016</b>	<b>441,368,300</b>	<b>461,313,545</b>		

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Authority's trade and other receivables.

**Impairment losses**

The aging of trade debtors at the reporting date that were not impaired was as follows.

GROUP	2012		2011		2011		2010	
	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.
Current balance (no due)								
00-01 Year	110,760,798		129,842,338		151,989,882		151,989,882	
01-02 Years	107,136,971		100,009,374		81,022,319		81,022,319	
02-03 Years	97,453,017	854,763,833	87,681,067	923,763,833	76,843,689	904,011,283	76,843,689	904,011,283
03-04 Years	96,886,021		85,417,260		75,623,432		75,623,432	
04 & Above	519,770,244		482,035,123		465,473,710		465,473,710	
	<b>932,007,051</b>	<b>-</b>	<b>884,985,162</b>	<b>-</b>	<b>850,953,032</b>	<b>-</b>	<b>850,953,032</b>	<b>904,011,283</b>
UDA								
Current balance (no due)								
00-01 Year	102,517,580		123,303,131		146,377,200		146,377,200	
01-02 Years	107,136,971		100,009,374		81,022,319		81,022,319	
02-03 Years	97,453,017	854,763,833	87,681,067	923,763,833	76,843,689	904,011,283	76,843,689	904,011,283
03-04 Years	96,886,021		85,417,260		75,623,432		75,623,432	
04 & Above	519,770,244		482,035,123		465,473,710		465,473,710	
	<b>923,763,833</b>	<b>854,763,833</b>	<b>878,445,955</b>	<b>923,763,833</b>	<b>845,340,350</b>	<b>904,011,283</b>	<b>845,340,350</b>	<b>904,011,283</b>

**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2012**

**35 Financial risk management (continued)**

	GROUP		UDA	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
<b>Individual impairment</b>				
Balance at the beginning	-	-	-	-
Impairment loss recognised	-	-	-	-
Amounts written off	-	-	-	-
<b>Balance at the end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Cash and cash equivalents**

The Group held cash and cash equivalents of Rs. 115,544,888.30 at 31st December 2012 (2011: Rs. 112,096,132.00), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties.

**35.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

GROUP	Carrying amount	Contractual cash flows	00-01 Year	01-02 Years	02-03 Years	03-04 Years	More than 4 years
<b>As at 31st December 2012</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	2,602,646,458						
Amounts due to related companies	-						
Lease creditors	11,881,571,821						
Bank overdraft	245,593,259						
	<b>14,729,811,538</b>						
<b>UDA</b>							
<b>As at 31st December 2012</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	4,362,570,209						
Amounts due to related companies	-						
Lease creditors	11,572,221,822						
Bank overdraft	270,108,510						
	<b>16,204,900,541</b>						

The gross in flows/(outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity.



**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2012**

**35 Financial risk management (continued)**

**35.3 Market risk**

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**35.4 Interest rate risk**

At the reporting date the interest rate profile of the group's interest - bearing financial instruments was:

	2012		Group 2011		2010		2012		Company 2011		2010	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Fixed rate instruments</b>												
Financial Assets - Long term fixed deposit	12,605,246,336		3,200,910,140		631,696,314		550,000,000		3,110,000,000		550,000,000	
Financial Assets - Short term fixed deposit	444,917,802		8,058,008,746		9,721,460,739		339,999,952		7,887,999,952		9,616,916,561	
	13,050,164,137		11,258,918,886		10,353,157,053		889,999,952		10,997,999,952		10,166,916,561	

**Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from operations of the Authority.

The Authority's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Authority's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Authority

This responsibility is supported by the development of Authority standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate senior management of the Authority and the Board of Directors.

**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2012**

**35 Financial risk management (continued)**

**35.5 Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings

The Group's main objective is when managing capital are:

- 01) to safeguard the Group ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- 02) to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and

Further, the Board seeks to maintain a balance between higher targeted returns that might be possible with higher level of borrowing, and the advantages and security afforded by the strong capital position of the group.

The Group's net debt to adjusted equity ratio at the reporting date was as follows.

	2012		Group 2011		2010		2012		Company 2011		2010	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Total liabilities	31,636,793,658		24,373,922,433		20,037,400,462		31,487,097,180		24,280,902,214		20,069,121,423	
Less: cash and cash equivalents	(115,544,888)		(112,096,132)		(105,231,989)		(77,558,114)		(81,667,438)		(81,682,126)	
Net debt	31,521,248,769		24,261,826,301		19,932,168,473		31,409,539,066		24,199,234,776		19,987,439,297	
Total equity	80,488,127,479		80,099,268,895		79,881,540,343		80,240,610,413		80,066,071,591		79,918,433,182	
Adjusted equity	48,966,878,709		55,837,442,594		59,949,371,870		48,831,071,348		55,866,836,815		59,930,993,885	
Net debt to adjusted equity ratio at 31st December	0.64		0.43		0.33		0.64		0.43		0.33	