

# Annual Report 2013

වාර්ෂික වාර්තාව 2013

<b>Overview</b>	<b>01</b>
<b>Vision and Mission</b>	<b>02</b>
<b>Corporate Information</b>	<b>03</b>
<b>Chairman’s Review</b>	<b>04</b>
<b>Board of Management</b>	<b>05</b>
<b>Key Personnel</b>	<b>08</b>
<b>Overview</b>	<b>10</b>
<b>Overall Performance</b>	<b>11</b>
<b>Physical Development</b>	<b>12</b>
<b>Commercial Developments</b>	
<b>Town Development</b>	
<b>Urban Regeneration Programme</b>	
<b>Consultancy Projects</b>	
<b>Property Management</b>	
<b>Human Resource Management</b>	<b>37</b>
<b>Corporate Governance</b>	<b>39</b>
<b>Auditor General’s Report</b>	<b>42</b>
<b>Financial Statements</b>	<b>90</b>

## URBAN DEVELOPMENT AUTHORITY

The UDA was established by an Act of parliament bearing No 41 of 1978 with a view to promote integrated Planning and implementation of Economic social and physical development of the areas declared by the Minister in-charge of the subject of Urban development. Accordingly UDA has been empowered to function as the key urban planning and implementing agency of the country. The powers and functions that spelled out in UDA Act are summarized as:

- Conduct capital and investment planning in the areas declared as “development areas”.
- Execute development plans and projects approved by the Government.
- To formulate and implement an urban land use policy in such areas.
- To enter into any contract with any person for the execution of development projects and schemes as may be approved by the Government.
- To undertake the completion of any approved development project or scheme in default by any person falling to complete such project or scheme.
- To formulate capital improvement programs.
- To develop environmental standards and prepare schemes for environmental improvements in such areas.
- To formulate and execute housing schemes in such areas.
- To approve, co-ordinate and control development projects or schemes of any Government agency in such areas.
- To provide technical planning services for the benefit of Government agencies or other persons in such area.

Accordingly, Based on the above Authority conducts significant development programmes in the declared development areas.



## *VISION*

---

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

## *MISSION*

---

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

## CORPORATE INFORMATION

<b>Legal Form</b>	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.
<b>Registered Office &amp; Head Office</b>	Urban Development Authority 6th & 7th Floors, Sethsiripaya, Battaramulla
<b>Telephone</b>	11 2875916-20
<b>Fax</b>	11 2883668
<b>Website</b>	<i>www.uda.lk</i>
<b>E-mail</b>	<i>dg@uda.lk</i>
<b>Bankers to the UDA</b>	Bank of Ceylon
<b>Secretary to the Board</b>	Director General –UDA
<b>Auditors</b>	The Auditor General of Sri Lanka

## CHAIRMAN'S REVIEW

Urban Development Authority for the year 2013 conducted development Programs Island wide by adhering to the development parameters with the view of attaining objectives of the Authority. Accordingly, based on the activities conducted for the year respective Annual Report is submitted herewith with utmost pleasure.

### Operations for the year 2013

The Urban Regeneration Program in the City of Colombo has marked its landmarks during the year under review. “ Mihidusenpura ” housing project which was declared open during the year 2013 and the Tripoly Market Square, Gaffoor City hotel ,Colombo Gold Centre, Floating Market at Pettah, Race Course developments are the considerable developments that were initiated during the year under Review.

Beyond the centered development took place in the city of Colombo, equitable development works took place in other suburbs. Among which, the development projects initiated in Jaffna, Galle, Matara, Pollonnaruwa, Kataragama, Panadura, Weerakatiya are considered as pioneer and crucial projects.

### Financial Perspective

According to the mission of the Urban Development Authority to formulate development plans for providing globally recognized fully fledged sustainable urban centers thereby achieving effective promotion, implementation and enforcement and intern for generating profit under the review of 2013. In retrospectively the profit after tax for the year 2013 accounts to Rs.644 Mn. This is an incremental growth of 56% compared to previous year. The incremental profitability daupont through 28 % increase in the income base of the authority and the efficiency and the effectiveness of the decisions executed by the management.

Chairman  
Urban Development Authority

## BOARD OF MANAGEMENT

Board Members	Position	Date of Appointment
<b>Mr.P.A.I.S.Perera (Chairman)</b> Final Stage of Association of Chartered Certified Accountants, Diploma in Accountancy, National Diploma in Finance (UK)	Chairman, Urban Development Authority	21 December 2011
<b>Mr.Janaka Kumarajith Perera Kurukulassriya (Observer )</b> BSc. Eng. (Hons) MA (Econ) P.G. Dip in Port & Costal Engineering (Norway) Chartered Engineer, F.I.E. (SL)	Additional Secretary, Ministry of Defence and Urban Development	20 December 2011
<b>Mr.Jayatha Wickramasingha (Board Member)</b> Higher Education in the fields of Accountancy & Business Studies at the Twickenham College of Technology, Middlesex , UK	Chief Executive Officer, Lanka Logistics and Technologies Limited	06 May 2010
<b>Mr. L.L.P.Harshan De Silva (Board Member)</b> Chartered Architect SLIA I, SLIA II, SLIA III, AIA (SL)	Chairman Sri Lanka Land Reclamation & Development Corporation	06 May 2010
<b>Mr. Rohan Seneviratne (Board Member)</b> BSc Eng (Hons) MBA, PG Dip (Com Tec), PG Dip (Elec. Dist.), C Eng. MIE (SL), MIET,MIEEE	Additional Secretary (Technical) Ministry of Defence & Urban Development	06 May 2010
<b>Dr. B.M.S. Batagoda (Board Member)</b> PhD in Environmental Sciences (UEA, UK) MSc in Natural Resources Management (MSU, USA) Attorney-at-Law BA (Hons) SL	Director General of Department of Public Enterprises	11 May 2010
<b>Dr. Priyath Bandu Wickrama (Board Member)</b> BSc Eng (Hons)	Chairman ,Sri Lanka Ports Authority	13 May 2010

Board Members	Position	Date of Appointment
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		
<b>Dr. Nalaka Godahewa</b> <b>(Board Member)</b> Ph.D, MBA B.Sc. Eng. (Hons) FCIM, FCMA CMA (Australia)	Chairman of Sri Lanka Tourism Development Authority	06 May 2010
<b>Mr. Jayantha Samaraweera</b> <b>(Board Member)</b> Diploma in Journalism University of Sri Jayawardenapura	Chairman National Housing Development Authority	02 February 2011
<b>Mr. K.W. Ivan De Silva</b> <b>(Board Member)</b> B.Sc.Eng. University of Peradeniya, MSc. Eng Sciences University of New South Wales	Secretary Ministry of Irrigation & Water Resource Management	24 October 2011
<b>Dr. Y.D.N. Jayathilake</b> <b>(Board Member)</b> MBBS, MSc (Medical Admin)	Secretary, Ministry of Health	24 July 2012
<b>Mr. T. Ashoka Pieris</b> <b>(Board Member)</b> BA (Hons) Economics	Secretary Ministry of Land & Land Development	24 October 2011
<b>Mr. Dhammika Perera</b> <b>(Board Member)</b> NDT (Electrical & Electronics ) Under Graduate University of Moratuwa	Secretary Ministry of Transport	24 October 2011
<b>Mr. J.M.L. Jayasekara</b> <b>(Board Member)</b> 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 National Physical Planning Development	02 February 2011
<b>Mr. R.L.L.K Rnavaka</b> <b>(Board Member)</b> B.Com (Special) Hon PGD in Management LICA of CASL MBA (Australia)	Secretary Ministry of Local Government & Provincial Councils	24 July 2012

Board Members	Position	Date of Appointment
<b>Mr.Anura Siriwardena</b> <b>(Board Member)</b> BSc in Biological Science MBA	Secretary Ministry of Industry & Commerce	24 July 2012
<b>Mr.S.M.Gotabaya Jayarathna</b> <b>(Board Member)</b> MSc (Regional Planning) Asian Institute of Technology, Thailand PGD (Regional Planning) West Germany BCom (Special) Degree, University of Kelaniya Certificate of Public Administration (one year)	Secretary, Ministry of Education.	24 July 2012
<b>Mrs.K.D.R.Olga</b> <b>(Board Member)</b> Bsc. Business Administration Special Degree ,University of Sri Jayawardenapura	Director,Ministry of Finance and Planing	08 February 2013
<b>Mr.Nihal Somaweera</b> <b>(Board Member)</b> B.SC (Hons) in Civil Engineering University of Moratuwa M.s.c in Town & Country Planning University of Moratuwa Chartered Enginnering & a Member of the Institute of Engineering & a Member of the Institute of Engineers,Sri Lanka. Member of the Institute of Town Planners,Sri Lanka	Secretary ,Ministry of Coconut Development and Janatha Estate	05 July 2013
<b>Dr.Lal Balasuriya</b> <b>(Board Member )</b> B.Arch.(Hons)(Ncl/Tyne).M..S.C.Urban Design (Edin) FIA (Sri Lanka)\Dip.UD (RIBA) Chartered Architect /Urban Designer /Emeritus Professor Department of Architecture,University of Moratuwa,Sri Lanka	Head of School, City School of Architectures	05 July 2013
<b>Mr.D.K.D.Chamara Abeyrathna</b> <b>(Board Member )</b> B.SC.Accountancy Special ,University of Jayawardenapura An Associate Member of the Institute of Chartered Accountants of Sri Lanka	Partner K.P.MG	05 July 2013
<b>Mr.K.E.V.N Fernando</b> <b>(Board Member )</b> 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 Coporate Member RIBA Member	Director General (Acting) Urban Development Authority	09 August 2010

## KEY PERSONNEL 2013

Chairman	Mr.Nimal Perera from 21.12.2011
Director General (Actg.)	Mr.K.E.V.N. Fernando from 09.08.2010
Additional Director General	Brigd. J.M.S.S. Jayasundara from 14.02.2011
Deputy Director General (Planning)	Mr.M.M.Weerasena from 22.12.2012
Deputy Director General (Finance)	Mr.W.L.D.P.V Jayawardena from 15.11.2011
Director (Finance)	Mrs. A.M.A.K.S. Wijesooriya from 21.11.2011 to 02.08.2013 Mrs. H. R. Kevitiyagala from 01.11.2013
Director (HRM)	Mr. W.A .S. Sumanasooriya from 22.03.2012
Director (Legal)	Mrs. M.W.A.K.S. Wijesooriya from 05.12.2011 to 31.02.2013 Mrs. M.B. Jayanthi De Silva from 28.03.2013
Director (Development Planning)	Mr. L.T .Kiringoda from 26.01.2013 to 09.01.2013 Mr. M.C Vitanarachchie from 09.01.2013 to 15.10.2013
Director (GIS)	Mrs. P.G.P. Gamaga from 01.08.2011
Director (Land Development & Management)	Mr. H.A.Dayananda from 20.12.2012
Director (Project Management)	Mrs. Champika De Silva from 24.09.2012 to 11.10.2013
Director (Project Management & Consultancy)	Mrs. Renuka Wickramasinghe from 24.09.2014 to 11.10.2013
Co. Director (Project Management)	Mr. M.C Vitanarachchie from 16.10.2013
Co. Director (Project Management)	Mr. P.D.K. Pathirana from 24.10.2013
Co. Director (Project Management)	Mrs. C.K.E. Kalupahana from 16.10.2013
Director (Enforcement)	Mr. G.W.G. Abeygunawardane from 16.06.2011 to 15.10.2013 Mrs. N.S. Kusumaseeli from 16.10.2013
Director (Environment & Landscape)	Mrs. C.K.E. Kalupahana from 11.06.2012 to 15.10.2013 Mr. D. Hettiarachchi from 24.10.2013
Chief Internal Auditor	Mrs.Vasani Mnodara from 10.01.2011

Director (Engineering Services)	Mr.L.A.D.J.Sisirakumara from 26.01.2011
Director (Urban Regeneration Program)	Brigd. Samarasingha from 18.12.2012
Director (Social Development & Marketing-URPCC)	Mr.Chandradasa from 21.01.2013 to 23.10.2013
Director (Rest House Management/Actg.)	Mr. A.S. Sri Chandran from 02.02.2010 to 03.08.2012
Director (Technical)	Mr.A.A. Dissanayaka from 08.02.2011
Director (Western Province)	Mrs. N.S. Kusumaseeli from 12.06.2012 to 15.10.2013 2012.06.12 Mr.G.W.G. Abeygunawardane from 16.10.2013
Provincial Director (Eastern Province/Actg.)	Mr.L.A.D.Gamini from 06.11.2012 to 15.01.2013
Provincial Director (Eastern)	Mr.W.J.Senavirathna from 21.01.2013
Provincial Director (Northern)	Mr. N. Rajanayagam from 01.07.2005
Director (Sabaragamuwa Province)	Mr.P.D.K.Pathirana from 26.03.2012 to 23.10.2013 Mr.Chandradasa from 24.10.2013
Director (Central Province )	Mr.D. Hettiarachchie from 19.01.2012 to 23.10.2013 Mr.M.M.L.Wijerathna from 08.11.2013
Director (North Central )	Mr.D.M.B.Ranathunga from 26.01.2011
Director (North West)	Mr.W.J.Senavirathna from 26.01.2011 to 20.01.2013 Mrs.J.A.M.Jyasingha from 24.01.2013
Director (Uva Province )	Mr.M.P. Ranathunga from 11.02.2010
Director (Southern Province)	Mr.L.L.L.A.Samarasingha from 18.12.2012

## OVERVIEW

Urban Development Authority faced for the year 2013 with the intention of devising development projects in a rapid manner. The year marked intended to adopt development parameters by adhering to modern technologies with dynamic urban development parameters. Accordingly , development of public fairs,busstands,commercial complexes,gardens and other amusement centres were considered among the priority list.

The year 2013 was a year with a growth potential. During the first quarter of 2013 economy has recorded a growth of 6.3% in nominal terms for which the industrial sector has contributed 10.4% of which the construction segment has contributed leaps and bounds. The root course for these developments are due to the unbelievable development projects utilized and carried out by the Government of Sri Lanka. The construction segment of the above development contributed to 31% out of the contribution domain.

Accordingly to the above aspects the contribution by this authority for the year under marked accounts to Rs.7 Bn and it has intern contributed for direct and indirect creation of job opportunities.

The year 2013, in retrospective the outskirts of the Urban Development has changed drastically and was able to generate a profit owing to incur expenditure in an effective and efficient manner.

Urban Development Authority during the year 2013 has utilized the skills of 1,600 employees and the Board of Management has given the strength to the above said with the efficient and effective decision making across the year under review.

## 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 244. Following areas have been declared as urban development areas in 2013.

District	Area
Ampara	Araul - Pradeshiya Sabhava
Rathanapura	Palmadulla –Pradeshiya Sabhava (Expansion)

District	Local Authority	Completed phase	
		Drafts	Completed
Kandy	Dambulla		✓
	Nawalapitiya – Urban Council	✓	
	Wattegama - Urban Council	✓	
Kegalle	Rambukkna - Pradeshiya Sabha		✓
	Yatyanthota - Pradeshiya Sabha	✓	
Polonnaruwa	Pollonnaruwa - Pradeshiya Sabha	✓	
Rathnapura	Eheliyagoda - Pradeshiya Sabha	✓	
	Kahawaththa - Pradeshiya Sabha	✓	
	Balangoda - Urban Council	✓	
Colombo	kolonnawa - Urban Council	✓	
	Moratuwa - Municipal Council	✓	
Galle	Ambalangoda - Urban Council	✓	
Matara	Weligama - Urban Council	✓	

	Hakmana - Urban Council	✓	
Putlam	Chilaw Urban - Council	✓	
Kurunegala	Kuliyapittiya - Urban Council	✓	
Kaluthara	Panadura – Urban Council	✓	
Gampaha	Aththanagalla – Pradeshiya Sabha		✓

## Physical Developments

### Commercial Developments within the City of Colombo

According to the vision of Urban Development Authority, for the year 2013 has commenced the construction of sustainable development projects and proceeded it with the best interest.

#### Tripolly Complex – Trace City

Trace City which is on the landmark of Maradana area, Colombo is a project under the wings of urban Development Authority. The project aims to bring the experience of modest technology to Sri Lankan citizens while creating a centre for future technology developments. The locality act as a knowledge centre where world renowned software companies and technology companies have established their domestic operations in this facility .The estimated cost of this project amounts to Rs.4,000 mn and operates as a two phased projects with auditoriums ,restaurants by securing the archeological values of the building and by occupying the modern architectural techniques.



#### Marketing Building, Colombo

The refurbishment of marketing Building is one of the commercial developments that were taken in Colombo. The ultimate aim of the project is to provide worldwide shopping experience to Sri Lankan community with unmatched variety for customers those who seek novelties. The

project under the direct supervision of the Urban Development Authority expect to incur a total cost of Rs.400 mn at its Completion.

### **Gaffoor Hotel Complex**

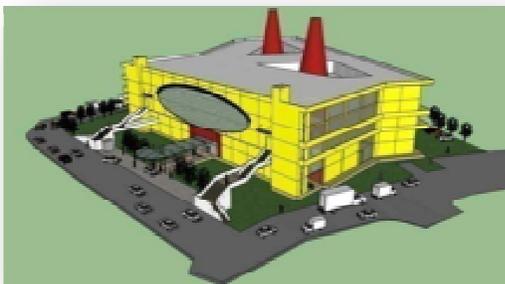
The Gaffoor Hotel complex Development is a landmark project under the Urban Development Authority project domain. The project carries out with the consultancy by the University of Moratuwa and with the labour contribution by Sri Lanka Navy. The project aims at preserving the archeological values on this historical monument and to provide the same as a city hotel to both local and foreign tourist. The facility encompasses 62 hotel rooms,03 restaurants,02 auditoriums,04 shops with an estimated project cost of Rs.1,750 mn. The project at its locality provide an unmatched service hence it is located to the commercial hub, Colombo Sri Lanka.



### **Colombo Gold Centre**

The Colombo Gold Centre Project is a development that' been expected by majority of Sri Lankan community who seek for a place to satisfy their jewelers requirements under one roof. In addition the facility been served for vendors to have a dedicated place to carry out their business operations. As the Colombo Gold Centre occupied with a branch of Gem and Jewellery Authority customers have the choice of selecting articles based on the certification of Gem and Jewellery

Authority . The project records 80 % physical progress at 2013 financial year end.



### **Floating Market at Bastian Mawatha**

With the intention of creating an organized market structure in the locality of Colombo the novel Floating Market is experience created in the Bastian Mawatha. The locality previously occupied with unorganized dilapidated shops and it had created difficulties to the passengers who use the service of the Central bus stand. The facility has been allocated acreage of 6.78 with an estimated cost of Rs.330 mn and has the capacity to occupy 90 vendors approximately.



### **Kaluthara Kalido Rest house**



In order to create a tourist locality in the Kalutara area the Kalido Beach Resort project was launched by Urban Development Authority at an estimated total cost of Rs.100 mn. The preliminary planning of this development was finished during the financial year 2013.

## **Development across the Race Course Playground Area**

The development across the Race Course area concentrated on preserving the archeological value of buildings that were been built on the European ruling area. The development of this area revolves around 05 parameters.

Parameter 01 –Development of green walking partway in the Independence square area

Parameter 02-Refurbishment of buildings in the Independence area

Parameter 03- Project interlinks the Baudhaloka Mawatha and the Independence Square Area.

Parameter 04- Development of entrance at Independence Square

Parameter 05- Development in the Read Avenue area

The project expected to provide significant benefits to the vendors that use above premises. The area has designed to encourage economic activities by the Urban Development at its cost and during December 2013 stage ii of the project was declared open.



## **Commercial Development in the Kurunagala District**

The commercial and the housing project carryout in the Kurunagal area in the locality of 07 acres considered as one of the key developments that address the needs of the area. The estimated project cost is Rs.9718 and upon the utilization of the project it is expected to bring balance development to area through enhancing the infrastructure facilities. In addition the Banking and Financial cum project that is underway in the area at a cost of Rs.102 mn expected to provide a comprehensive banking and financial system to the area.



### **Development in the Jaffna Area**

The rest house project underway at the Pannayi area in a locality of 02 acres at a total estimated cost of Rs.350 is a landmark project that expected to bring tourist to the area under concern. The facility expected to construct 36 hotel rooms and augmented with the star class experience to the tourist both local and foreign.



### **Commercial Development in the Galle Area – Old Dutch Hospital**

In relation to the Galle, refurbishment of the Old Dutch Hospital that is been used for the administrative purposes can be treated as one of the potential project underway during the year 2013. The estimated cost of the project is Rs.80 mn and the project aims to enhance the tourist

industry in the area. In addition to that the sport complex underway at the Dadalla area at a cost of Rs.500 mn is considered as key milestone project in the Galle area.



### **Commercial Development in the Polonnaruwa Area**

Development of the UDA Office complex in Thannekumbura at cost of Rs.9 mn and the proposed rest house complex project at a cost of Rs.15 mn are pioneer projects that are being planned by the Urban Development Authority and it is expected to generate commercial value to the Polonnaruwa area.

### **Town Beautification and Institutional Beautification by Environmental & Landscape Division**

The Environmental & Landscape Division of Urban Development Authority has taken the initiatives to add values to the projects that are completed by creating environmental friendly, novel experience to community that uses the said facilities. Accordingly, services rendered by the Environmental and Landscape Division are as follows.

- Enhancing the appearance of the Independence Arcade premises to modern outfit.  
(Former Auditor General's Department)
- Enhancing the appearance of the Dematagoda Housing Project that was declared open during 2013
- Improving the landscape of the Colombo Town area parallel to the CHOGAM held on 2013.
- Ambiance work of the Waters Edge Hotel surrounding area.
- Landscape area development in the Mumtaz Mahal complex at Kollupitiya .

- Enhancement of the landscape in the VIP entrance of Sethsiripaya.
- Development work in the Thalpathpitiya Children's park.
- Stretching the greenery around the parliament premises.

In addition to that division has carried out following Environmental reports for the year under review.

01. Hotel with 24 hotel rooms in the Nilawali area.
02. Water dismantling service in the Putalam area.
03. Hotel project with 190 hotel rooms in the Kalpitiya area
04. Water tower that is proposed to develop in the Sigiriya area.

### **Town Development Projects carried out by the Urban Development Authority**

#### **Hataraliyadda Town Development Projects**

The Hataraliyadda Town development project under ways with funding of the General Treasury and the project aims to enhance the infrastructure and the respective development parameters in the area. During the financial year under review 60 % of the project has been completed and with the aid of the General Treasury.

#### **Sellakataragama –Town Development Project**

The project aims to add value to the cultural and the religious value in the area by providing required services to pilgrims and by preserving the required cultural value. The estimated cost of the project Rs.300 mn is to finance by the General Treasury and the year under review project has recorded 80 % physical progress.

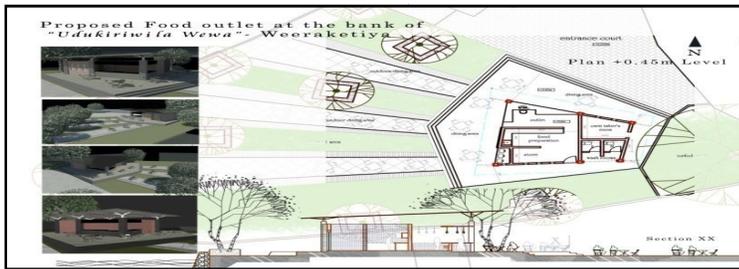


### **Town Development Project – Panadura area**

With the intention of developing a shopping complex in the Galwatta area for the vendors and to enhance the ambiance of open spaces in the area are the primary objectives of this project. The estimated cost of the project accounts to Rs.33 mn and the funds for the project is to be sourced by the General Treasury.

### **Weeraketiya Town Development Project**

The estimated cost of the project accounts to Rs.119 mn and the required funds provided by the General Treasury. Accordingly the project expected to develop Kotabo Junction, pedestrian walkways, car park and a commercial building in the area.



### **Town Development in the Matara District**

The project parameters runs across car park, bus stand, commercial cum financial institute in the urbanizing Akurassa area. The estimated cost of the project is Rs.212 mn and the project is to be source by the collaboration of Authority and the General Treasury. In addition to that town development project in the Urubokka area and the kotuwegoda shopping complex are considered as the main projects underway in the Matara district.



### **Kolonnawa Town Development Project**

Kolonnawa town development project revolves around multiple project objectives. The project aims to develop housing project in the area, mixed development project in the area together with a banking cum financial institute in the area. In addition upon the realization of above benefits the project provides additional beauty in the area by preserving additional income to citizens lives in the area.

### **Development of Kalutara Bus Stand**

The development of the Kalutara Bus stand aims to provide a systematic approach to the town centre by increasing the efficiency of regular tasks carries out by the users of the Kalutara Town. During the Financial year 2013 under review all respective initial planning mechanism have been completed.

### **Modarawila Drainage System**

The project expected to widen the existing canal system by 10 feets and to increase the length of the canal by 500 meters in the Panadura,Modarawil town area. The estimated cost of the projects for the above said development is Rs.20 mn.

### **Homagama Town Development Project**

Homagama town due to its increase in the commercial outlook inevitably require to develop by using multiple development parameters. Accordingly, the project cost estimated to Rs.233 mn and primarily aims to give a sustainable solution to the traffic concessions in the area. During the year 2013 at its financial year end Authority was able to relocate the National Savings Bank and aided to carryout its banking activities.

### **Urubokka Development Project**

Following projects are expected to launch under the urubokka development project.

01. Urubokka Bus stand
02. Development of the commercial complex
03. Proposed Play ground and the Children's park

04. Proposed Clock Tower and the passenger terminal

05. Water dismantling system

The kotuwegoda Commercial Complex is expected to underway as a two stage project.

*Stage I*

- Development of the Kotuwegoda market complex to carryout routine activities in the public fair
- Development of temporary 10 nos. of shops
- Development of a new fish stalls in the area
- Orderly arrangement of the road network in the Kotuwegoda market area.

*Stage II*

Proposed Office Complex and the Commercial Complex in the Kotuwegoda Area

- Provide vehicle parking facility
- Development of open spaces in the area
- Development of the old market building

**Nilwala Riverside Park and the Conventional Hall and the Urban Forest**

The estimated cost of the project is Rs.185 mn and the project expected to develop conventional centre ,park and an urban forest by utilizing open spaces in the area.

**Development of Kotuvegouda Beach Park**

The project is funded by the Costal Development Authority and the respective consultancy and the supervision is carried out by the Urban Development Authority. The project aims to promote tourist arrivals by enhancing tourist activities that takes place in the area. The skill labour of Armed forces being used for this development project.

**Sacred Town Development Projects in the Dambulla Area**

The project envisage to develop alternative establishments for unauthorized constructions in the area that deprive the sacred nature in the Dambulla Area. During the financial year 2013 in the area under considered 43 household units were given an alternative housing units. The project at the land mark of 2013 has achieved 30% physical progress and it has provided a convenient atmosphere for the pilgrims who visited the area.

### **Pola Development Projects carried out by the Urban Development Authority**

The Pola concepts were initiated by the Authority with the objective of providing a systematic framework for the operation of regular public fairs. Accordingly , Padukka Pola was initiated at a cost of Rs.123 mn.At the 2013 financial year end ,60% of the physical progress was achieved and the respective funds were utilized by the General Treasury.



## **Urban Regeneration Programme in the City of Colombo**

Over 50 % of the community lives in the City of Colombo occupy in unorganized slums and shanties and the settlements spread across 9 % of the Colombo land mass. Accordingly based on the detailed research conducted 70,000 household units have been recognized as underserved community who lives with a minimal level of basic level of water , electricity and any other sanitary needs. Accordingly by observing the requirements authority has taken the initiative to proceed with the above project with a strategic outlook.

The project aims at changing the ambiance of the Colombo and presenting a livable environment for the community in the Colombo. The project expected to launch in providing the desired level of housing unit and with the time horizon of completing in 2020.

To land liberated for the housing project comprises of rehousing,mixed development and provision for open spaces of which 350 acres are assumed to be allocated for mixed development projects. With the above mentioned structure in progress, following projects have initiated.

Project Name	Land Extent	Number of housing Units	Estimated Project Costs	
			Rs.Mn	USD Mn
MayuraPlace Housing Project	68 Perch	120	423	-
Dematagoda Housing Project	03 Acres	500	1152	-
Sallamulla Housing Project	3 Acres	216	518.5	-
Stage I Stage II		792	2,208	
54 & 66 Watta Housing Project	4 Acres	1152	-	26
Henamulla Housing Project	3 Acres	1137	2900	-
Maligawatta Housing Project	9 Acres	768	-	16.7
Aluth Mawatha Housing Project	4.5 Acres	1248	-	27.14
Kolonnawa Hpousing Project	3 Acres	676	-	15.138

Project Name	Land Extent	Number of housing Units	Estimated Project Costs	
			Rs.Mn	USD Mn
Siril C. Perera MW, Housing Project	1.5 Acres	366	915	-
Furgueson Mw, Housing Project	3 Acres	872	2180	-
Edirisingha Watta Housing Project	4.5 Acres	546	1365	-
31 Watta,Orugodawatta Housing Project	60 perch	34	40	-
Thachiwatta Housing Project Stage I	1 Acres	34	86	-
Stage II		34		
Angoda Hospital Project	5 Acres	517	1070	-
Pradeepa Mw,Housing Project	1 Acres	266	699.58	-
Kolambagae Mw,Housing Project	6 Acres	1777	4442.5	-
Kalinga Mw,Housing Project Stage I	3.75 Acres	384	1,010.3	
Orugodawatta ,Housing Project	5 Acres	1,500	4,290	-
<b>Total</b>		<b>12,939</b>	<b>23,299.88</b>	<b>84.98</b>

Accordingly for the year 2013 projects initiated are as follows.

Housing Project	No. of Houses
- Pradeepa MW,Housing Development Project	266
- Kalinga Mawatha Development Project –Stage II	384
- Salamulla Housing Development Project – Satge II	792

**Dematagoda**



Project Dematagoda was initiated in the year 2010 and was declared open in the year 2013. The project facilitate shelter for 500 families and the Sri Lankan contractors were equipped for the construction. The project accordingly given for public in the year concern by healding the name “Mihidusenpura Housing Scheme”

**Mayura place**



**Salamulla**



**54 & 66 waththa**

**Henamulla**

**Maligawatta**



**Aluth Mw.**



**Kolonnawa**



**Cyril C Perera Mw.**



**Kolombage Mw.**



**Kalinga Mw.**



**Angoda Hospital premises**



**Thachchiwatta**



**31 waththa**



## **Consultancy Services Provided by The Urban Development Authority**

Urban Development Authority which comprises the expertise knowledge and knowhow in various aspects of project work have the edge of utilizing it for consultancy services. This service rendered for various institutions around the country has yield an additional revenue stream to the organization and this has strengthening continuously year by year.

Mulathiv District Office Project which is under the supervision and the consultancy of the Urban Development Authority is one such monumental project at a project cost of Rs.180 mn. The project expected to provide services for the general public in the area to enhance the public services. In addition to that Kilinochchie District office Secretarial office at an estimated cost of Rs.76 mn, Dehiowitta multi-purpose buildings are few curtail landmark project under the consultancy services.

The multi-purpose Dehiowita Building complex primarily aims to enhance the commercial outlook at an estimated cost of Rs.242 mn and the financial year end 2013 the project has accomplished 90% physical progress.

In centered to the Trincomalee District the proposed District Secretarial Office which build with the estimated cost of Rs.398 mn with the objective of providing a public services to the community in the area is also a year marked consultancy project carried out by the Urban Development Authority.

Western Province Provincial Road Passenger & Transport Authority complex is another landmark project under the Authority's consultancy service. The estimated project cost is Rs.526 mn and it aims to provide multiple services to the authority with the view of enhancing the services rendered by the respective Authority.

In addition to that the consultancy services provided to the Kalutara Bus stand with two stage project estimated at a project cost of Rs.140 mn and project has achieved 60% physical progress at the completion of the 2013 financial year.

Apart from the above mentioned consultancy services the Authority provides consultancy services in Bulnawa, Valikanda, Thirippane, Ipalgoda, Galnawa, Horowpathana, Padaviya, Kabathigollawa areas for developments in public utilities and pola development projects.

Badulla garbage disposal project is also another landmark project that the authority provides the consultancy service and the project estimated cost is Rs.75 mn.

## Asset Management & Disposal

According to the provisions of the UDA Law, UDA shall acquire any land or any interest in the land in any area declared as a development area deemed to be required for a public purpose. And the authority may, with the approval of the Minister, alienate way of sale, lease, rent for the purpose of urban development, any land or interest in land held by the Authority.

UDA has a substantial assets portfolio ranging from commercial lands and buildings, to public parks and open spaces, to share holdings in joint venture companies in the real estate sector. The majority of UDA assets generate only nominal revenue since UDA is not exercise commercial orientation for collecting the rental revenue. UDA as a statutory authority with vest social responsibilities such as maintenance of major public open spaces like Galle face Green and Independence Square. Its commercial assets will require a nimble and market responsive approach.

With regard to land acquisition and disposal by the UDA following are noteworthy during the year under review.

### Acquisitions

Description	Land Extent (A-R-P)	Intention for Acquisition
No.294,300,Sri Jayawardenapura Kotte	3-0-0	For Financial Cum Administrative Complex
Kibula Ela Ground	1-2-14	For Social Development
Gaffoor Building	-	For Development of Hotel complex
Lotus Tower	2-3-36	For Commercial Development
Stage II – Railway Lane,Colombo 02	1-0-4	For Residential Development
Land at Maley Street,Colombo 02	7-1-1	For Residential Development
Kottawa Makumbura,Town Development Project	21-2-36	For Town Development
Kottawa Hokandara Mawatha	1-0-33	For Road Development
Delkada Pola Development	1-2-25	For Social Development

Description	Land Extent (A-R-P)	Intention for Acquisition
Kottawa Pannipitiya Road widening	0-3-15	For Road Development
Maharagama Siyabalawatta	0-1-8	For Commercial Development
Land at Kegalle Pola Deveopment	0-1-24	For Social Development
Greater Dambulla Development Project	1-0-12	For Town Development
Eheliyagoda Town Development Project	0-1-5	For Town Development
Maley Street,Colombo 02- stage I	0-0-13	For Mixed Development
54 Watta	2-0-32	For Residential Development
66 Watta	1-1-30	For Residential Development
Siribopura	157-2-5	For Town Development
Kataragama	1-0-3	Kataragama Pola Development
Kataragama	1-4-1	Access road to Kataragama Bungalow
Railway Department - Dematagoda	5-0-0	For Residential Development
Kalinga Mawatha –Kirula Road	3-0-25	For Residential Development
Cashew Corporation Site	0-1-13	For Commercial Development
Bloomfield – Colombo 07	3-3-14	For Urban Development

### **Lands Leased outs for Commercial Development**

Description	Developer	Extent (A-R-P)	Land Value Rs.
Slave Island	Indocean Developers (Pvt) Ltd	0-1-0	7,575,758/-
Ratnapura	Liaons Vision for Sight Hospital Trust	1-0-0	80,000/-
Slave Island	KRRISH Transworks Colombo (Pvt) Ltd	1-0-13	2,814,600,000/-
Hikkaduwa	Urban Council	1-0-19	1,066,590/-
Kirulapona	Rehabilitation Centre for the Communication Impaired	0-0-12.3	60,000/-
Kataragama	The Govt.Officers Benefit Association	0-0-7.939	650,000/-
Katuwana	Polycrom Industries Ltd	0-1-7.7	7,650,000/-
Ratnapura	Co- operative Rural Bank Union	0-0-12.2	7,225,000/-
Rajagiriya	Deabetes Association	0-0-19.7	167,500/-
Kataragama	M.H.M Fouzi	0-0-2.37	100/-
Kataragama	Hamalatha Senadeera	0-0-2.4	100/-

## Financial Performance

Urban development Authority based on the development activities carried out in the year financial year 2013 has landscaped it's financials position and performance in parallel to those activities. In a snap the year 2013 is land marked year for the Urban Development Authority due to the enhances performance recorded by utilising it's assets. The year 2013 resulted the Authority to achieve 68 % growth in profits by incurring cost for operating and administrative expenditure in an efficient manner. Accordingly, the positive results and the growths accomplished by the Authority intern help to translate the benefits to employees and the society at large with the view of reaching objectives and goals of the Authority.

### Financial Performance

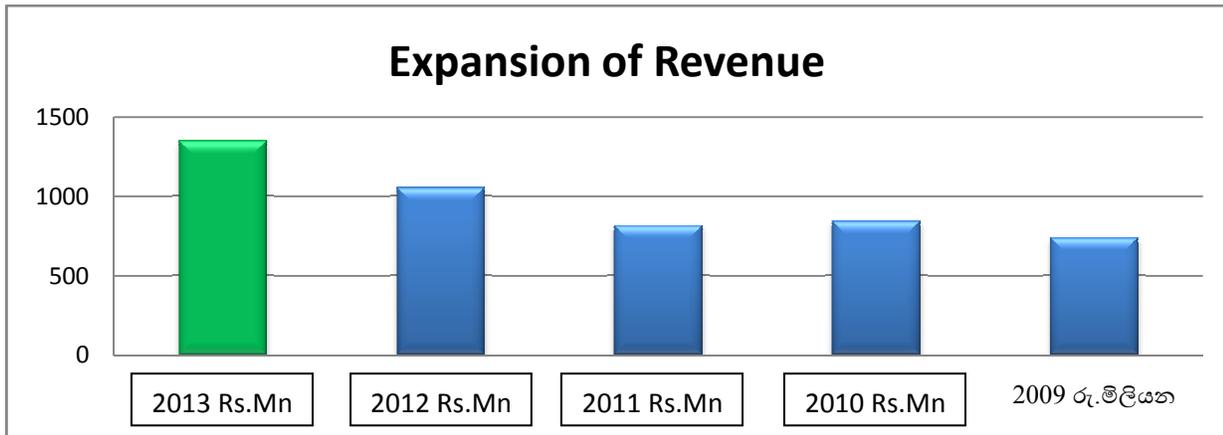
Urban Development Authority by adhering the organizational structure has underway with massive amount of development projects. The Finance division for these developments provide a significant contribution by carrying out the payment process for contractors for above development projects,preperation of periodic financial statements and reporting to Board of Management by preparing management reports,delaing with salary and its related issues and involving with any other payments stipulated by the Authority. Accordingly.the finance division bestowed with the responsibility in financial management of the Authority in achieving it's vision while securing the profitability. Accordingly , the financial implication of the authority for the Financial Year 2013 evaluates as follows.

#### 01. Earning Summarization

Urban Development Authority for the year 2013 has recorded an increase in revenue in compared to the previous year with a growth potential of 28 %. The income generated for the year 2013 amounts to Rs.1,350 mn of which 77% contribution was made through rental income and this is 12 % increase in compared to the previous year.

Description	2013	2012	2011	2010	2009
-------------	------	------	------	------	------

	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Income	1,350	1,055	816	845	740



The increase in income results from the increase in monthly rentals by Rs. 63 mn and by the increase in lease rent by Rs. 253 mn. The increase of the revenue has been mainly resulted through the completion of the development projects during the year which allowed for the earning of significant revenue. In addition to that 42% increase in the key money in compared to the previous year has resulted for this significant income growth.

Description	2013 Rs.Mn	2012 Rs.Mn
Rent	1,045	688
Profit on disposal of Buildings	6	6
Profit on disposal of vehicles	-	16
Fee for service rendered	281	275
Service Charge on high-rise building	14	12
Service Charge on Development Permit	4	58
<b>Total</b>	<b>1,350</b>	<b>1,055</b>

In addition to that that 140% growth recorded in the interest income has created a significant cash flow to the organization to strengthen the cash position and to streamline operating expenditure.

### **Analyzing Other Income**

Description	2013 Rs.Mn	2012 Rs.Mn
Interest Income	1,280	531
Dividend Income	31	27
Other Income	240	264
<b>Total Other Income</b>	<b>1,551</b>	<b>822</b>

Due to the increase in life style, inflation and other economic factors administrative expenditure has increased by 36% and the majority of the contribution was generated through the salaries and wages. The salaries and wages has increased by Rs.28 mn and this represent 33 % of the total administrative expenditure and compared to last year contribution of 43%,

During the year 2013 losses and writeoffs amounts to Rs.460 mn and this 467% growth in compared to last year. Depreciation recorded for the year is accounted to 22% and the entire administration expenditure amounts to Rs.1,935 mn.

### **Classification of Administrative Expenditure**

Administrative Expenditure	2013 Rs.Mn	2012 Rs.Mn
Salaries and wages	646	618
EPF and ETF for gratuity	127	99
Utility payment	166	146
Transport ,Advertising, Security and other	40	31
Depreciation	243	200
Losses and writeoffs	460	82
Others	253	248
<b>Total Administrative Expenditure</b>	<b>1,935</b>	<b>1,423</b>

By incurring cost stated above and by generating the revenue, Urban Development Authority for the year 2013 recorded an increased profit of 266%.Accordingly,the net profit margin for the year is 52% in the year 2013 and in comparatively for the year 2012 this is 18%.

It has recorded a 3% overall growth in the total assets in compared to the previous year. The assets have mainly increased due to the increase in Working Progress by 118% , Deposits and Advances by 72% .With the above changes the total assets of the company amounts to Rs.115 bn of which 86% represent as Non- Current Assets. In analysis of the liabilities,29% of the total liabilities contributed through non- current liabilities and 6% denoted through current- liabilities. The above has resulted non- current liabilities to increase by 20% of which differed tax amounts to 49%.

### **Financial Position**

Description	2013 Rs.Mn	2012 Rs.Mn
Non- Current Assets	99,410	95,659
Current Assets	15,772	16,069
<b>Total Assets</b>	<b>115,182</b>	<b>111,728</b>
Equity	74,967	78,894
Non-Current Liabilities	32,975	27,556
Current Liabilities	7,239	5,278
<b>Total Liabilities</b>	<b>115,182</b>	<b>111,728</b>

**Summarized Balance Sheet**  
As at 31<sup>st</sup> December 2013

(Rs. Mn)

Category	2009	2010	2011	2012 (Restated )	2013
<b>Assets</b>					
Non-current Assets	6,053	7,699	89,644	95,659	99,410
Current Assets	2,069	12,348	14,703	16,069	15,772
<b>Total Assets</b>	<b>8,122</b>	<b>20,047</b>	<b>104,347</b>	<b>111,728</b>	<b>115,182</b>
<b>Equity &amp; Liabilities</b>					
<b>Capital &amp; Reserves</b>					
Capital	100	100	100	100	100
Net Government Contribution	1,009	1,059	1,044	1,030	1,016
<b>External Provided Equity</b>	<b>1,109</b>	<b>1,159</b>	<b>1,144</b>	<b>1,130</b>	<b>1,116</b>
Reserves	(1,047)	(1,190)	78,921	77,764	73,852
Non-current Liabilities	5,854	17,220	21,095	27,556	32,975
Current Liabilities	2,206	2,859	3,186	5,278	7,239
<b>Total Equity &amp; Liabilities</b>	<b>8,122</b>	<b>20,047</b>	<b>104,347</b>	<b>111,728</b>	<b>115,182</b>

## Summarized Income & Expenditure Statements

For the year ended 31<sup>st</sup> December 2013

(Rs.Mn)

Category	2009	2010	2011	2012 (Restated )	2013
Income	745	845	816	1,055	1,351
Other Operating Income	215	228	633	822	1,551
<b>Total Income</b>	<b>959</b>	<b>1,073</b>	<b>1,449</b>	<b>1,877</b>	<b>2,902</b>
Administration & General Expenditures	(914)	(1,327)	(1,201)	(1,423)	(1,936)
Other Operating Expenditures	(268)	(23)	(18)	(23)	(36)
Finance Cost	(11)	(5)	(2)	(1)	(1)
Operating profit/(loss) before finance cost	<b>(234)</b>	<b>(282)</b>	<b>228</b>	<b>430</b>	<b>929</b>
Non-Operating Income	14	14	14	14	14
Levy paid for Consolidated Funds	-	(8)	-	-	-
<b>Net profit/(loss) before tax</b>	<b>(219)</b>	<b>(276)</b>	<b>242</b>	<b>444</b>	<b>943</b>
Income tax	(13)	(6)	(173)	(30)	(247)
<b>Net profit/(loss) after tax</b>	<b>(232)</b>	<b>(282)</b>	<b>69</b>	<b>414</b>	<b>696</b>
Actuarial Gain/(Loss)	-	-	-	(2)	(52)
<b>Total Comprehensive Income for the year</b>	<b>(232)</b>	<b>(282)</b>	<b>69</b>	<b>412</b>	<b>644</b>

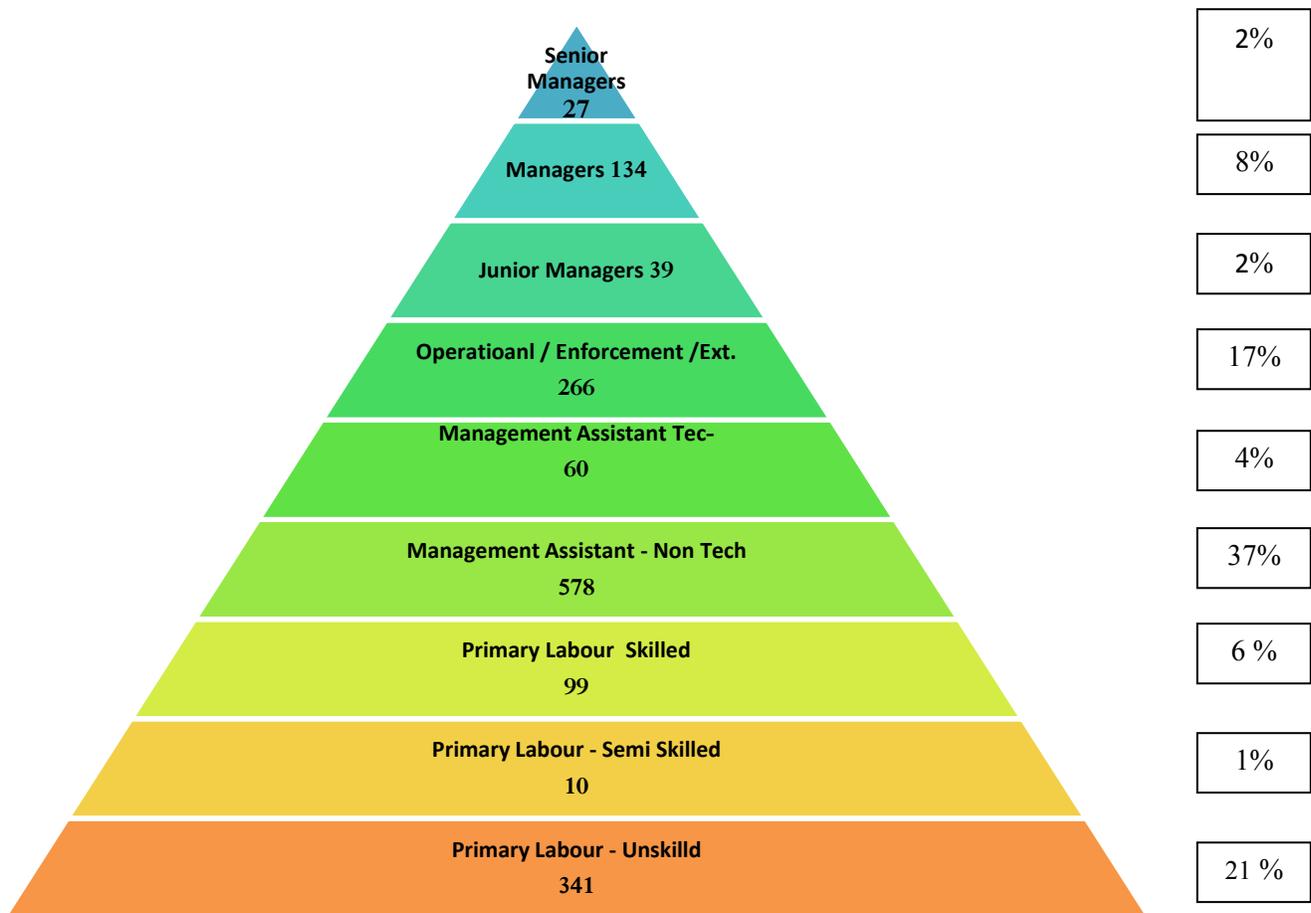
**Summarized Cash Flow Statements**  
**For the year ended 31<sup>st</sup> December 2013**

(Rs. Mn)

Category	2009	2010	2011	2012 (Restated )	2013
<b>Cash Flow from Operating activities</b>					
Net profit/(loss) before income tax	(219)	(275)	242	445	943
Adjustments	(383)	(238)	(732)	(954)	(1635)
Operating loss before working capital	(602)	(513)	(490)	(509)	(692)
Working Capital changes	(333)	444	(1,385)	1,345	1,120
Cash Flow from Operating	570	504	3,348	5,253	4,918
Cash Flow from Investments	371	8,286	(4,137)	(14,271)	(5,945)
Cash Flow from Financial activities	(92)	905	914	452	(75)
Net increase in cash and cash equivalent	(86)	9,626	(1,749)	(7,730)	(675)
cash and cash equivalent at the beginning of the year	94	8	9,634	7,885	155
cash and cash equivalent at the end of the year	<b>8</b>	<b>9,634</b>	<b>7,885</b>	<b>155</b>	<b>(520)</b>

## Human Resources Management Division

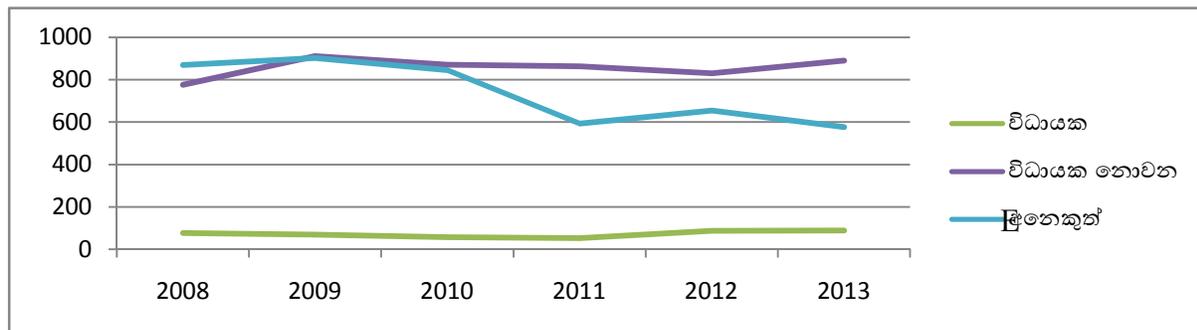
*At the completion of the financial year 2013 the employees of the Authority consist of 1554 of which 71% occupies under the management segment.*



**2013 Year has resulted following Composition of Employees.**

Category	Year					
	2008	2009	2010	2011	2012	2013
Executive	77	69	57	53	87	88
Non Executive	775	911	870	863	829	890
Other	868	901	844	592	654	576
<b>Total</b>	<b>1720</b>	<b>1881</b>	<b>1771</b>	<b>1508</b>	<b>1570</b>	<b>1554</b>

### Expansion of Staff



### 2013 Recruitment and promotions

Human Recourse Activity	No. of Employees
Retirements	02
Deaths	02
Termination	05
Dismissals	09
Promotions	29
Resignations	33
Recruitments	43
Transfers	270

### 2013 Employee Trainings and Developments

Domestic		Foreign	
Seminar / workshops 17	Emp. 1100	Official Visit	Emp. 04
Short Term Courses 18	Emp.55	Scholarships	Emp. 11
Long Term Courses	Emp.01		
Two year Management Trainee Programme for 12 Management Trainees			

For the betterment of the Employee Training and Development a committee has been appointed to overlook the above and for the year 2013 committee has made its presence at two occasions to discuss the progress of the above development programmes

## 2013 Employee Welfare

## Medicle Scheme

### Employee

Housing Loans 14	Distress 702
Rs.9140,000/-	Rs.128,068,275/-

Admission	OPD 1145
Claims 83	
Rs.537,387/-	Rs.6,145,060/-

## CORPORATE GOVERNANCE

In order to achieve vision ,mission and objectives of the Urban Development Authority by adhering to corporate governance practices, Board of Management and the Key staff of the authority has taken steps to ensure the internal controls and the transparency been maintained at standardize level.

The main objective of such an doptation is to align activities of the Authority in transparent and an accountable manner by safeguarding the public interest.

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.

### 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 2011 twenty one 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 2011.

- |                                |  |
|--------------------------------|--|
| 1. Mrs.K.D.R.Olga              | - Chairman of the Committee & Board Member                     |
| 2. Mr. D.K.D. Chamara          | - Committee & Board Member                                     |
| 3. Mr. Jayantha Wickramasinghe | - Committee & 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.

### **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. The Committee has met 02 occasions during the year.

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 & Commerce) |
| 3. Mr. W.D.S. Sumanasooriya   | - Director (HRM)                            |
| 4. Mrs.R.L. Wickramasingha    | - 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.  
My No. }

DE-2/E/UDA/1/ 13 /26

ඔබේ අංකය  
உமது இல.  
Your No. }

දිනය  
திகதி  
Date }

07 September 2015

The Chairman  
Urban Development Authority

**Report of the Auditor General on the Consolidated Financial Statements of the Urban Development Authority and its Subsidiaries for the year ended 31 December 2013 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971**

The audit of consolidated financial statements of the Urban Development Authority and its Subsidiaries for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 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 will be issued to the Chairman of the Authority in due course.

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

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

**1.3 Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of the 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.

අංක 306/72, පොල්දො පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

+94-11-2887028-34

+94-11-2887223

oaggov@sltnet.lk

www.auditorgeneral.gov.lk



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

**1.4 Basis for Qualified Audit Opinion**

My opinion is qualified based on the matters described in paragraphs 2.2 and 2.3 of this report.

**2. Financial Statements**

**2.1 Qualified Opinion - Group**

In my opinion, except for the effects of the matters described in paragraphs 2.2 and 2.3 of this report, the consolidated financial statements give a true and fair view of the financial position of the Urban Development Authority and its Subsidiaries as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**Qualified Opinion - Authority**

In my opinion, except for the effects of the matters described in paragraph 2.3 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



## 2.2 **Comments on Group Financial Statements**

The following observations are made.

- (a) The consolidated financial statements had been prepared based on the audited financial statements of the Subsidiaries of the Authority such as Lanka Rest House (Pvt.) Ltd., Waters Edge Ltd. and Urban Investment and Development Company and unaudited financial statements for the year 2013 of the Peliyagoda Warehouse Complex Ltd.
- (b) The investment value of the Waters Edge Ltd., a Subsidiary of the Authority had been shown in the financial statements of the Authority as Rs.10 and the revalued assets of the Subsidiary which had been vested with the Authority on a Court Order, amounting to Rs.1,791 million and a sum of Rs.403.48 million as well payable to the previous owners of the Subsidiary as at 31 December 2013 had been shown separately. The audit opinion in respect of the financial statements of the Subsidiary for the year ended 31 December 2013 had been qualified due to non-vesting the ownership of the assets with the Subsidiary and non-payment of any amount to the Authority on these assets.

## 2.3 **Comments on Financial Statements of the Authority**

### 2.3.1 **Issue of Debenture**

Debentures valued at Rs.10 billion to be redeemable in 5 years had been issued by the Urban Development Authority in October 2010 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 and the General Treasury had agreed to reimburse the interest on debenture for the period of first 3 years. Even though the Authority should redeem the debenture in the year 2015, action had not been taken to establish a Special Fund for that purpose.

### 2.3.2 **Sri Lanka Accounting Standards**

The following observations were made in this connection.

#### (a) **Sri Lanka Accounting Standard No. 01**

- (i) Even though the Board of Management of the Authority had decided in the year under review to delegate the power to a private company for management of nine



rest houses maintained by the Authority, no disclosure thereon had been made in the financial statements.

- (ii) The realized income on invested property had been brought to account under the income instead of being accounted under the other income.
- (iii) Adequate disclosures relating to the value of Rs. 172,958,686 shown as receipt of Key Money in the statement of financial position had not been indicated under the notes.

**(b) Sri Lanka Accounting Standard No. 07**

- (i) The cost of interest paid and the interest written off relating to the Group and the Authority for the year under review had been Rs.260,269,411 and Rs.268,377,045 respectively and those values had not been disclosed separately under the financial activities in the cash flow statement.
- (ii) Even though no debenture had been issued during the year under review, an amount of Rs.8,107,634 had been entered as an increase of debenture under the investment activities in the cash flow statement.

**(c) Sri Lanka Accounting Standard No. 08**

Adequate details in respect of adjustments amounting to Rs.18,090,448 mentioned as the prior year adjustments in the statement of changes in equity had not been disclosed in the financial statements.

**(d) Sri Lanka Accounting Standard No. 16**

- (i) According to the Standard, the fully depreciated assets of the Authority which are still used for the activities of the Authority should be revalued or reassessed the useful life time of such assets and readjusted the cost and accumulated depreciation of these assets. However, action had not been so taken in connection with 72 motor vehicles costing Rs.90,369,030 which were fully depreciated and utilized by the Authority even by 31 December of the year under review.



(ii) Provisions for depreciation for the buildings costing Rs.2,157,240 sold in the year under review had not been made by the Authority.

(e) **Sri Lanka Accounting Standard No. 17**  
-----

An adequate disclosure had not been made in respect of Deferred Lease Rent amounting to Rs.16,127,159,403 included in the statement of financial position.

(f) **Sri Lanka Accounting Standard No. 19**  
-----

Adequate disclosures in respect of payment of employee benefits had not been made in the financial statements. Further, the basis of the computation of the Employee Benefits as well had not been disclosed in the financial statements.

(g) **Sri Lanka Accounting Standard No. 20**  
-----

(i) The matters to be disclosed in terms of the Standard with regard to the Government grants received to the Authority had not been adequately disclosed.

(ii) The Government grant receipts for the capital expenditure included in the statement of changes in equity had not been brought to account as differed income under the non-current liabilities of the statement of financial position. Further, out of the grant amounting to Rs.64,750,000 received for construction in trade stalls at Katharagama, the differed income for the year under review had not been taken into the statement of comprehensive income.

(h) **Sri Lanka Accounting Standard No. 26**  
-----

Even though a retirement benefit plan should be prepared by the Authority in accordance with the Standard, action had not been so taken. As such, provisions for retirement gratuity had not been made.

(i) **Sri Lanka Accounting Standard No. 32**  
-----

The Authority had set off the financial liabilities against the financial assets contrary to the Standard.



(j) **Sri Lanka Accounting Standard No. 37**

Even though the compensation payable for the lands acquired by the Authority had been computed and disclosed thereon, provisions for compensation which should be settled at the end of the year had not been made in the financial statements.

(k) **Sri Lanka Accounting Standard No. 40**

- (i) Even though the value of Housing Projects costing Rs. 874,859,548 of which the construction works had been completed and people settled had been shown as a trade stock under the non-current assets of the financial statements, an adequate disclosure in respect of those assets had not been made.
- (ii) Further, an adequate disclosure relating to the value of the invested property shown in the financial statement had not been made.

**2.3.3 Accounting Deficiencies**

The following observations are made.

- (a) The rent income for the year under review for the properties granted on rental basis to the external parties by the Authority had been overstated by Rs. 3,973,372 in the accounts.
- (b) A sum of Rs. 15,456,022 not relating to the Pay As You Earn Tax out of the bonus allowances paid also had been included by the Authority in the computation of income tax.
- (c) Even though the Authority had not acquired any asset whatsoever out of the expenditure amounting to Rs.70,765,545 incurred for 7 Projects in progress, it had been brought to account as a capital expenditure. The value of Rs.282,750 shown under the Small Town Development Project at Haputhale had not been brought to account accurately under that Project.



#### 2.3.4 Contingent Liabilities

---

It was observed in audit that there is a risk of contingent liabilities likely to be arisen in future due to computation of the contributions of the Employees' Provident Fund and Employees' Trust Fund without considering certain allowances applicable in terms of provisions of the relevant Acts.

#### 2.3.5 Un-reconciled Control Accounts

---

The following observations are made.

- (a) According to the financial statements, the compensation payable for lands acquired by the Authority had been Rs. 861,722,561. However, according to the schedule for compensation payable, it was Rs. 808,485,515. As such, it was observed that a sum of Rs. 53,237,046 had been overstated in the financial statements.
- (b) Even though the provisions for bad debts amounting to Rs. 460,426,079 had been made in the financial statements, this balance had been considered as Rs. 278,287,974 in computation of income tax. As such, the loss on tax which can be adjusted in computation of income tax had increased by Rs. 182,138,105.

#### 2.3.6 Unexplained Differences

---

According to the Current Account of the Schedule, received from the Lanka Rest House Ltd, a Subsidiary belonging to the Authority, it had been stated that a sum of Rs. 74,709,332 to be paid to the Authority. Nevertheless, according to the financial statements of the Authority, a sum of Rs. 73,849,486 had been shown as the amount receivable from that company. As such, a difference of Rs. 859,846 was observed between these accounts and the reasons for the difference had not been explained to audit.



### 2.3.7 Lack of Evidence for Audit

Even though a sum of Rs. 13,856,162 had been deducted for doubtful debts from the value of the capital work-in-progress indicated for many years, the requirement for such provisions had not been explained to audit.

### 2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Even though the lease rent for a land located in Colombo 07 and leased out for a period of 99 years to a Government Board, should be revised according to the valuation of the Chief Valuer once in every 05 years in terms of the agreement, that activity had not been carried out in an updated manner. Further, a sum of Rs. 5,250,000 receivable to the Authority as a lease rent of the land for the period of 21 July 1994 to 20 July 2009 had not been recovered.
- (b) Charges amounting to Rs. 25,000,000 payable in respect of debentures issued in the year 2010 had not been settled even after a lapse of nearly five years since the issue of debentures.
- (c) The compensation on lands acquired and interest payable thereon as at 31 December 2013 amounted to Rs.808,485,520 and the balances amounting to Rs.143,468,958 which were remained unsettled within a period from 6 – 10 years and the balances amounting to Rs.665,016,562 which were remained unsettled for over a period of 10 years had also been included therein.
- (d) Action had not been taken even up to 31 December 2013 to settle the advances aggregating Rs.25,486,892 granted in 48 instances from the year 2011 to August 2013 for urban development activities in Jaffna under the Small and Medium Scale Urban Development Project.



**2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following instances of non-compliance were observed.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
(a) Section 28(b) of the Urban Development Act, No.04 of 1982 and Section 3 of the Government Lands Act, No.07 of 1971 (Recovery of Possession) amended by the Act, No.58 of 1981	No legal action in terms of provisions in the Act had been taken against 544 persons identified as unauthorized residents settled since the year 1994 in Divisional Secretariat Divisions of Maharagama, Kaduwela, Sri Jayawardanapura Kotte and Colombo.
(b) Urban Development Authority (Amendment ) Act, No. 04 of 1982	The Authority had not approved any development plans whatsoever for any area to be developed during the years 2011 and 2012 and published in the Gazette Notification and one development plan for the year 2013 had been published by a Gazette Notification. As such, it was observed that adequate attention had not been paid thereon.
(c) Section 8(a) to (h)  The Letter of the Secretary to the President No. PCMD/PR/2013 of 05 June 2013, paragraph 06 of the Public Finance Circular No. 438 of 13 November 2009 and the Public Finance Department Circular No.353 of 30 September 1997	Seventy eight motor vehicles which had not run for a long period had been parked in the premises of Sethsiripaya Phase I and Phase II without taking proper steps for disposal of them. The process for disposal of goods relating to the disposal of unusable motor vehicles, machinery and equipment, had not been reviewed quarterly and a prompt programme had not been prepared.



(d) Volume II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka

A preliminary investigation had been conducted against two female officers of the Urban Development Authority and the disciplinary orders had been issued based on the matters of that preliminary investigation considering that an offence had been committed as set out under the First Schedule of the Volume II of the Establishments Code without carrying out a proper inquiry.

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

(i) Section 4.2.6

The quarterly performance reports of the Authority had not been forwarded to the Department of Public Enterprises within 30 days after end of the respective quarter.

(ii) Section 8.3.8

One thousand and one hundred twenty eight gift parcels valued at Rs. 5,551,946 had been given in the year under review to the Army Officers who assist the activities of the Urban Development Authority without a prior approval of the Cabinet of Ministers. The Chairman had stated that these gift parcels had been given to the Army Officers who made their labour contribution for development projects implemented by the Authority on the instructions given by the Secretary to the Ministry.

(f) Decision of the Board of Management No. 06/2010 of 16 July 2010

Even though the Planning Sub-committee of the Urban Development Authority should consist of 07 persons representing different Divisions of the Authority, in certain instances, the decisions had been taken by the Committees consisted only by the officers of the Enforcement Division of the Authority.



## 2.6 Transactions not confirmed by Adequate Authority

---

In terms of paragraph 23.5 of the Urban Development Authority (Amendment) Act, No. 4 of 1982, the Authority may delegate to any officer of a Local Authority, in consultation with that Local Authority, any of its powers, duties and functions relating to planning within any area declared to be a development area and such officer shall exercise, perform or discharge any such power, duty or function so delegated, under the direction, supervision and control of the Authority. However, at the audit test check carried out in this connection, it was revealed that the Chairman of the Urban Council, Wattala, Mabola had approved the applications for building planning, applications for allotment of lands and applications for certificates of conformity etc. received to the Urban Council, without submitting them to the Planning Committee of the Urban Council contrary to this provision.

## 3. Financial Review

---

### 3.1 Financial Results

---

According to the financial statements presented, the operating results before taxes of the Group and the Authority for the year ended in 31 December 2013 had been surpluses of Rs.1,119,854,354 and Rs.942,940,218 respectively as compared with the corresponding surpluses of Rs.686,176,790 and Rs.444,910,230 respectively in the preceding year, thus indicating improvements of Rs.433,677,564 and Rs.498,029,988 respectively in the financial results as compared with the preceding year of the Group and the Authority as well. The increase in the rental income and interest income by Rs.873,154,815 and Rs.761,116,300 respectively as compared with the preceding year had mainly attributed to the improvement in the financial result of the Group. The increase in the rental income and interest income by Rs.357,156,242 and Rs.748,750,594 respectively as compared with the preceding year had mainly attributed to the improvement in the financial result of the Authority.



### 3.2 Analytical Financial Review

-----

The current ratio and the quick assets ratio of the Authority in the year under review was 2.18:1 and loan capital ratio was 5.75:1 whereas the current ratio and the quick assets ratio in the preceding year was 3.04:1 and the loan capital ratio was 6.01:1. Similarly, the return on equity was 0.01:1 and the return on loan capital was 0.05:1 in the year under review. As such, it was observed that the loan capital ratio of the Authority had significantly increased.

### 3.3 Legal Action Instituted Against the Authority/ by the Authority

-----

Four instances where the external institutions had taken legal procedures against the Authority and 237 instances where the Authority had taken legal procedures against the external institutions were observed due to various reasons in the year under review.

## 4. Operating Review

-----

### 4.1 Performance

-----

The following observations are made.

- (a) Action had been taken at the final stage of the Project to identify the sources from which Funds are provided for Projects implemented by the Authority without identifying them properly at the initial stage of the Project. As such, the sources of Funds provided for the Projects represented the value of work-in-progress amounting to Rs.13,154,539,446 as at 31 December 2013 could not be identified as the General Treasury, client or self-financing basis etc. in audit.
- (b) According to the Plans of the Authority, it was planned to construct 20,500 houses by the end of the year 2013 under the first Phase of the Project to provide 65,000 houses with facilities for the settlement of people living in houses with less facilities located in Colombo and suburbs. Further, it had been planned at the first Phase to free a land with an extent of approximately 150 acres by removing the settlements with such less facility and earn an income of approximately Rs.25 billion by leasing out about half of the land to the investors under long term lease basis. Even though 4 years had elapsed since the commencement of the Project, the number of houses intended to be completed under the first Phase had not been completed. The Authority had failed to earn an expected



income of Rs.25 billion and it was observed in audit that the financial issues would arise in respect of redeeming of debentures in the year 2015. The Chairman had informed to audit that by the end of the year under review, 500 houses had been vested with the people and a land of 9 acres in extent had been freed and it had been planned to earn funds to redeem the debentures by issuing new debentures in the year 2015

#### 4.2 Management Inefficiencies

---

The following observations are made.

- (a) The Authority had transferred the rights of utilizing the land of the new bus stand at Balangoda Town in the year 2008 to the Urban Council, Balangoda and in transferring that land, action had not been taken to recover the assessment value of the land amounting to Rs. 40,000,000 from the Urban Council, Balangoda.
- (b) Fifty three houses allocated to be granted as temporary houses for persons displaced due to development activities carried out by the Authority, had been granted as official quarters to the staff of the Authority and other external parties for over a period of 15 years. Action had not been taken to take over these houses and revise the rentals thereof even by 31 December of the year under review.
- (c) A motor cycle and a van parked in the vehicle park of the Sethsiripaya premises owned by the Urban Development Authority had been misplaced in two instances in the year under review due to following traditional and outdated security systems for the security purposes of the Sethsiripaya premises.

#### 4.3 Operating Inefficiencies

---

It was observed that a sum of Rs. 34,236,993 had been deprived to the Authority due to failure in revising monthly rentals of the rented houses belonging to the Urban Development Authority in an updated manner.



#### 4.4 Uneconomic Transactions

-----

The following observations are made.

- (a) A sum of Rs. 500,000,000 had been invested by the Authority in the fixed deposits of a private bank since October 2010 for a period of 03 years at an annual interest rate of 11 per cent without considering alternative investment opportunities. If the short term investment opportunities proposed by the State Banks to the Authority had been used, an additional interest income of Rs. 45,887,565 could have been earned by the Authority.
- (b) Three contracts had been awarded to demolish the buildings in a land located in Colombo Fort area. One contractor out of them, had removed 1,000,000 square shaped metals laid on the land without permission and stored in a private place and the Authority had spent a sum of Rs.6,500,000 to bring those metals to the Authority premises. Further, it was observed that the relevant land had remained idle without being utilized for over a period of 02 years.
- (c) The lands are acquired by the Authority for a specific development purpose in terms of Section 38(a) of the Land Acquisition Act, No. 09 of 1950. However, it was revealed that the lands with existent of 727 acres located in 10 Districts of the island, acquired since the year 1984 had not been utilized for the development activities. It was further observed that a sum of Rs. 585,531,051 had been incurred for expenditure on acquisition and compensation thereon and the process of payment of compensation for certain lands, is being still carried out. The Chairman had expressed that the acquisition of lands, payment of compensation and release of those lands for development activities is an activity for which a long period is taken.

#### 4.5 Transactions of Contentious Nature

-----

The following observations are made.

- (a) It was observed during the audit test check that 66 properties existed, for which the Certificates of Conformity and 38 condominium properties, throughout the island



including Colombo and suburbs, for which Certificates of the Condominium Management Authority had not been obtained in terms of Apartment Ownership (Amendment) Law, No. 11 of 1973. The Authority had not taken action to charge a fee for a covering approval for such unauthorized constructions in terms of 6 II of Schedule V of the Gazette Extraordinary Notification No. 1597/8 of 17 April 2009 of the Democratic Socialist Republic of Sri Lanka or to acquire the assets in terms of Section 28(a) and (b) of the Urban Development (Amendment) Act, No. 04 of 1982.

- (b) Constructions of the two storied building located at No. 475, Sri Jayawardanapura Mawatha, Rajagiriya had not been made according to the recommendations given by the Sri Lanka Land Reclamation and Development Corporation and the Municipal Council, Sri Jayawardanapura, Kotte. However, the Authority had not taken steps to take legal action against the owner of the land in terms of Section 28 and 29 of the Urban Development Authority (Amendment) Act, No. 04 of 1980.

An application to obtain the Initial Planning Clearance Certificate for construction of another 7 storeys in this building had been submitted to the Urban Development Authority on 29 December 2010 by the applicant. Despite having awareness of the Urban Development Authority in respect of unauthorized reclamations of that place, the relevant Initial Planning Clearance Certificate had been given without considering the matter. Further, the original file maintained by the Authority had not been presented to audit.

- (c) The contract for demolishing 6 buildings in the land with an extent of 3 acres and 35 perches located at Rajagiriya vested with the Authority under Interim Order 38 (a) of the Land Acquisition Act, No. 9 of 1950, had been awarded to a contractor not registered as a contractor in the Line Ministry and without the recommendation of the Technical Evaluation Committee and the approval of the Procurement Committee.

- (d) In examining the functions of the Internal Valuation Committee and the valuation reports thereof of the Urban Development Authority, it was revealed that there were shortcomings with regard to the confidentiality and accuracy of those valuation reports as the Internal Valuation Committee consists of officers without professional qualification recognized by the Government. Even though the valuation reports should



be obtained from the Government Chief Valuer in acquiring lands and building in terms of the Financial Regulations, it had not been so done.

The Chairman had stated that the internal valuation had been obtained only for preliminary activities and valuation for compensation was made on the valuation of the Government Chief Valuer and the Internal Valuers as well the persons are possessed with adequate qualifications.

#### 4.6 Apparent Irregularities

-----

It was observed that the physical development activities on behalf of external parties are carried out by utilizing the Funds of the Urban Development Authority and a sum of Rs.23,660,316 had been spent for such 05 Projects in the year under review and the approval of the Board of Directors had not been obtained for activities for which a sum of Rs. 13,525,398 of that had been incurred.

#### 4.7 Personnel Administration

-----

The following observations are made.

- (a) The approved cadre and the actual cadre of the Authority as at 31 December 2013 had been 1,670 and 1,554 respectively. The Authority had recruited 209 persons exceeding the approved cadre and existence of vacancies in 325 posts was observed. The approval of the Board of Directors or the Department of the Management Services had not been obtained for the recruitment of officers for different posts exceeding the approved limit.
- (b) A Scheme of Promotion based on the performance had not been introduced in terms of instructions of the Management Services Circular No.30 of 22 September 2006. The following shortcomings were observed in granting promotions to the staff.
  - (i) Calling the applications deviating from the Scheme of Promotion in granting promotions.



- (ii) Failure to obtain a certificate of conformity from the National Salaries and Cadre Commission to confirm that the absorption had been made correctly after placing the current service categories and posts in the new salary structure and before implementing same.
- (iii) Granting promotions for the posts which are not included in the approved cadre of the Authority.
- (iv) Granting promotions for the posts deviating from the posts called for the interviews.

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

---

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

---

Even though the draft financial statements and the annual report for the year under review should be presented for audit within 60 days after the closure of that year, the draft financial statements prepared according to the new Auditing Standards had been presented to audit only on 12 January 2015 after a delay of 10 ½ months.

### 5.2 **Corporate Plan**

---

Even though the Corporate Plan prepared for the years 2008 – 2012 had been updated in the year under review, the Corporate Plan prepared for the years 2013 – 2017 had not been prepared in compliance with the provisions of Section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

### 5.3 **Action Plan**

---

The following observations are made.

- (a) The Annual Action Plan had not been prepared in compliance with the targets indicated in the Budget Estimate of the Authority for the year 2013.



- (b) Even though the progress reports are prepared quarterly by the Authority, such reports are not compared with the data presented in the Action Plan. As such, it was observed that the Action Plan had not been made use of as an effective instrument of management control.

#### 5.4 Internal Audit

-----

Even though the Internal Audit Unit 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 Unit 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 Unit 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 unit.

#### 5.5 Budgetary Control

-----

The following observations are made.

- (a) Significant variances were observed in comparing the actual income of the rent, sale of fixed assets, service charges, interest, dividends and sundry income etc. with the estimated income, thus indicating that the budget had not been made use of as an effective instrument of financial control.
- (b) The sum of Rs. 5,494,600,000 allocated for 43 Projects which had been planned to implement according to the budget of the Authority of the year under review, had not been utilized within the year due to failure in commencing those projects. Further, that value is 39 per cent of the allocations for all projects. In addition to that, 60 projects valued at Rs. 4,217,110,000 which had not been identified in the budget had not been implemented.



#### 5.6 **Tabling of Annual Reports**

---

Even though the Authority should table its Annual Report in Parliament within 150 days after the closure of the year of account in terms of Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Annual Reports after the year 2011 had not been tabled.

#### 5.7 **Performing the Environmental and Social Responsibilities**

---

It is observed that an adequate attention had not been paid by the Authority on performing the environmental and social responsibility according to the following matters.

- (a) Steps had not been taken to create a balanced urban development throughout the island in order to provide a comfortable living environment to the community.
- (b) The Authority had not performed its responsibility at optimum level to avoid the unauthorized constructions as the empowered entity for that purpose.
- (c) The Authority had faced with questioning of Health Services Sectors on the spread of Dengue disease due to failure in maintaining proper cleaning of Head Office premises of the Authority.

#### 5.8 **Unresolved Audit Paragraphs**

---

An adequate attention had not been paid by the Authority on the following matters included in the audit reports published for the preceding years, and out of them, certain observations had drawn the attention of the Committee of Public Enterprises as well.

- (a) The alternative trade centre constructed for road hawkers at a cost of Rs 16 million at Saunders Place in Pettah in the year 2002 had not been utilized for intended purposes.
- (b) The approval of the General Treasury had not been obtained for the payment of 1/3 allowance to the officers attached to the offices of Chairman, Director General and Additional Director General.



- (c) Action had not been taken to recover the outstanding usage fees of Rs. 92 million related to New Town Plan of Dambulla. The Chairman had stated that legal procedure had been commenced in that connection.
- (d) The outstanding contributions payable to the Employees' Provident Fund and Employees' Trust Fund had not been remitted in an updated manner.
- (e) Even though the assessed value of Rs. 406,483,000 of the Water's Edge Hotel vested in the Authority in the year 2008 on a Court Decision should be paid to the company which was the owner of the Hotel, the Authority had not taken action to pay that amount even by the end of the year under review.
- (f) Although a sum of Rs. 92,000,000 had been invested by the Authority for the purchase of shares in a private company, no return whatsoever on investment had been received at the end of the year under review, since the year 2005. According to the decision taken by the Cabinet of Ministers subsequently, the Company should be converted into a Public Limited Company and recovered the value of investment made by the Authority. However, the Authority had not taken action accordingly. The Chairman had stated that action is being taken to liquidate that company according to a Cabinet Decision.
- (g) On behalf of the lands vested with a Subsidiary, 18 per cent of preference shares of the Subsidiary valued at Rs.28,950,000 had been issued to the Authority in the year 2005 and no benefit whatsoever had been received on the investment since its inception.
- (h) No dividend whatsoever for the year under review had been received on the investments of Rs. 500,000 made at the Housing Development Finance Corporation and Rs.36,309,841 made at Colombo Land and Development Company by the Authority.
- (i) The Cabinet of Ministers had decided on 29 December 2010 to freeze the recovery of charges for Development Permits and a sum of Rs.207,331,767 recovered by the Authority for the previous period had been retained within the Urban Development Authority without being remitted to the Urban Settlement Development Authority



in terms of paragraph 16(1) e of Section II of Urban Settlement Development Authority Act, No. 36 of 2008.

## **6. Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Disposal of Motor Vehicles
- (c) Security Bonds
- (d) Recovery of money from Debtors
- (e) Settlement of Advances
- (f) Maintaining and updating of Registers of Fixed Assets
- (g) Preparation of Development Plans
- (h) Budgetary Controls
- (i) Issuing of Settlement Certificates for Development Purposes

W. P. C. Wickramaratne  
Acting Auditor General



## **2. Consolidated Financial Statements**

- (a). Consolidated Financial statements of UDA for the year 2013, has been prepared based on the Draft financial statements of the Paliyagoda ware house complex Ltd because the auditing of financial statements of said company had not finalized by auditors at that time. However, subsequently upon the receipts of the Audited Financials consolidated financial statements were prepared accordingly.
- (b). As per the Court order Asia Pacific Golf Course Company has been transferred to the Urban Development Authority to carry out the operational activities. At the inception of said company, only one share been issued amounting to RS.10 and it has been disclosed in the financial statements accordingly. Subsequently, the Authority has requested to issue shares to the receivable value of Rs.842.5 Million in compensate for the value of building transferred to the Waters Edge to a value of Rs.642.5 mn and the loan given to a value of Rs.200 mn.

### **2.3 Financial Statements of the Authority**

#### **2.3.1 Debenture Issue**

It has been agreed to provide relevant funds from the Annual Budgetary Provisions of The General Treasury for a period of 03 years for the interest cost incurred by the Authority until the project generate sufficient cash flows to cover the same.

Relevant actions have been taken to lease out lands for the investors in quick succession but the process would delayed , as such It has been planned to Rs.10 billion worth of debentures with the view of redeeming the first tranches of the debenture.

#### **2.3.2 Sri Lanka Accounting Standards**

##### **(a) Sri Lanka Accounting Standards No.1**

- (i). The Lanka Rest house company has been incorporated with the view of managing rest houses maintained by the Authority. Accordingly, the Management of rest houses have been transferred to the Lanka rest house company by the Authority except for 9 rest houses namely Gampola, Negombo (new), Rathnepura, Horana, Nuwara Eliya , Peradeniya, Tangalle, Ganthera restaurant and Bandarawela.

At the management meeting held on 16.08.2013 it has decided to transfer the said 9 rest houses to the Lanka rest house company and the relevant legal background was formulated and the respective transfer was made since the month of August 2013. The adjustments regarding the

above have been made in the financial statements and further actions will be taken to disclose in the Consolidated Financial Statements.

(ii).Action will be taken to disclose in the Final Accounts of the year 2014.

(iii).The relevant disclosures have been presented under Accounting Policies no.1.3.15(c)

**(b)**

(i).When preparing financial statements for the year 2014, the interest paid for the debentures and interest earned on the debenture during the year will be disclosed separately in the cash flow.

(ii).The reason for this difference was the adjustment made based on the fair value of debentures. However financial effect of the above will not arise and action will be taken to correct the same in the financial statements for the year 2014.

**(c).SLAS 08**

Action will be taken to disclose in the final accounts of the year 2014.

**(d). SLAS 16**

(i). 2 vehicles out of 72 vehicles are not in a usable position. Other vehicles also should not be used when considering its repairing cost and the usage of fuel of them though they are in use. Therefore, the Board of Management has decided to purchase new vehicles and dispose majority of old vehicles. Accordingly, during that time a vehicle revaluation has not been conducted. In future the vehicles which were fully depreciated but decide to use efficiently further will be revaluate and will take to the books of accounts.

(ii) As per the SLAS 16, It can be use as accounting policy of accounting assets cost model or revaluation model.

**(e).SLAS 17**

(i). Action will be taken to disclose in the financial statements for the year 2014.

**(f).SLAS 19**

Payments of employee benefits are shown under accounting note no.1.3 and the further information related to the method used to calculate the benefits will be disclose in the financial statements for the year 2014.

**(g). SLAS 20**

(i). This grant was given to the Authority to build Sethsiripaya office complex and Colombo Central super market complex. This amount has been accounted as a contribution to the capital of the Authority by the Government hence this grant was written off from the profit & loss account based on the effective life time of the asset as mention under the accounting notes no.1.3.15.4.

Furthermore since this grant need not be payed back it has not classified as a long term liability but as an equity capital.

(ii). Relevant actions have taken to adjusted in the final accounts for the year 2014.

**(h). SLAS 26**

The Authority neither contributes to the retirement beneficiaries via a neither lump sum payment nor investment separately as per the standard. However, The Authority invested RS.11,280. 40 Mn in Fixed deposits and Rs.190.80Mn in employee loans at the end of the present year.

**(i). SLAS 32**

This amount represents the receivable loan rentals and interests for the loan given to the development projects of different provincial institutions for the projects implemented by provincial institutes as per the donation of Asian development bank. Initially, this money has been recovered by the provincial institutions through particular projects and then transferred to the General Treasury. In the year 2007 Urban Development Authority has been appointed to finalize that project and recover the loan and transfer the respective due amount to the General Treasury.

Since Urban Development Authority act as a facilitator for collecting the above allocated loan money it and has been shown as the payables to the treasury in the Financial Statements.

**(j). SLAS 37**

The payable compensation for the acquisitions by Authority has been calculated by the Internal Valuation Board and after getting confirmation related compensation will be accurate in the financial statements of 2014.

**(k).SLAS 40**

(i). When preparing financial statements as at 31/12/2012 Authority has used the deem cost base which is prescribed by the SLAS 1. However the accounting policy was reported incorrectly in related disclosure and it was correct in the financial statements for the year 2013. The reason

for absence that note was when correcting related account in 2013, the final accounts of 2014 has been submitted to the audit division.

(ii).Related disclosure has been mentioned under accounting policy number 1.3.5 and accounting notes number 09 in accordance to the SLAS.

### **2.3.3 Accounting Deficiencies**

(a). When amending the rental money in year 2003, some tenants whose were paying appropriate monthly rental has been denoted as an over payment of Rs.8894,916.36.The respective charge was carried out from the customers when an arrears exist from the tenants.

Accordingly from year 2004 to 2013 the excess rental money paid by the tenants written off when an receivable rentals exist and the amount of Rs.3,973,372 which is outstanding, will set off accordingly.

(b). According to the Inland Revenue Act no.10 of 2006, the bonuses receiving from services rendered consider as an Qualifying profit and the Circular No.02 of pay as you earn required to adopt. Accordingly , the bonuses paid by The authority amounting to Rs. 15, 456, 022 has been paid by deducting payee tax on 13.01.2014.

When paying bonuses to employees their workings practices, attendance were considered with the view to motivate employees by doing that. It has directly affected to the generation of income of the Authority. Therefore expenditures that resulted in generating income could be deducted directly.

Also, in the 25th paragraph of No 25 of 2006 income Act when ascertaining income and profits bonus has not been categorized as a deductible source of income.

(c). The way how funds deploy to the projects which are hope to operate by the Authority is decide in the Budget reports prepared for the each year and accordingly Authority projects, Clients projects, treasury grants projects will identify separately .Also, clients projects has identified separately and showed in the books of accounts .Therefore the projects which are continuing fund of the Authority and the both Authority and the other government organizations are included in the work in progress. However, the schedule include project numbers, project name and the amount paid for Rs.14,153,167,874 mentioned as the work in progress as at 31/12/2013 has been presented to auditing.

### **2.3.4 Contingent Liabilities**

When calculating EPF and ETF base on the employees consolidate salary according to the section 9 of EPF act no.1 of 1985 and EPF act no.46 of 1980, from month of August 2012 and it has been taken provisions.

However, from January 2006 to August 2012 funds were calculated based on the gross salary therefore a inspection was hold under assistant labour commissioner of labour department relating to the arrears subscriptions to the EPF and according to the conclusion to pay arrears subscriptions approval given by the BP No.79/2015 Management board report in the management board meeting on 28.05.2015. Accordingly actions will take place to pay in future.

### **2.3.5**

#### **(a) Observation**

This difference shows the payable compensation for the lands acquired for the construction of Sugathadasa indoor stadium. Though the above value did not include in the compensation schedule produced to the audit, that has accounted as receivable money from the ministry of sports as well as a payable compensation.

However, by considering whether there is further payable compensation for the lands acquired for construction of Sugathadasa indoor stadium necessary adjustments will take place in the Final account.

#### **(b). Observation**

Relevant income tax payment for the final quarter of the year ended 31.12.2013 has been paid on the 2014.02.15. At the calculation of income tax for the year it has been based on the provision of bad debt amounting to RS.278,287,974 in the draft financial statements has calculated income tax for the year. Since the provision of impairment loss for the debtors should be corrected as Rs.460, 426,079 that amount will be corrected in the accounts.

However, there was a trade loss amounting Rs.1, 007,481,651 for the year 2013, it has not been paid tax thereon. Therefore any effect will not be arising for the payable income tax of the year.

### **2.3.6 Unexplained Differences**

According to the books of accounts of the Authority Rs.73, 849,486 is to be receive from Lanka rest house company. The reason for the difference Rs.8, 452, 947.63 out of the total difference is payables of Lanka rest house to the Authority for salaries for 2013 not adjusted in the book of accounts of Lanka rest

house company. This has corrected in the accounts of 2014 of company. Also, Rs.742, 940.26 which is adjusted in the accounts of Lanka rest houses Company as bad debt and action will be taken to adjust in the Authorities control account when preparing final accounts.

Furthermore remaining amount Rs.116, 906.11 will compare with the accounts of Lanka rest houses and take necessary adjustments.

### **2.3.7**

As shown by the annual audits in the previous years, If there is a write off balance of work in progress of capital, will make a provision for it as follow.

This provision has been shown from deducting clients' projects in the draft financial statements. However as shown by the auditing this provision shows under the deduction from capital in progress in the final accounts.

## **2.4 Accounts receivables and payables**

(a).After Acquisition of lands and properties for the development projects by the Authority it has given alternative houses for the affected people and also houses by considering different appeals. Should sign agreements for all houses .However, according to the rental agreement rental money should be amendment in 5 years time, such amendments has not done for rent properties .Because, still actions are processing to sell Alternative houses for residents. Separated houses have sold to its residents and properties hold as condominium properties will sell under the condominium law.

However, the money paid still as rentals will reduce from the sale price and give on concessionary basis. Though done special amendment for business properties such kind of amendment has not done for residential properties and grant special consideration to sell alternative houses for residents.

(b).A appeal has sent to the Bank of Ceylon to reduce success fees for issuing of debentures for the year 2010. Therefore, when the time debentures matured depend on the particular banks decision related adjustments will take place in the books of accounts.

(c).

Due to the different legal reasons compensation paying activities get delay and according to that legal decisions compensation payments will pay in the future. The payable compensation account of land which has been acquired is being process and according to that necessary adjustments will take place in the final accounts.

## 2.5. Non compliances with Laws, Rules and Regulations

Below observations are made.

	<b>Laws, Rules and Regulations</b>	<b>Non Compliance</b>												
(i)	<p>Section 3 of the Government lands Act No.7 of 1971 amended by the Act No.58 of 1981 and section 28(b) urban development Act no.4 of 1982. (Reference :- DE/E/UDA/2013/V12)</p>	<p><b>Observation</b></p> <p>Already taken necessary steps to remove unauthorized residents from the lands own by the Authority. However, in some circumstances though we got court order to remove unauthorized constructions it could not implement due to the political interventions.</p> <p>Also, proceeding removal of unauthorized residents in commercial premises and as a result 8 persons have removed who engaged in their businesses in union place and that premises has used for development affairs.</p> <p>Subjective minister has given his approval to remove unauthorized residents in below mentioned lands recently.</p> <table border="0"> <tr> <td>Madhiwela Udahamulla</td> <td>-</td> <td>35</td> </tr> <tr> <td>Mirihana</td> <td>-</td> <td>44</td> </tr> <tr> <td>Ekwaththa Road</td> <td>-</td> <td>22</td> </tr> <tr> <td>Thalawathugoda Road</td> <td>-</td> <td>11</td> </tr> </table> <p>The residents who live in lands own by the Urban Development Authority in Colombo and Sri Jayewardenapura areas are lower income level people and removal of residents who lived long time period in those areas has become a social problem. It is clear by giving houses even for Unauthorized residents from the 65000 housing</p>	Madhiwela Udahamulla	-	35	Mirihana	-	44	Ekwaththa Road	-	22	Thalawathugoda Road	-	11
Madhiwela Udahamulla	-	35												
Mirihana	-	44												
Ekwaththa Road	-	22												
Thalawathugoda Road	-	11												

		<p>project in Colombo residential area implemented by the Urban Development Authority. Since, unauthorized constructions in urbanize areas are usual occurrences unable to avoid them only by the direct inspection of the Authority. Therefore, the interaction of political Authority and all organizations is important.</p>
--	--	---

(ii)	<p>Urban Development Authority Act (Amended ) No.04 of 1982 (i)from 8(a) to (h)</p>	<p><b>Observation</b></p> <p>Below mentioned plans have reviewed and necessary corrections have done during the years 2011 and 2012.</p> <ol style="list-style-type: none"> <li>1.Maha Dambulla city development plan</li> <li>2.Madatugama city development plan</li> <li>3.Galewela city development plan</li> <li>4.Sigiriya- Habarana city development plan</li> <li>5.Naula-Nalanda city development plan</li> </ol> <p>Though it needs 5 planing officers for works in development plan division there was only one officer for prepare plans for final approvals in the year 2011.</p> <p>Accordingly, development plan division has Started development plans acceleration programs in the year 2013 and following works are done.</p> <ol style="list-style-type: none"> <li>1.Giving final targets based on the projects that are underway and projects that have completed based on the performance that they have achieved.</li> <li>2. Giving necessary knowledge for technical process of preparing development plans by staff training workshops. For this 3 work shops have done and gave 2 days residential training for Tamil medium officers.</li> <li>3. Comply with provincial development groups and coordinate plan preparations, Giving advises for technical problems and giving resources.</li> </ol>
------	---	---

		<p>4. Giving advises for relevant amendments after fully checking draft.</p> <p>Accordingly, development plans which are prepared according to the programs started in 2013 has been gazette from 2014.</p>
(iii)	<p>Presidential secretary's letter No. PCMD/PR/2013 and dated on 05 June 2013, 06 paragraph of government financial circular No.438 and dated on 13<sup>th</sup> November 2009, government financial department NO.353 and dated on 30<sup>th</sup> September 1997.</p>	<p><b>Observation</b></p> <p>Since the ownership of 78 vehicles which were not use in long time period was not with the Authority it has asked from the commissioner general of department of motor traffic regarding the ownership. Accordingly, names of some organizations have been changed According to the photocopies of vehicle registration certificates sent by that office.</p> <p>All the documents related to auction and sale of broken vehicles handed over to the supply unit.</p>
(iv)	<p>Volume II of the Establishment code of the Socialist Republic of Sri Lanka. (Reference :- D/E/UDA/2013/V18)</p>	<p><b>Observation</b></p> <p>As per the primiliminary investigation report, respective actions have taken by the Board of Management to initiate relevant actions. However, these actions do not qualify as serious due to the empathy shown by the Board of Management.</p>
(v)	<p>Public Enterprise Circular No.PED/12 of 02 June 2003 (i). Section 4.2.6</p>	<p><b>Observation</b></p> <p>Related reports has transferred to the ministry in a Proper manner and will take necessary actions to transfer to the government administration department in future.</p>

(vi)	Management board decision No.06/2010 arrived on 16 July 2010	<p><b>Observation</b></p> <p>As per the Board of Management, the composition of the subcommittee comprises as follows.</p> <p>In every month this subcommittee is scheduled and this constitute Director General , Additional Director General Planning and Projects ,generally will not participate hence they are having a tide schedule. However, the Director Western Province and the Director Legal would participate accordingly.</p> <p>In addition at the absence of the Director Western Province a representative has been sent accordingly. Moreover, these representatives from the Western Province have taken effective decisions in relation to the respective regulations attached to development activities.</p>
------	--	--

## **2.6. Transactions not confirmed by adequate Authority**

### **Observation**

The president of Waththala - Mabola municipal council has been approved building plan and land subdivide plan without taking recommendations from the planning committee.

This matter has applied to the Auditing & Management committee in the Authority and they have advised to check whether the officers of authority has signed in the above approved plan and send a advisable letter to the president of municipal council with a sign of the chairman of the Authority.

Accordingly, actions have been taken to appoint inspection group in relation with interdivisions and to send advisable letter to president of municipal council by the legal division.

## **3. Financial Review**

### **3.1. Financial Results**

#### **Observation**

Urban Development Authority able to reduce its expenditures and increase income by utilizing their resources efficiently and effectively in 2013. Because of that, Authority able to improve their net profit in 2013 than the previous year. Authority could earn more rental income by performing various activities like rent lands in long term basis in 2013, collect rent charges very effective and efficient manner and amend rent charges in 2013. As well as actual rent income has increased due to increment of money from land renting and investing that money in efficient manner .

### **3.2 Analytical Financial Review**

#### **Observation**

##### **Decline in Current and Quick ratios**

According to the above review the current and quick ratio was 3.04:1 in 2012 and it has declined to 2.18:1 in 2013. the reason for this decline is increment of Rs.1.2 billion due to reserves from outside and increment of payables due to projects implement by the Authority in 2013 compare to the 2012. Therefore there is a increment in retention money and payables to contractors for the projects implement by the Authority.

##### **Debt to Capital ratio**

According to the above financial review total amount of noncurrent liabilities has been considered as debt capital when calculating Debt to capital ratio and return to debt capital ratio. But, the account balances

shown as noncurrent liabilities such as balance of Differed rent chargers account, payable compensations, payable provision of gratuity are not comprise to debt capital. Accordingly the authority's debt capital consists with money which has taken from issuing debentures and long term loans taking from banks. The debt capital ratio for the year 2012 and 2013 was 6.29:1 and 6.21:1 respectively. Accordingly there is a considerable increment in the debt capital ratio.

### 3.3. Legal Proceedings in relation to the Authority

#### Observation

<b>N O</b>	<b>Courts</b>	<b>Step</b>	<b>No. of cases</b>	<b>Total</b>
1	Arbitration	Argument	01	01
2	Court of Appeal	Argument	17	
		Mention	28	
		Objection	05	
		Count Objection	05	
		Notice Returnable	08	63
3	High Court	Judgment	01	
		Argument	05	
		Call	08	
		Oral Submission	01	
		Inquiry	01	
		Settlement	02	
		Written Submission	11	
		Objection	08	
		Count Objection	03	40
4	Civil Appellate High Court	Settlement	01	
		Argument	02	03
5	Commercial High Court	Oral Submission	01	
		Argument	01	02
6	Supreme Court	Settlement	05	
		Mention	10	

		Argument	06	21
7	District court	Trial	43	
		Call	08	
		Written Submission	01	
		Objection	02	
		Settlement	03	50
8	Magistrate's Courts	Order	05	
		Count Objection	03	
		Report	02	
		Show Cause	15	
		Call	11	
		Notice Returnable	13	
		Written Submission	01	50
	Total Cases			237

#### Cases filed by UDA against outside parties

No.	Courts	Step	NO. of Cases	Total
01	Magistrate's Court Nugegoda	Order	01	01
		Count Objections	01	01
02	Magistrate's Court Kesbewa	Written Submission	01	01
03	Magistrate's Court Homagama	Notice Returnable	01	01
	Total cases			04

#### 4. Operating Review

##### 4.1. Performance

##### (a).Observation

The expenditures for the projects funded by the treasury are reimbursed depend on the necessity of funds. That will happen normally in three months time. By 31.12.2013 demonstration has been granted but money has not been received for the following 3 projects.

<u>Project</u>	<u>Rs. Million</u>
Fair at Delkanda	29.6
Fair at Padukka	32.1
Gannoruwa city beautification	5.0

Although, that money has recovered back as follows.

<b>Project</b>	<b>Money received from treasury</b>	<b>Narration</b>
Fair at Delkanda	76,316,286	This amount has given by the treasury on 07.03.2014
Fair at Padukka	19,880,867	This amount has given by the treasury on 07.03.07
South Asian beach park	15,569,075	This project has implemented under Chogum programme. The money has received from it also include here.
Development of Ruwanwelisaya	10,258,418	Anuradhapura development project consist with 3 projects which are Ruwanweliseya, Madawachchiya and Mihinthahaya. This amount has received by above projects.
Gannoruwa city beautification	2,210,282	This amount also include in the money received for chogum project.

(b).

Urban Development Authority has started a project to give houses with all facilities to people who live in Colombo and urban areas with low facilities. The reason for start this housing project was according to the primary survey the number of houses in Colombo and urban areas with low facilities was around 68000 and it was 53% that of Colombo residents and it was major restriction for developing Colombo city formally. Therefore to uplift the life standard of the people live in low facility started a housing project.

By that project decided to give fully completed flats for residents in Colombo and urban areas and also plan to hand over housing projects for building. Though, Authority decided to pay 10% in the primary

stage and remaining 90% in the end of the project as building cost it was difficult to find investors according to the above formula in the discussions of investors. Accordingly, the contracts which are given in the primary stages of the project are given by the progress payment basis.

Therefore, This project could not carry out according to the former plan and give 10,000 contracts to build houses in the primary stage from that 500 houses has completed in the Mihindusenpura housing scheme in Dematagoda by the end of 2013.

Accordingly 9 acres could make free by that project. Also it has planned to complete around 500 houses and by that 41 acres can be making free.

It was plan to collect financial provisions in the year 2015 by giving free lands acquired by the above project to investors on the tax basis and issuing debentures.

#### **4.2. Management deficiencies**

##### **(a).Observation**

The statement in the audit report that the procession of the land of Balangoda bus station has assigned to the municipal council in the year 2008 is incorrect. The legal procession of the mentioned land is with the Authority as to date and the approval has been granted to Balangoda municipal council to develop on behalf of the sustainable development. Accordingly, the above mentioned municipal council has been started to build a bus station. However the Authority has applied the value for the land by the notices 03.05.2011, 22.06.2011, 05.06.2012 and 31.07.2012 to transfer the procession of the land to the Municipal council of Balangoda.

Since the legal procession of the land is with the Authority as to date, the value of the land has disclosed as asset that has not been disclosed as debtor balance.

##### **(b).Observation**

Though the necessary steps have not been taken to amend the rent money for the temporary houses given to the oppressed people from the development affairs till 31.12.2013, rent has amended on .01.02.2014 for the resident property and has collected accordingly.

##### **(c).Observation**

Not follow a proper method to park vehicles which are broken and which are in use in all organizations, not assign security officers for the preservation and not park broken vehicles in separate premises are the reason for this situation. However with the aim of strengthen security provision will consider to establish

a CCTV camera system and to avoid the misplacement of vehicles and the related problematic situations is considering to issue a pass for entrance to the Sethsiripaya premises and will take necessary actions to confirm the identity of relevant party.

### **4.3 Operational deficiency**

#### **Observation**

The residents of these houses are the temporary householders who lost their houses because of the projects and development affairs of the Authority. Due to the opposition of residents for the statements to collect rent recommended by the internal valuation committee that decision has not effective. However, from January 2014 new rent amendment has been effective and the rent charge based on the new rent currently.

### **4.4 Non Economical Transactions**

#### **(a). Observation**

This investment is done according to the most favorable interest rate. Also that rate is equal to the interest rate issued debentures. By this any financial loss has not been incurred by the Authority because the authority will receives same amount of money as they paid to the creditors from this investment.

This investment is done with the aim of recovering the interest rate should pay to the debentures in that occasion by considering the risk of fluctuations of the interest rates of the financial market.

#### **(b).Observation**

When demolishing charmas building the priority has given to allocate that premises for a effective investment and not consider about the gneiss floor. Though give that particular task to a contractor to achieve expected goals without removing gneiss floor the removal should be done based on the tax value of land. The amount Rs.6, 500,000 stated in the subjective report which has spent for travelling is a transaction which has done according to a acceptable tender process with transparency. However that returned gneiss are used for city beautification projects such as floating market, Arcade project by the Authority.

It is defective to mention that particular land is being in vain more than two years, The income earn by the Authority is around Rs.18 million by using particular premises as a vehicle park in years 2012 and 2013.

#### **(c). Observation**

This Authority has been acquired lands based on a long term plan and the lands clearance has been done according to the development condition of the area. Furthermore, since It get reasonable time to reinstate

residents of acquired lands though land were acquired likewise cannot clear lands for development affairs.

#### 4.5. Controversial Transactions

Below observations are made.

##### (a). Observations

Development curtailed around the city of Colombo evaluated based on the certification issued by condominium Management Authority and investigations have taken for developments which receive above certificates.

(i). Giving advices to give approval for buildings which are can approved by a formal way by relevant provincial councils under a service charge.

(ii). Granting approvals According to the decisions of organizations such as Condominium Management Authority, Colombo Municipal council and Urban Development Authority under a service charge.

(iii). Taking legal actions for unauthorized constructions with the intervention of Urban Development Authority. It has identified that there are number of unauthorized constructions which have built without approvals and have been given advices for builders to get approvals from Colombo municipal council after presenting proper plans also have been given advices to grant approvals for each developments by Colombo municipal council, Condominium Management Authority and Urban Development Authority .

As per the letter dated 15.10.2013 bearing building of such nature can be acquired statement is not completely legal and hence

Procedure to be followed in respect of certain development activities commenced and contrary to terms and conditions of permit

(1) Where in a development area, any development activity is commenced, continued, resumed or completed without a permit or contrary to any term or condition set out in a permit issued in respect of such development activity, the Authority may, in addition to any other remedy available to the Authority under this Law, by written notice require the person who is executing or has caused it to be executed, on or before such day as shall be specified in such notice, not being less than seven days from the date thereof.

(a) to cease such development activity for with

(b) to restore the land on which such development activity is being executed or had been executed to its original condition

(c) to secure compliance with the permit under the authority of which that development activity is carried out or engaged in or with any term or condition of such permit

and for the purpose of compliance with the requirement aforesaid

**(b). Observation**

The Kotte Municipal council has been approved a plan and the Authority has granted permission to it with the concurrence of main plan committee of the Authority after considering the appeal presented by the applicant. Relevant organizations, chairman of the Authority and Provincial director have been informed according to the necessity regarding this and accordingly Director (Western province) has informed. A copy has not been presented because; an inquiry of Audit division has not been reported yet regarding this.

**(c).Observation**

Six dilapidated buildings have been removed several days before to the CHOGM by considering limited time constraint, the importance and security of distinguish guests. Tenders have been called from registered contractors of line ministry and the contractors who have supplied this service earlier to other organizations. By the way there were several registered contractors in line ministry. Tender has given to the contractor who has offered the lowest bid and it has approved by the procurement committee.

**(d).Observation****4.6. Apparent Irregularities**

Below observations are made.

Details regarding those 5 projects are as follows.

The usage of funds for this project has been done according to the city planning and environmental beautification described by the No.41 of 1978 Urban Development Authority Act.

The approval for expenditure amounting to Rs.9, 409,943 for construction of Ballagaswewa Vehicle Park has been got from the Chairman and the Director General and will be take actions to get approval from the Board of directors in future.

Development expenditures of Weerakatiya D A Rajapaksha Vidyalaya amounting to Rs.2, 300,200.It has been implemented on the advice of the secretary of defense and Will be take actions to get approval from the Board of management in future.

The expenditure for beautification project of Kiriwehera sacred city development amounting to Rs.6, 590,971.That project has been implemented on the board of management approval No.276/2013 dated on 16.09.2013.

The Expenditures for iyamporuwa temple development project amounting to Rs.1, 815,255.It has been implemented on the approval of Additional Director General and will be take actions to get approval from the Board of Management.

The expenditure for development project of Sri Jayawardenapura Maha Vidyalaya amounting to Rs.3, 543,947. That project has been implemented on the board of management approval No.39/2013 of on 23.01.2013.

#### **4.7 Staff Management**

Below observations are made.

##### **(a). Observation**

Many vacancies have been filled by calling applications internally as at on 31.12.2013 of the Authority and there is a reduction in posts through employee secession and alignment.

##### **(b).**

##### **(i). Observation**

A new scheme for recruitment and promotion was completed on the instructions of No.30 of Management services circular of at present and it will take actions to get approval of management department for this in future. The process of obtaining the respective approval is in progress.

##### **(ii).Observation**

The new scheme for promotion has been prepared considering the all employees in different fields.

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

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

##### **Observation**

The draft financial statements for the year 2013 which are prepared based on new accounting standards handed over to the Auditor Generals on 27 November 2014 after approving by the board of management of the Authority. However according to the instructions on Government Audit respective actions had been taken to indicate director's responsibility statement in the financial statement and it has represented to the Government Audit on 12.01.2015.

#### **5.2. Corporate Plan**

Below observations are made.

The exclusion of 65,000 housing program 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.

### **5.3. Action Plan**

Below observations are made.

#### **(a). Observation**

Though annual action plan for 2013 has been prepared in accordance with budget targets there are some inconsistencies due to the implementation of some projects which are recognized as prior projects by line ministry.

#### **(b). Observation**

To utilize action plan as effective controller conduct a program to review information of the reports which are prepared by every three months time. In some circumstances depend on the situation the priority of projects may be differ from the action plan and specially consider about the public welfare and the urban development.

### **5.4. Internal Audit**

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 approval of Audit & management committee and the Board of Management was received for that it will be take actions to get approval of treasury in future.

### **5.5 Budgetary Control**

#### **(a). Observation**

The actual rent income has been increased than Budgeted rent income in 2013 due to the increment of rent income as a result of amendment of rent charges together with efficient and effective rental collection.

Also, the actual interest income has been increased than the budgeted interest income in 2013 due to the increment in land lease premium over the expected amount together with efficient investing.

Dividends payments are made based on the decisions of relevant companies. Because of that actual dividend income has been increased than the budgeted dividend income.

Also, the income for services rendered and other has been increased as a result of commitment and dedication of UDA in 2013.

### **(b).Observation**

The budget for the year 2013 has been prepared in the final Quarter of the year 2012 and the projects which are identified during that period will be change due to the priority and principles of government. It is a recognize principle of budget controlling.

Some projects have been stopped due to the problems raise in implementing process and the inadequate of money grants and though some projects have not been identified in the budgeted schedule have to implement them consider to the priority and the public welfare.

## **5.6. Tabling of Annual Report**

### **Observation**

The Annual Report for the year 2011 was handed over to the parliament on 22.04.2014 to the tabling of the parliament. Annual report for year 2012 has completed and after obtaining the Board of Management Approval and cabinet board approval it is expected to table in the parliament.

## **5.7. Achievement of Environment and social Responsibility**

### **(a). Observation**

Cannot be agreed. Numbers of small and medium scale development projects have been started as cladding in Colombo and other districts of island wide during the year 2012.

### **(b). Observation**

The main objective of the Urban Development Authority is the Urban Development. Accordingly, development projects have been implemented covering every district. As stated it is expected to execute decision when unauthorized constructions are taken place. The power of urban development Authority has been decentralized to the local Authorities so, it has a responsibility to the local Authority regarding the remove of unauthorized constructions.

### **(c). Observation**

Respective actions have been taken since Octobers 2014 to minimize any conflicts that prevail.

## **5.8. Unsolved Audit Paragraphs**

**(a). Observation**

A New plan is processing for this and though pavement vendors have not used this sales center they paid rentals for the Authority.

**(b). Observation**

Necessary actions have been proceeded to get approval from the treasury.

**(c). Observation**

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. 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 and could recover arrears rentals from two tenants.

**(d).Observation**

The Authority pays EPF and ETF payments in due dates. However ,when calculating the relevant payment from January 2006 to August 2012 only the basic salary was considered and hence a investigation was undertaken by the Commissioner of Labor and hence recommended to pay the dues as per the Board Decision BP 79/2015 dated 28.05.2015.

**(E). Observation**

The construction value of Waters edge hotel which has transferred to the Authority by a court order was Rs.406, 483,000 and Authority has been deposited installments.

**(F).Observation**

Since year 2014 relevant company has been started to pay dividends and accordingly Rs.1.16 Million has paid to the Authority as dividends for this investment in October 2014.

**(G). Observation**

Though above mentioned lands have leased out to the reel company according to the 99 years base due to the bad financial condition expected housing project could not proceed. Since that company unable to start housing projects in mentioned lands all lease agreements has been canceled as to the date.

Though Reel Company has been issued preference shares amounting to Rs.26, 950,000 for the sake of lands since the projects have not implemented could not take returns. According to the approval of board of ministers it has taken necessary actions to liquidate Reel Company.

However, since the ownership of above mentioned all lands has retaken by the Authority those could utilize for projects which are generate significant financial value.

**(H). Observation**

The dividend rate for share investments is decided based on the profit generation and other reasons of relevant company and the management of Authority will consider about the companies which were not received dividends and will take actions.

**(I). Observation**

The money which has been charged as service charge on development permits remitted to the NHDA for “Kusum niwasa” housing project which provide money to construct houses for low income level families. That project has not been implanted yet and since year 2010 UDA also has been started a project to provide houses for law income level people. Accordingly according to the decision of board of managers the remittance of money has been stopped.

**6. System and Control**

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



# **FINANCIAL STATEMENTS**

## **2013**

**URBAN DEVELOPMENT AUTHORITY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31ST DECEMBER, 2013**

	Note	Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
<b>Revenue</b>	<b>2</b>	<b>2,373,911,669</b>	<b>1,532,864,381</b>	<b>1,350,820,706</b>	<b>1,055,442,758</b>
		<b>2,373,911,669</b>	<b>1,532,864,381</b>	<b>1,350,820,706</b>	<b>1,055,442,758</b>
<b>Gross Profit</b>					
Other Income	3	1,617,700,241	885,426,974	1,550,512,270	822,269,992
Government Grants		14,422,001	14,422,001	14,422,001	14,422,001
Administration Expenses	4	(2,459,836,546)	(1,792,595,353)	(1,935,764,991)	(1,423,380,809)
Selling and Distribution Expenses		(25,787,338)	(16,565,567)	-	-
Other Expenses	6	(46,140,078)	(23,646,756)	(36,192,845)	(22,980,569)
<b>Results from Operating Activities</b>		<b>1,474,269,950</b>	<b>599,905,680</b>	<b>943,797,140</b>	<b>445,773,373</b>
Finance Cost	5	(437,775,395)	(4,299,579)	(856,922)	(863,143)
<b>Net Finance Cost</b>		<b>(437,775,395)</b>	<b>(4,299,579)</b>	<b>(856,922)</b>	<b>(863,143)</b>
<b>Share of profit of equity accounted investees</b>		<b>83,359,799</b>	<b>90,570,689</b>	<b>-</b>	<b>-</b>
<b>Profit before income tax</b>		<b>1,119,854,354</b>	<b>686,176,790</b>	<b>942,940,218</b>	<b>444,910,230</b>
Income tax expense	7	(271,181,499)	(59,930,189)	(247,454,217)	(30,870,913)
<b>Profit/(Loss) for the Year</b>		<b>848,672,854</b>	<b>626,246,601</b>	<b>695,486,001</b>	<b>414,039,317</b>
<b>Other comprehensive income</b>					
Actuarial gain/(Loss)		(51,562,117)	(1,743,636)	(51,562,117)	(1,743,636)
<b>Other comprehensive income for the year</b>		<b>(51,562,117)</b>	<b>(1,743,636)</b>	<b>(51,562,117)</b>	<b>(1,743,636)</b>
<b>Total comprehensive income for the year</b>		<b>797,110,737</b>	<b>624,502,965</b>	<b>643,923,884</b>	<b>412,295,681</b>

**URBAN DEVELOPMENT AUTHORITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31st December 2013**

		Group		Authority	
ASSETS	Note	2013 Rs	2012 Rs	2013 Rs	2012 Rs
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	8	4,052,594,606	3,772,818,490	1,769,930,967	1,740,434,909
Investment Property	9	80,898,663,551	81,642,397,921	78,971,652,347	83,515,712,921
Investments in Subsidiaries	10	-	-	345,000,080	345,000,080
Investments in Associates	11	368,375,873	304,516,071	132,000,000	132,000,000
Other Investments	12	74,762,341	74,762,341	74,759,841	74,759,841
Receivable from Subsidiaries	13	-	-	4,003,432,404	3,718,366,311
Loan given to local authorities-UDSP		84,091,076	100,071,639	84,091,076	100,071,639
Stock in trade	14	874,859,548	-	874,859,548	-
Capital work in progress		13,038,524,666	9,552,419,424	13,154,539,446	6,032,758,837
<b>TOTAL NON CURRENT ASSETS</b>		<b>99,391,871,662</b>	<b>95,446,985,885</b>	<b>99,410,265,710</b>	<b>95,659,104,537</b>
<b>CURRENT ASSETS</b>					
Inventories		33,732,743	29,221,978	7,585,431	8,006,719
Trade Receivables and Other Receivables	15	1,108,219,807	1,101,602,754	714,195,242	1,010,620,482
Staff Debtors		190,801,011	141,997,940	190,801,011	141,997,940
Prepaid Staff Cost		65,258,132	46,028,076	65,258,132	46,028,076
Deposits, prepayments & advances	16	3,774,243,910	2,193,375,477	3,461,337,425	2,014,382,908
Fixed Deposits		11,406,197,152	12,605,246,336	11,285,192,193	12,430,008,865
Investment In Repos		72,619,610	444,917,802	-	339,999,952
Cash & cash equivalents	17	94,466,676	115,544,888	47,277,560	77,558,114
<b>TOTAL CURRENT ASSETS</b>		<b>16,745,539,040</b>	<b>16,677,935,251</b>	<b>15,771,646,994</b>	<b>16,068,603,055</b>
<b>TOTAL ASSETS</b>		<b>116,137,410,704</b>	<b>112,124,921,136</b>	<b>115,181,912,704</b>	<b>111,727,707,592</b>
<b>EQUITY &amp; LIABILITIES</b>					
		116,137,410,704	112,124,921,136	115,181,912,704	111,727,707,592
<b>EQUITY</b>					
Stated Capital	18	100,000,000	100,000,000	100,000,000	100,000,000
Net government contribution	19	1,015,656,895	1,030,078,896	1,015,656,895	1,030,078,896
		1,115,656,895	1,130,078,896	1,115,656,895	1,130,078,896
Capital reserves	20	8,462,785	8,462,785	8,462,785	8,462,785
Revenue reserves	21	55,000,000	55,000,000	55,000,000	55,000,000
Retained Earnings	22	74,192,581,533	77,947,779,224	73,788,239,423	77,700,262,159
<b>TOTAL EQUITY</b>		<b>75,371,701,214</b>	<b>79,141,320,905</b>	<b>74,967,359,102</b>	<b>78,893,803,839</b>
<b>LIABILITIES</b>					
<b>NON CURRENT LIABILITIES</b>					
Interest bearing Borrowings	23	2,798,750,000	2,680,000,000	2,605,000,000	2,680,000,000
Debenture	24	10,259,444,909	10,251,337,275	10,259,444,909	10,251,337,275
UDSP Loan	25	169,901,516	185,882,079	169,901,516	185,882,079
Deferred Lease Rent	26	15,824,709,403	11,572,221,822	16,127,159,403	11,881,571,821
Accrued compensation on lands		689,378,049	729,646,332	689,378,049	729,646,332
Key Money Received On Project Developments		172,958,686	24,618,991	172,958,686	24,618,991
Defined Benefit Obligation - Gratuity	27	206,031,981	131,122,394	185,673,704	115,921,062
Payable to Contractor- ( URP & C)	28	2,362,455,771	1,280,231,347	2,362,455,771	1,280,231,347
Payable to Asia Pasific Golf Course Ltd		416,163,210	419,163,210	403,483,000	406,483,000
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>32,899,793,525</b>	<b>27,274,223,449</b>	<b>32,975,455,037</b>	<b>27,555,691,907</b>
<b>CURRENT LIABILITIES</b>					
Interest bearing Borrowings	23	75,000,000	75,000,000	75,000,000	75,000,000
Expense & other creditors	29	2,758,395,652	1,908,280,695	2,171,034,372	1,519,093,770
Deferred Taxation	30	1,209,885,030	1,346,806,574	1,209,885,030	1,346,806,574
Deposits & advances	31	3,253,255,248	2,109,181,004	3,235,222,488	2,091,718,244
Bank overdraft	32	569,380,036	270,108,510	547,956,676	245,593,259
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,865,915,965</b>	<b>5,709,376,783</b>	<b>7,239,098,565</b>	<b>5,278,211,847</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>116,137,410,704</b>	<b>112,124,921,136</b>	<b>115,181,912,704</b>	<b>111,727,707,592</b>
		0.65	(0.05)	0.02	(0)

The Accounting policies on pages 06 to 20 and Notes on pages 21 to 31 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the board of Directors and signed on their behalf.

Mr. Ranjit Fernando  
**Chairman**

**Date**

Mr.M.Nizam Kariapper  
**Board Member**

**Date**

**URBAN DEVELOPMENT AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**  
**As at 31st December 2013**  
**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.
<b>Balance as at 1st January 2012</b>	100,000,000	1,044,500,897	8,462,785	55,000,000	78,858,107,909	80,066,071,591
Deferred Taxation					(1,570,141,432)	(1,570,141,432)
<b>Balance as at 1st January 2012 - Restated</b>	100,000,000	1,044,500,897	8,462,785	55,000,000	77,287,966,477	78,495,930,159
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year					414,039,317	414,039,317
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>77,700,262,158</b>	<b>78,893,803,839</b>
<b>Balance as at 1st January 2013</b>	100,000,000	1,030,078,896	8,462,785	55,000,000	77,700,262,158	78,893,803,839
Prior Year Adjustment *					(18,090,448)	(18,090,448)
Derecognized of Investment Property					(4,507,987,500)	(4,507,987,500)
Reversal of excess valuation**					(29,868,671)	(29,868,671)
<b>Balance as at 1st January 2013 - Restated</b>	100,000,000	1,030,078,896	8,462,785	55,000,000	73,144,315,539	74,337,857,220
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	695,486,001	695,486,001
Total Other Comprehensive income	-	-	-	-	(51,562,116)	(51,562,116)
<b>Balance as at 31st December 2013</b>	<b>100,000,000</b>	<b>1,015,656,895</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>73,788,239,423</b>	<b>74,967,359,102</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.
<b>Balance as at 1st January 2012</b>	100,000,000	1,044,500,897	8,462,785	55,000,000	78,891,305,214	80,099,268,896
Deferred Taxation					(1,570,141,432)	(1,570,141,432)
<b>Balance as at 1st January 2012 - Restated</b>	100,000,000	1,044,500,897	8,462,785	55,000,000	77,321,163,782	78,529,127,464
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	-	-	-	-	626,246,601	626,246,601
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>77,947,779,224</b>	<b>79,141,320,905</b>
<b>Balance as at 1st January 2013</b>	100,000,000	1,030,078,896	8,462,785	55,000,000	77,947,779,224	79,141,320,904
Prior Year Adjustment *					(18,090,448)	(18,090,448)
Derecognized of Investment Property					(4,507,987,500)	(4,507,987,500)
Reversal of excess valuation**					(29,868,671)	(29,868,671)
<b>Balance as at 1st January 2013 - Restated</b>	100,000,000	1,030,078,896	8,462,785	55,000,000	73,391,832,605	74,585,374,285
Adjustments to waters Edge	-	-	-	-	3,638,191	3,638,191
Grants written Back to Income	-	(14,422,001)	-	-	-	(14,422,001)
Expenditure Over Income For The year	-	-	-	-	848,672,854	848,672,854
Total Other Comprehensive income	-	-	-	-	(51,562,116)	(51,562,116)
<b>Balance as at 31st December 2013</b>	<b>100,000,000</b>	<b>1,015,656,895</b>	<b>8,462,785</b>	<b>55,000,000</b>	<b>74,192,581,535</b>	<b>75,371,701,214</b>

\* UDA has formed a company named Lanka Rest houses Ltd in the year 2007 to manage the rest houses which were managed by UDA . Considering the legal aspects the management of some of Rest houses have been tranferd to Lanka Rest House company Ltd from the year 2012. Accordingly, revenue recieved by UDA in respect of the above resthouses for the year 2012 has been transferred back to the Lanka Rest houses Ltd in 2013 and therefore, above entry is for remove the excess income.

\*\*\* When UDA's Books of accounts were brought in the same with IFRS, only a part of the cost of a land revalued have been taken in to account thereby making an increased revaluation gain. The above entry is to remove the excess gain.

\*\*\* The profit for the year 2011 of the Waters Edge company has been rested in the year 2012. The increase in profit Rs. 2,112,477 was made due to the above. This adjustment was made in the consolidated Financial Statements for the year 2012. Accordingly this increase of profit has also been shown as a comparative figure in the statement of Changes in Equity for the year 2013.

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2013**  
**STATEMENT OF CASH FLOW**

	2013 Rs.	2012 Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit/(loss) before Income Tax	942,940,218	444,910,230
<b>Add:</b> Provision for bad debts	460,426,079	42,090,757
Depreciation	243,307,728	200,241,214
Provision for gratuity	24,599,181	19,633,564
prepaid Staff cost	13,672,306	10,224,076
Reduction of risk of Recovery of PWCC loan	-	39,547,752
	1,684,945,513	756,647,594
<b>Less :</b> Rent	1,044,915,338	687,759,096
Profit on sale of Land & Buildings	7,190,065	5,907,257
Written Back portion of Govt Grants	14,422,001	14,422,001
Dividend	30,986,996	26,593,713
Interest	1,279,973,226	2,377,487,626
	(692,542,113)	(509,257,106)
<b>OPERATING SURPLUS/(DEFICIT) BEFOR WORKING CAPITAL CHANGES</b>		
<b>WORKING CAPITAL CHANGES</b>		
Increase / (decrease) in trade & other creditors	628,095,903	659,437,285
(Increase) / decrease in debtors	(219,417,795)	459,914,341
(Increase) / decrease in Staff Debtors	(68,033,127)	(9,003,429)
(Increase) / decrease in inventories, deposits	(1,446,533,230)	(12,966,791)
Increase / (decrease) in Advances & Deposits	1,143,504,244	(1,032,331,270)
Increase / (decrease) in Payable on Contract	1,082,224,424	1,280,231,347
	1,119,840,419	1,345,281,484
<b>CASH GENERATED/(USED) FROM/TO OPERATIONS</b>		
Rent Received in Cash	664,596,053	525,002,876
Income Tax paid	(381,440,273)	(263,475,942)
Premia on Land leased out	4,641,371,133	5,010,006,642
Gratuity paid	(6,408,656)	(18,667,451)
	4,918,118,257	5,252,866,125
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Received	31,153,088	18,177,622
(Increase )/ Decrease of fair value of Debenture	8,107,634	2,440,445
Interest Received	1,316,824,334	1,316,431,593
Purchase of Fixed Assets	(78,006,108)	(16,564,871)
Key Money Received	148,339,695	-
(Increase )/ Decrease Lands & Buildings	61,296,448	(6,309,860)
(Increase) / Decrease Capital Working Progress	(7,151,649,280)	(5,127,452,328)
(Increase) / Decrease Stock In Trade	(874,859,548)	-
Compensation paid on land Acquisition	(270,364,634)	(152,828,374)
Investment in subsidiary Company	(285,066,093)	(977,276,404)
investment in Fixed Deposit	1,144,816,672	(9,336,316,550)
Short term Investments	(2,103,794)	(792,072)
compensation paidb to APGCL	(3,000,000)	-
Sale proceeds from sale of Land & Buildings	9,347,305	9,563,000
	(5,945,164,280)	(14,270,927,797)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
NSB loan Received	-	467,393,027
NSB loan Repaid	(75,000,000)	(15,000,000)
	(75,000,000)	452,393,028
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>		
	(674,747,717)	(7,729,644,267)
<b>CASH &amp; BANK BALANCE AT BEGINNING OF THE YEAR</b>		
<b>B</b>	154,961,089	7,884,605,355
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>		
<b>A</b>	(519,786,627)	154,961,089
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>		
	<b>A</b>	<b>B</b>
Bank Over Draft	(547,956,676)	(245,593,259)
Bank balance (Favorable)	27,802,783	60,186,716
Petty cash & Cash in Hand	367,264	367,680
Investment In Repos	-	339,999,952
	(519,786,627)	154,961,089

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE ACCOUNTS**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**For the Year ended 31st December 2013**

	<b>2013</b> Rs.	<b>2012</b> Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss before Income Tax	1,119,854,354	686,176,790
<b>Add:</b> Provision for bad debts	460,975,526	42,237,945
Depreciation	365,641,065	222,185,158
Provision for gratuity	31,244,365	24,387,779
Amortization of Leased Assets	-	-
	857,860,956	288,810,882
	1,977,715,309	974,987,672
<b>Less :</b> Rent	1,617,093,902	743,939,087
Profit on sale of Land & Buildings	7,190,065	5,907,257
Share of Investment in Associates	83,359,799	90,570,689
Written Back portion of Govt Grants	14,422,001	14,422,001
Dividend	2,537,702	3,058,164
Interest	1,305,730,605	544,614,305
	3,030,334,074	1,402,511,503
<b>Operating surplus/(deficit) before working capital Changes</b>	(1,052,618,764)	(427,523,831)
<b>working capital changes</b>		
Increase / (decrees) in trade & other creditors	878,189,843	732,327,884
(Increase) / decrees in debtors	(227,851,809)	706,351,385
(Increase) / decrees in Staff Debtors debtors	(68,033,127)	(9,003,429)
(Increase) / decrees in inventories, deposits	(1,585,379,197)	(151,943,649)
Increase / (decrees) in Advances & Deposits	1,144,074,244	(1,019,656,510)
Increase / (decrease) in Payable on bank Guarantee	1,082,224,424	1,280,231,347
	1,223,224,377	1,538,307,028
<b>Cash generated/(used) from/to operations</b>		
Rent Received in Cash	992,987,036	586,777,314
Income Tax paid	(399,249,029)	(290,214,022)
Premia on Land leased out	4,641,371,133	5,010,006,642
Gratuity paid	(9,300,762)	(22,459,942)
	5,225,808,377	5,284,109,991
<b>Net cash provided by operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Received	2,703,795	2,142,072
(Increase) / Decrease of fair value of Debenture	8,107,634	2,440,445
Interest Received	1,298,111,568	1,095,396,004
Purchase of Fixed Assets	(149,103,041)	(31,185,152)
Key Money Received	148,339,695	-
Increase / Decrease Lands & Buildings	(4,045,169,965)	(32,645,517)
(Increase) / Decrease Capital Working Progress	(3,515,973,913)	(6,082,950,390)
(Increase) / Decrease Stock In Trade	(874,859,548)	-
Compensation paid on land Acquisition	(270,364,634)	(152,828,374)
investment in Fixed Deposite	1,199,049,184	(9,404,336,196)
Short term Investments	(2,103,794)	(792,072)
Compensation paid to APGSL	(3,000,000)	-
Sale proceeds from sale of Land & Buildings	9,347,305	9,563,000
	(6,194,915,714)	(14,595,196,181)
<b>Net cash provided /(used) by investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank Loan Received	178,750,000	467,393,027
Debenture redeemed	(75,000,000)	(15,000,000)
Service charge for Development permit fund	-	-
	103,750,000	452,393,027
<b>Net cash provided/(used) by financing activities</b>		
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	(694,751,724)	(7,747,909,965)
<b>CASH &amp; BANK BALANCE AT BEGINNING OF THE YEAR</b>	<b>B</b> 273,350,461	<b>B</b> 8,021,260,426
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>	<b>A</b> (421,401,263)	<b>A</b> 273,350,461
<b>CASH &amp; BANK BALANCE AT END OF THE YEAR</b>	<b>A</b>	<b>B</b>
Bank Over Draft	(569,380,036)	(270,108,510)
Bank balance (Favorable)	70,448,968	92,823,378
Petty cash & Cash in Hand	4,910,194	5,717,791
Investment In REPO	72,619,610	444,917,802
	(421,401,263)	273,350,461

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

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

##### 1.3.1 CORPORATE INFORMATION

###### 1.3.1 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 Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries.

###### 1.3.2 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.

##### 1.3.1 BASIS OF PREPARATION

###### 1.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRSs). The consolidated financial statements were authorized for issue by the Board of Directors on 18<sup>th</sup> June 2015

###### 1.2 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 recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

###### 1.3 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

###### 1.4 Use of estimates and judgments

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

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

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 judgments 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	25

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

Critical accounting estimate/ judgment	Note No	Page No
Investment Property	09	25
Capital Working Progress		
Property, plant and equipment	08	24
Employee Benefits	26	29

#### 1.3.1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

#### 1.1 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 recognised 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.

##### © 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 recognized 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

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

#### 1.3.1 Basis of Consolidation (Continued)

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. Unrealised 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.

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 recognized as a separate asset or liability.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

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

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 cash and cash equivalents, Staff debtors and trade and other receivables, including related party receivables.

##### (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 in 'Impairment charges for other financial assets'.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

#### (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.

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 Company's financial liabilities at amortised cost are disclosed in Notes 24 on page 29. 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.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are as 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 difference between the acquisition cost, net of any principal repayment and amortization, 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 recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

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.

#### 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.

**URBAN DEVELOPMENT AUTHORITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year ended 31st December, 2013**

**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 derecognized. 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.

**1.3.5 Investment Property (Continued)**

The estimated useful lives are as follows:

Asset Category	Useful Lives
Buildings	Over a period of 50 years
Motor Vehicles	Over a period of 5 years

URBAN DEVELOPMENT AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

Asset Category	Useful Lives
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.

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.

**1.3.7 Subsequent Measurement**

Subsequent to initial recognition, Investment Property is stated at Deemed cost less accumulated depreciation and accumulated impairment losses, which reflects market conditions at the transition date. The cost incurred for the acquisition or construction of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied will flow to the Group and its cost can be measured reliably.

**1.3.8. De recognition**

Investment Property is derecognized 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 recognized in the Income Statement in the period of derecognition.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

#### 1.3.9 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.

#### 1.3.10 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.

#### 1.3.11 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.

#### 1.3.12 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 CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

#### 1.3.13 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 or high quality Corporate 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.

#### 1.3.14 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

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

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

#### 1.3.15 Statement of Comprehensive Income

##### 1.3.15.1 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.

###### (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.

###### (c) Key Money

Key money received by the Authority for lease or rented properties have been identified as income for the year in which the key money is received. However, key money received for development projects undertaken by the Authority on behalf of clients or government, have been shown under liabilities since such key money has to be setoff against the project development cost.

##### 1.3.15.2 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.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

#### 1.3.15.2 Dividend Income

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

#### 1.3.15.3 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.

#### 1.3.15.4 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 amounts Rs. 14,422,001 on a systematic basis over the useful life of the asset. 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.

#### 1.3.15.5 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.

#### 1.3.15.1 Taxation

##### (a) Current Taxes

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

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

#### 1.3 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.

#### 1.4 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.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

**(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 recognized 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.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

#### **1.5 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.

## URBAN DEVELOPMENT AUTHORITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December, 2013

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.

#### 1.6 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.

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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2013**

	Sub Note	Group		Authority	
		31st December	31st December	31st December	31st December
		2013	2012	2013	2012
		Rs.	Rs.	Rs.	Rs.
<b>2. REVENUE</b>					
Rent	2.1	1,617,093,902	743,939,087	1,044,915,338	687,759,096
Profit from sale of land & buildings	2.2	7,190,065	5,907,257	7,190,065	5,907,257
Profit from sale of Moter vehicle	2.3	-	15,952,659	-	15,952,659
Fee for services rendered	2.4	280,947,387	275,069,797	280,947,387	275,069,797
Service Charge on high-rise building		13,990,702	11,779,142	13,990,702	11,779,142
Service Charge on Development Permit		3,777,214	58,974,806	3,777,214	58,974,806
Waters Edge Gross Profit	2.5	408,666,132	403,281,220	-	-
Lanka Rest House Gross Profit	2.6	42,246,268	17,960,412	-	-
		<u>2,373,911,669</u>	<u>1,532,864,381</u>	<u>1,350,820,706</u>	<u>1,055,442,758</u>
<b>3. OTHER INCOME</b>					
Interest Income	3.1	1,305,730,605	544,614,305	1,279,973,226	531,222,632
Dividend Received	3.2	2,537,702	3,058,164	30,986,996	26,593,713
Miscellaneous Income	3.3	309,431,934	337,754,504	239,552,048	264,453,647
		<u>1,617,700,241</u>	<u>885,426,974</u>	<u>1,550,512,270</u>	<u>822,269,992</u>
<b>4. ADMINISTRATION EXPENDITURE</b>					
Salaries & Wages		775,619,613	744,554,218	646,298,246	617,566,827
Contribution to EPF/ETF , Gratuity etc		148,478,752	135,171,693	126,597,274	98,716,801
Prepaid Staff Cost		13,672,306	10,224,076	13,672,306	10,224,076
Bonus		32,853,606	31,829,069	17,750,000	15,031,346
Unutilized leave		33,126,640	22,475,760	33,046,101	20,978,120
Welfare payment		34,683,595	26,987,435	5,257,248	5,476,921
Traveling		24,579,787	17,732,334	14,397,597	9,868,839
Office Supplies Requisites		104,387,169	107,179,068	70,596,221	63,126,368
Repairs and Maintenance		71,007,688	98,808,693	54,625,982	70,796,320
Electricity Charges		213,050,392	166,048,381	138,461,589	121,288,859
Telephone Charges		12,819,780	12,587,816	8,871,318	8,401,179
Charges for Water		25,673,944	22,460,354	18,976,113	16,741,148
Health & Sanitation Services		29,637,254	18,649,050	21,238,315	18,158,975
Rental & Hire Charges		18,961,089	28,731,051	16,085,289	24,398,473
Transport , Advertising , Security & Others		63,255,811	46,245,400	39,880,153	30,569,771
Depreciation		365,641,065	222,185,158	243,307,728	200,241,214
Audit Fees		2,492,300	1,649,029	1,388,904	550,000
Rates & Taxes		1,230,814	10,316,708	987,695	7,119,568
Insurance Premium		4,553,556	4,444,850	1,472,232	1,621,166
Subscription & Membership Fees		1,522,048	223,196	399,623	223,196
Losses & Write Off		460,975,526	42,237,945	460,426,079	81,638,509
Others		4,888,180	6,674,429	2,028,978	643,134
Directors Emoluments		1,524,000	815,750	-	-
Laundry Charges		15,201,632	14,363,890	-	-
		<u>2,459,836,546</u>	<u>1,792,595,353</u>	<u>1,935,764,991</u>	<u>1,423,380,809</u>
<b>5. FINANCIAL COST</b>					
Interest on bank loan		430,222,625	-	-	-
Interest on Bank over Draft		3,843	200	3,843	200
Bank Charges		1,112,076	978,471	853,080	862,943
Credit Card Discount & Other		6,436,851	3,320,908	-	-
		<u>437,775,395</u>	<u>4,299,579</u>	<u>856,922</u>	<u>863,143</u>
<b>6. OTHER EXPENSE</b>					
Grants, Contributions/Others		5,542,005	474,046	5,542,005	51,683
Nation Building Tax		40,598,073	23,172,710	30,650,840	22,928,886
		<u>46,140,078</u>	<u>23,646,756</u>	<u>36,192,845</u>	<u>22,980,569</u>
<b>7. TAXATION</b>					
Taxation on Profit for the year		408,103,043	283,265,047	384,375,761	254,205,771
Deferred Taxation ( Gain )/ Loss		(136,921,544)	(223,334,858)	(136,921,544)	(223,334,858)
		<u>271,181,499</u>	<u>59,930,189</u>	<u>247,454,217</u>	<u>30,870,913</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2013**

	Group		Authority	
	31st December 2013 Rs.	31st December 2012 Rs.	31st December 2013 Rs.	31st December 2012 Rs.
<b>2.1 Rent</b>				
2.1.1 Monthly Rent	965,032,457	385,992,881	385,953,893	322,912,890
2.1.2 Lease Rents	510,029,273	257,040,057	516,929,273	263,940,057
2.1.3 Ground Rent	1,477,069	1,840,621	1,477,069	1,840,621
2.1.4 Fee for Use & Occupation of Premises	9,878,171	7,426,069	9,878,171	7,426,069
2.1.5 Key money Received	130,676,932	91,639,460	130,676,932	91,639,460
	<b>1,617,093,902</b>	<b>743,939,087</b>	<b>1,044,915,338</b>	<b>687,759,096</b>
<b>2.2 2.2.1 Profit from sale of land &amp; buildings</b>				
Sale proceeds on Lands	-	8,618,000	-	8,618,000
Sale proceeds on building	9,347,305	945,000	9,347,305	945,000
<b>Total</b>	<b>9,347,305</b>	<b>9,563,000</b>	<b>9,347,305</b>	<b>9,563,000</b>
Less : Cost of Lands sold	-	3,296,400	-	3,296,400
Cost of building Sold	2,157,240	359,343	2,157,240	359,343
<b>Total</b>	<b>7,190,065</b>	<b>5,907,257</b>	<b>7,190,065</b>	<b>5,907,257</b>
Add : Accumulated Depreciation on Buildings sold	-	-	-	-
Profit on sale of Lands & building	<b>7,190,065</b>	<b>5,907,257</b>	<b>7,190,065</b>	<b>5,907,257</b>
<b>2.3 2.2.1 Profit from sale of Moter vehicle</b>				
Sale proceeds on Lands	-	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	-	<b>15,952,659</b>	-	<b>15,952,659</b>
<b>2.4 Fee for services rendered</b>				
2.4.1 Planning Approval	70,846,028	63,689,683	70,846,028	63,689,683
2.4.2 Legal Services	10,070,298	8,143,083	10,070,298	8,143,083
2.4.3 Rest House Management Fees	166,796	7,632,131	166,796	7,632,131
2.4.4 Maintenance Services	803,703	39,630	803,703	39,630
2.4.5 Financial Management Services	734,664	734,712	734,664	734,712
2.4.6 Mgt Fees and Consultancy charges on projects	10,687,532	13,603,180	10,687,532	14,100,884
2.4.7 Change of Use of Buildings	50,977,031	39,297,628	50,977,031	39,297,628
2.4.8 Fee for Electricity	127,159,629	130,143,615	127,159,629	130,143,615
2.4.9 Service Charge on leases	3,105,021	2,853,866	3,105,021	2,853,866
2.4.10 Fee for Architectural Services	6,318,995	8,290,704	6,318,995	8,290,704
2.4.11 Fee for computer services	77,690	143,861	77,690	143,861
	<b>280,947,387</b>	<b>275,069,797</b>	<b>280,947,387</b>	<b>275,069,797</b>
<b>2.5 Waters Edge Ltd Gross Profit</b>				
Food & Beverages Revenue	620,216,672	610,451,136	-	-
Cost of Sale	(211,550,540)	(207,169,916)	-	-
Gross Profit	<b>408,666,132</b>	<b>403,281,220</b>	-	-
<b>2.6 Lanka Rest House Ltd Gross Profit</b>				
Food & Beverages Revenue	54,304,159	30,660,901	-	-
Cost of Sale	(12,057,891)	(12,700,490)	-	-
Gross Profit	<b>42,246,268</b>	<b>17,960,412</b>	-	-

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2013**

	<b>Group</b>		<b>Authority</b>	
	<b>31st December 2013 Rs.</b>	<b>31st December 2012 Rs.</b>	<b>31st December 2013 Rs.</b>	<b>31st December 2012 Rs.</b>
<b>3.1 Interest Income</b>				
3.1.1 on Term Deposits	1,170,367,051	500,470,824	1,144,609,672	480,094,971
3.1.2 on Re-Purchase Order	19,974,540	7,569,814	19,974,540	7,569,814
3.1.3 on Savings Accounts	10,072	9,630,202	10,072	9,630,202
3.1.4 on Staff Loans	22,432,437	17,053,176	22,432,437	17,017,741
3.1.5 on Lease Rent	90,352,194	6,984,414	90,352,194	6,984,414
3.1.6 on PWHC Loan	-	-	-	7,019,615
3.1.7 on UDSP Loan	2,594,310	2,905,875	2,594,310	2,905,875
	<u>1,305,730,605</u>	<u>544,614,305</u>	<u>1,279,973,226</u>	<u>531,222,632</u>
<b>3.2 Dividend Received</b>				
3.2.1 Onally Holdings Ltd.	-	-	19,499,997	18,374,997
3.2.2 Lanka Electricity Company ( Private) Ltd	1,350,000	1,350,000	1,350,000	1,350,000
3.2.3 WatersEdge Limited	-	-	8,949,297	5,160,551
3.2.4 State Institution Temporary Surplus Trust Fund	1,187,702	1,708,164	1,187,702	1,708,164
	<u>2,537,702</u>	<u>3,058,164</u>	<u>30,986,996</u>	<u>26,593,713</u>
<b>3.3 Miscellaneous Income</b>				
3.3.1 Non-Refundable Tender Deposits	3,437,863	709,917	3,435,567	709,917
3.3.2 Processing Fees for Issuing C.O. C	18,301,123	10,638,354	18,301,123	10,638,354
3.3.3 Penalty-Delayed Payments	36,380,556	60,475,317	36,380,556	60,475,317
3.3.4 Unauthorised Construction Fees	34,520,351	66,535,383	34,520,351	66,535,383
3.3.5 Demolition Fee	12,827,777	71,251,709	12,827,777	71,251,709
3.3.6 Sundries	5,874,176	3,589,922	5,822,274	3,589,922
3.3.8 Temporary Rentals	47,641,909	14,039,038	46,735,956	14,039,038
3.3.9 Car Parking Fees	30,268,921	20,492,774	30,268,921	20,492,774
3.3.10 Other Miscl revenue	6,219	907,522	5,979	739,782
3.3.11 Sale of Publication	2,883,819	1,240,449	2,883,819	1,240,449
3.3.13 Transfer Fee For Legal Matters	47,659,316	14,704,518	47,659,316	14,704,518
3.3.14 Sundry Income from staff	692,409	36,486	692,409	36,486
3.3.15 Membership Fee Income	49,127,476	47,500,313	-	-
3.3.16 Hall hire Charges & Other Charges	19,792,019	25,632,804	-	-
3.3.15 Race Course Booking charges	18,000	-	18,000	-
	<u>309,431,934</u>	<u>337,754,504</u>	<u>239,552,048</u>	<u>264,453,647</u>

URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
As at 31st December 2013

8 a Property, Plant & Equipment for the Authority

	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Bicycles	Office equipments	Library books	Total
<b>Cost as at 01/01/2013</b>	90,883,000	1,661,588,622	151,480,445	76,832,500	91,390,249	176,609	232,154,851	1,554,448	2,306,060,724
<b>Depreciation 01/01/2013</b>	-	66,101,694	145,919,284	53,712,046	88,509,639	168,734	209,682,883	1,531,535	565,625,815
<b>WDV as at 01/01/2013</b>	<b>90,883,000</b>	<b>1,595,486,928</b>	<b>5,561,161</b>	<b>23,120,454</b>	<b>2,880,610</b>	<b>7,875</b>	<b>22,471,968</b>	<b>22,913</b>	<b>1,740,434,909</b>
<b>Cost</b>									
<b>Balance as at 1/1/2013</b>	90,883,000	1,661,588,622	151,480,445	76,832,500	91,390,249	176,609	232,154,851	1,554,448	2,306,060,724
Additions	-	-	33,194,255	9,740,972	-	44,643	35,008,752	17,486	78,006,108
<b>Balance as at 31/12/2013</b>	<b>90,883,000</b>	<b>1,661,588,622</b>	<b>184,674,700</b>	<b>86,573,472</b>	<b>91,390,249</b>	<b>221,252</b>	<b>267,163,603</b>	<b>1,571,934</b>	<b>2,384,066,832</b>
<b>Depreciation</b>									
<b>Balance as at 1/1/2013</b>	-	66,101,694	145,919,284	53,712,046	88,509,639	168,734	209,682,883	1,531,535	565,625,815
Charges	-	33,231,772	2,608,784	3,587,583	414,975	3,588	8,654,090	17,486	48,510,049
<b>Balance as at 31/12/2013</b>	<b>-</b>	<b>99,333,466</b>	<b>148,528,068</b>	<b>57,299,629</b>	<b>88,924,614</b>	<b>172,322</b>	<b>218,336,973</b>	<b>1,549,021</b>	<b>614,135,865</b>
<b>WDV as at 31/12/2013</b>	<b>90,883,000</b>	<b>1,562,255,156</b>	<b>36,146,632</b>	<b>29,273,843</b>	<b>2,465,635</b>	<b>48,930</b>	<b>48,826,630</b>	<b>22,913</b>	<b>1,769,930,967</b>

8 a Property, Plant & Equipment for the Group

	Land	Building	Plant & Machinery	Furniture & fittings	Motor vehicles	Bicycles	Office equipments	Library books	Total
<b>Cost as at 01/01/2013</b>	98,278,645	3,968,049,089	155,796,152	105,709,810	130,744,507	176,609	269,377,953	1,554,448	4,729,687,213
<b>Depreciation 01/01/2013</b>	-	398,277,347	146,904,414	60,456,427	127,119,022	168,734	222,411,244	1,531,535	956,868,723
<b>WDV as at 01/01/2013</b>	<b>98,278,645</b>	<b>3,569,771,742</b>	<b>8,891,738</b>	<b>45,253,383</b>	<b>3,625,485</b>	<b>7,875</b>	<b>46,966,709</b>	<b>22,913</b>	<b>3,772,818,490</b>
<b>Cost</b>									
<b>Balance as at 1/1/2013</b>	98,278,645	3,968,049,089	155,796,152	105,709,810	130,744,507	176,609	269,377,953	1,554,448	4,729,687,213
Additions	19,687,436	204,580,615	44,917,999	37,481,436	966,487	44,643	65,674,990	17,486	373,371,092
<b>Balance as at 31/12/2013</b>	<b>117,966,081</b>	<b>4,172,629,704</b>	<b>200,714,151</b>	<b>143,191,246</b>	<b>131,710,994</b>	<b>221,252</b>	<b>335,052,943</b>	<b>1,571,934</b>	<b>5,103,058,305</b>
<b>Depreciation</b>									
<b>Balance as at 1/1/2013</b>	-	398,277,347	146,904,414	60,456,427	127,119,022	168,734	222,411,244	1,531,535	956,868,723
Charges	-	62,665,965	3,055,457	7,211,946	1,290,164	3,588	19,358,599	17,486	93,594,976
<b>Balance as at 31/12/2013</b>	<b>-</b>	<b>460,943,312</b>	<b>149,959,871</b>	<b>67,668,373</b>	<b>128,409,186</b>	<b>172,322</b>	<b>241,769,843</b>	<b>1,549,021</b>	<b>1,050,463,699</b>
<b>WDV as at 31/12/2013</b>	<b>117,966,081</b>	<b>3,711,686,392</b>	<b>50,754,280</b>	<b>75,522,873</b>	<b>3,301,808</b>	<b>48,930</b>	<b>93,283,100</b>	<b>22,913</b>	<b>4,052,594,606</b>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2013**

**9 INVESTMENT PROPERTY - AUTHORITY**

	At fair value						<b>Balance as at 12/31/2013</b>
	<b>Balance as at 01/01/2013</b>	Additions During the year	Revaluation During the year	Transferred to / From	Written back on Disposals	Adjustments During the year	
Land	76,165,687,795	150,554,799		10,327,044		** (4,507,987,500)	71,818,582,138
Buildings	7,608,419,323				(2,157,240)		7,606,262,083
<b>Total</b>	<b>83,774,107,118</b>	<b>150,554,799</b>			<b>(2,157,240)</b>	<b>(4,507,987,500)</b>	<b>79,424,844,221</b>
	Depreciation						<b>Balance as at 12/31/2013</b>
	<b>Balance as at 01/01/2013</b>		Charges for the year	Write Back for Revalued Property	Written back on Disposals	Adjustments During the year	
Land	-						
Buildings	258,394,197		194,797,676.36				453,191,873
<b>Total</b>	<b>258,394,197</b>	<b>-</b>	<b>194,797,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>453,191,873</b>
<b>WDV</b>	<b>83,515,712,921</b>						<b>78,971,652,347</b>

INVESTMENT PROPERTY - GROUP

	<b>Balance as at 01/01/2013</b>	Additions During the year	Revaluation During the year	Transferred to / From	Written back on Disposals	Adjustments During the year	<b>Balance as at 12/31/2013</b>
	Land	74,292,372,795	150,554,799		10,327,044		** (4,507,987,500)
Buildings	7,608,419,323	3,877,883,882			(2,157,240)		11,484,145,965
<b>Total</b>	<b>81,900,792,118</b>	<b>4,028,438,681</b>		<b>-</b>	<b>(2,157,240)</b>	<b>(4,507,987,500)</b>	<b>81,429,413,103</b>
	Depreciation						<b>Balance as at 12/31/2013</b>
	<b>Balance as at 01/01/2013</b>		Charges for the year	Write Back for Revalued Property	Written back on Disposals	Adjustments During the year	
Land	-						
Buildings	258,394,197		272,355,354				530,749,551
<b>Total</b>	<b>258,394,197</b>	<b>-</b>	<b>272,355,354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>530,749,551</b>
<b>WDV</b>	<b>81,642,397,921</b>						<b>80,898,663,551</b>

Note \*\*The land recognised at the faire value has been leased out for a period of 99 years, the faire value amounts has been derecognised in compliance with the UDA accounting policy.

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2013**

		Group		Authority	
		2013 RS	2012 RS	2013 RS	2012 RS
<b>10 INVESTMENT IN SUBSIDIARIES</b>	<b>Share %</b>				
Urban Investment & Development Co.(Pvt) Ltd	100%			345,000,000	345,000,000
Waters Edge Ltd	100%			10	10
UDA Rest House Company Ltd	100%			70	70
Peliyagoda Ware House Complex Co. Ltd.	100%			499,999,930	499,999,930
Less : Provision for Falling of value of Investment				(499,999,930)	(499,999,930)
		<b>-</b>	<b>-</b>	<b>345,000,080</b>	<b>345,000,080</b>

**Provision for Falling of value of Investment**

Peliyagoda Warehouse Complex Company Ltd had recorded the significant losses repeatedly and those losses have exceeded the above Investment. Accordingly, due the falling value of the investment above provision has been made to record the recoverability of UDA investment.

	Share %				
<b>11 INVESTMENT IN ASSOCIATES COMPANIES</b>					
11.1 Ocean View Development Co.(Pvt) Ltd	43.39%	179,521,713	169,004,944	92,000,000	92,000,000
Share of Results after Tax		50,244,891	10,516,770		
		<u>229,766,605</u>	<u>179,521,713</u>	<u>92,000,000</u>	<u>92,000,000</u>
11.2 Onally Holdings Plc.	47.00%	124,994,358	63,315,436	40,000,000	40,000,000
Share of Results after Tax		33,114,908	80,053,919		
Less: Dividend Received		(19,499,997)	(18,374,997)		
		<u>138,609,269</u>	<u>124,994,358</u>	<u>40,000,000</u>	<u>40,000,000</u>
		<b><u>368,375,873</u></b>	<b><u>304,516,071</u></b>	<b><u>132,000,000</u></b>	<b><u>132,000,000</u></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
12.2 Housing Development Finance Corp.		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
12.4 Colombo Lands & Development Co. Ltd.		36,309,841	36,309,841	36,309,841	36,309,841
12.5 Lanka Hospital Pvt Ltd		2,500	2,500		
		<b><u>74,762,341</u></b>	<b><u>74,762,341</u></b>	<b><u>74,759,841</u></b>	<b><u>74,759,841</u></b>

**Note :** The liquidation process for REEL Company had been started and therefore, out of above investment of Rs. 28.95mn would be revised ( Refer Note 33.3)

<b>13 RECEIVABLES FROM SUBSIDIARIES</b>					
13.1 Peliyagoda Warehouse Complex Company Ltd		-	-	22,841,493	50,326,914
13.2 Urban Investment & Development Company (Pvt) Ltd		-	-	3,980,590,911	3,668,039,397
		<u>-</u>	<u>-</u>	<b><u>4,003,432,404</u></b>	<b><u>3,718,366,311</u></b>

**14 STOCK IN TRADE**

As per the direction of Government of Sri Lanka , Urban Regeneration Programme was initiated by UDA as a national project to provide better shelter for underserved community in the City of Colombo.

This account represents the cost incurred for completed projects under the Urban Regeneration Programme the city of Colombo.As these housing projects are to be handed over to the underserved community upon the recovery of total nominal value within the agreed time period, the cost incurred of this the project has been identified under the category of Stock in Trade .

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2013**

		<b>Group</b>		<b>Authority</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
15	<b>Debtors</b>				
	Rent Debtors	904,391,557	668,712,659	635,414,599	660,469,442
	Lease Debtors	862,407,878	701,183,753	862,407,878	701,183,753
	Rest House Debtors	113,841,752	302,573,597	113,841,752	302,573,597
	Development Expenditure	170,909,027	175,748,658	170,909,027	175,748,658
	Interest Receivable	1,080,213	2,523,607	387,810	19,326,366
	Consultancy Fees	20,426,302	20,610,574	20,426,302	20,610,574
	VAT Receivable	105,686,143	106,139,146	-	-
	Other Debtors	118,547,391	108,338,333	98,960,170	114,566,952
		<b>2,297,290,263</b>	<b>2,085,830,326</b>	<b>1,902,347,537</b>	<b>1,994,479,341</b>
	Less: Provision for bad debt	<b>(1,189,070,456)</b>	<b>(984,227,572)</b>	<b>(1,188,152,295)</b>	<b>(983,858,859)</b>
	<b>Total Debtors</b>	<b>1,108,219,807</b>	<b>1,101,602,754</b>	<b>714,195,241</b>	<b>1,010,620,482</b>
15	<b>DEBTORS</b>				
15.1	<b>Debtors</b>				
	<b>RENT DEBTORS</b>				
	15.1.1 Monthly Rental			141,015,324	146,990,163
-	15.1.2 V.A.T. Receivable From Monthly Rentals			21,060,011	20,521,373
	15.1.3 V.A.T. Receivable From Key Money			2,580,869	138,441
	15.1.4 20% Of Frozen Arrears			32,892,667	41,145,931
	15.1.5 Rent Arrears Frozen			22,009,088	24,513,273
	15.1.6 Fee For Electricity			19,551,939	20,616,689
	15.1.7 Fee For Use & Occupation			28,473,917	50,035,406
	15.1.8 Penalty On Delayed Monthly Rent & Fee For Use			331,515,187	335,677,462
	15.1.9 Key Money receivable			20,714,360	65,601
	15.1.10 Penalty On Key Money			113,101	217,132
-	15.1.11 Arrears Of Government Tax (Rent)			15,488,136	20,547,971
	<b>LEASE DEBTORS</b>				
-	15.1.12 V.A.T. Receivable From Premia And Lease Rent			597,140,296	428,766,368
	15.1.13 Annual lease rent			95,587,025	102,931,391
-	15.1.14 Ground Rent			834,359	906,220
	15.1.15 Interest on Lease Premia			186,178	223,836
	15.1.16 Penalty on Delayed Lease Rent & Premia			134,425,245	133,348,234
	15.1.17 Premia on Land Leased out			11,171,397	12,467,169
-	15.1.18 Arrears of Govt. Tax -Lease Rent			20,325,989	20,325,989
	15.1.19 Service charges on lease properties			2,737,388	2,214,546
	<b>REST HOUSE DEBTORS</b>				
	15.1.20 Rest House Penalty			75,991,462	221,876,943
	15.1.21 VAT Receivable from Rest Houses			2,742,104	11,165,973
-	15.1.22 VAT Receivable from Circuit Bungalows			169,249	161,777
	15.1.23 Rest House Rent Receivable			18,441,057	52,871,023
-	15.1.24 Room Charges from Circuit Bungalows			375,670	375,670
-	15.1.25 Frozen Rest House Penalty			14,061,255	14,061,255
	15.1.26 Rest House Other Debtors			1,653,230	1,653,230
-	15.1.27 Food & Bev. Receivable from Circuit Bungalows			129,349	129,349
-	15.1.28 Hire of Furniture			125,000	125,000
-	15.1.29 Room Charges from Rest Houses			153,376	153,376
	<b>DEVELOPMENT EXPENDITURE</b>				
	15.2.1 My. of Sports & Youth Affairs			84,615,679	84,615,679
-	15.2.2 Bills Receivable NHDA			39,836,941	39,944,782
	15.2.3 My. Of Urban Development Cons. & Pub Utilities			25,007,130	25,007,130
-	15.2.4 Receivables from Treasury			4,393,732	4,393,732
-	15.2.5 Colombo Municipal Council			4,447,302	4,447,302
-	15.2.6 Other MISCL Debtors			12,608,243	17,340,034
	<b>INTEREST RECEIVABLE</b>				
-	15.2.7 Current A/C PWCC			-	17,514,579
-	15.2.8 Interest on Treasury Bills			-	1,423,977
-	15.2.9 Interest Receivable from other Sources			387,810	387,810
	<b>CONSULTANCY FEES</b>				
-	15.2.10 Consultancy Fees SRCC & Treasury Fund			472,000	472,000
-	15.2.11 Management Fee Receivable On Client's Project			19,954,302	20,138,574
	<b>OTHER DEBTORS</b>				
-	15.2.13 Current A/C Ocean View			10,085,613	10,085,613
	15.2.14 Rest House Company LTD A/C			73,849,486	90,141,014
	15.2.15 Waters Edge Limited Current A/C			3,999,990	3,999,990
-	15.2.17 Dividend Receivable			8,249,999	8,416,091
-	15.2.18 Ministry of Education			5,406	5,406
-	15.2.19 UDSP Receivables Personnel Emoluments			16,479	16,479
-	15.2.20 Cheque Rtn/Dishnrd Control A/C			2,361,728	1,478,454
-	15.2.21 Cheques Return Charges Receivable			255,990	255,977
-	15.2.22 vat retained on UDA income			135,901	135,901
-	15.2.23 Stamp Duty from Employees			(421)	32,029
				<b>1,902,347,537</b>	<b>1,994,479,341</b>
				<b>(1,188,152,295)</b>	<b>(983,858,859)</b>
				<b>714,195,242</b>	<b>1,010,620,482</b>
	<b>15.2.27 Provision for Bad Debts</b>				
	<b>STAFF DEBTORS</b>				
-	15.2.24 Staff Loans			190,900,765	142,059,151
-	15.2.26 Staff Receivable			(99,754)	(61,211)
				<b>190,801,011</b>	<b>141,997,940</b>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2013**

	Group		Authority	
	2013 RS	2012 RS	2013 RS	2012 RS
<b>16 DEPOSITS, PRE-PAYMENTS &amp; ADVANCES</b>				
16.1 Advances to Contractors	3,648,543,132	2,064,022,608	3,340,706,365	1,902,934,025
16.2 Deposits with Suppliers	5,969,043	18,007,831	5,969,043	5,969,043
16.3 Deposits for Services	6,092,602	1,624,761	5,602,602	1,134,761
16.4 Sundry Advances	42,041,732	48,147,314	41,232,978	46,627,114
16.5 Deposit for Electricity	8,998,494	8,998,494	5,248,494	5,248,494
16.6 Security Deposits - Electricity	10,516,418	1,567,293	10,516,418	1,567,293
16.7 Receivable form Contractors(UDSP)	3,485,138	3,485,138	3,485,138	3,485,138
16.8 Pre Payments	2,455,283	2,426,520	2,434,319	2,426,520
16.9 Compensation Deposits	41,925,891	2,426,520	41,925,891	40,900,891
16.10 Advance Given to Staff	4,216,177	4,089,626	4,216,177	4,089,626
16.11 Other Deposits	-	105,000	-	-
	<u>3,774,243,910</u>	<u>2,193,375,477</u>	<u>3,461,337,425</u>	<u>2,014,382,908</u>
<b>17 CASH &amp; CASH EQUIVALENTS</b>				
<b>17.1 Short Term Investments:</b>				
- S.I.T.S.T.Fund	19,107,513	17,003,719	19,107,513	17,003,719
	<u>19,107,513</u>	<u>17,003,719</u>	<u>19,107,513</u>	<u>17,003,719</u>
<b>17.2 CASH &amp; BANK BALANCES</b>				
<b>COLLECTION ACCOUNTS</b>				
17.2.1 BOC - Mahiyangana Branch	325,560	325,560	325,560	325,560
17.2.2 BOC - Battaramulla Branch	111,463	48,517,146	111,463	48,517,146
17.2.3 BOC - Dalada veediya Kandy	663,632	270,213	663,632	270,213
16.2.4 BOC - Kataragama Branch	128,508	-	128,508	-
17.2.5 BOC - Central Super Market Branch	563,879	377,818	563,879	377,818
17.2.6 BOC - Anuradhapura Branch	23,760	38	23,760	38.18
17.2.7 BOC- Nuwraeliya Branch	272,708	-	272,708	-
<b>CURRENT ACCOUNTS</b>				
17.2.8 BOC - Kandy Branch	326,238	374,343	326,238	374,343
17.2.9 BOC - Hambntota priority Project	88,951	88,951	88,951	88,951
17.2.10 BOC -Galle Bazaar Branch	5,653,592	654,009	5,653,592	654,009
17.2.11 BOC - Badulla Branch	3,019,369	274,288	3,019,369	274,288
17.2.12 BOC - Supergrade Branch Kurunegala	2,269,100	1,000,000	2,269,100	1,000,000
17.2.13 BOC - Jaffna Branch	13,478,849	6,500,000	13,478,849	6,500,000
17.2.14 BOC - Anuradapura New Town Branch	464,250	500,000	464,250	500,000
17.2.15 BOC - Supergrade Branch Rathnapura	1,500	151,500	1,500	151,500
17.2.12 Bank Account - PWCC Ltd	9,530,629	13,785,323	-	-
17.2.13 Bank Account - UNIDEP Ltd	769,858	-	-	-
17.2.14 Bank Account - Waters Edge	21,796,974	18,731,037	-	-
17.2.15 Bank Account - UDA Rest House Ltd	10,441,856	13,131	-	-
17.2.16 BOC - Debit Tax Exempt	106,868	107,171	-	-
17.2.16 BOC - Debenture Account	251,889	225,468	251,889	225,468.27
17.2.17 BOC - Debenture Interest Account	-	770,569	-	770,569
17.2.18 Peoples Bank Current Account	100,000	100,000.00	100,000	100,000
<b>SAVINGS ACCOUNTS</b>				
17.2.19 BOC- Foreign Currency Saving Account	59,536	56,812	59,536	56,812
	<u>70,448,968</u>	<u>92,823,378</u>	<u>27,802,783</u>	<u>60,186,716</u>
<b>17.3 Petty Cash Imprests</b>	755,927	609,909	367,264	367,680
<b>16.4 Cash in hand</b>	4,154,267	5,107,882	-	-
	<u><b>94,466,676</b></u>	<u><b>115,544,888</b></u>	<u><b>47,277,560</b></u>	<u><b>77,558,114</b></u>

URBAN DEVELOPMENT AUTHORITY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at 31st December 2013		Group		Authority	
		2013 RS	2012 RS	2013 RS	2012 RS
18	<b>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
19	<b>Net Government Capital Contribution:</b>				
	19.1 For Sethsiripaya Administrative Complex	722,334,900	729,674,900	722,334,900	729,674,900
	19.2 For Colombo Central Super Market	228,571,995	235,653,996	228,571,995	235,653,996
	19.3 For Sellakataragama Shops	64,750,000	64,750,000	64,750,000	64,750,000
		<u>1,015,656,895</u>	<u>1,030,078,896</u>	<u>1,015,656,895</u>	<u>1,030,078,896</u>
20	<b>Capital Reserves:</b>				
	20.1 Demolition of Structures	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
		<u>8,462,785</u>	<u>8,462,785</u>	<u>8,462,785</u>	<u>8,462,785</u>
21	<b>Revenue Reserves:</b>				
	Contingency Fund	55,000,000	55,000,000	55,000,000	55,000,000
22	<b>Accumulated Profit/(Deficit)</b>				
	Excess of Income over Expenditure For the Year	848,672,854	626,246,601	695,486,001	414,039,317
	Adjustments	3,638,191			
	Actuarial Loss (Benefited obligations)	(51,562,117)	(1,743,636)	(51,562,117)	(1,743,636)
	Balance B/F from Previous Year (Restated)	73,391,832,605	77,323,276,259	73,144,315,539	77,287,966,477
	Accumulated Profit/(Deficit)	<u>74,192,581,533</u>	<u>77,947,779,224</u>	<u>73,788,239,423</u>	<u>77,700,262,158</u>
	<b>Accumulated Profit/(Deficit) B/F</b>	<u>77,947,779,224</u>	<u>78,893,417,691</u>	<u>77,700,262,158</u>	<u>78,858,107,909</u>
	Recognition of deferred Tax liability		(1,570,141,432)		(1,570,141,432)
	Prior Year Adjustment( Rest House)	(18,090,448)	-	(18,090,448)	
	Derecognized of Investment Property	(4,507,987,500)		(4,507,987,500)	
	Derecognized of over Accounted I P valuation	(29,868,671)	-	(29,868,671)	
	<b>Accumulated Profit/(Deficit) B/F (Restated)</b>	<u>73,391,832,605</u>	<u>77,323,276,259</u>	<u>73,144,315,539</u>	<u>77,287,966,477</u>
23	<b>Interest bearings Borrowings</b>				
		<b>Group</b>		<b>Authority</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		RS	RS	RS	RS
23.1	NSB	2,680,000,000	2,755,000,000	2,680,000,000	2,755,000,000
23.2	Commercial	193,750,000	-	-	-
		<u>2,873,750,000</u>	<u>2,755,000,000</u>	<u>2,680,000,000</u>	<u>2,755,000,000</u>
	Payable within one year	75,000,000	75,000,000	75,000,000	75,000,000
	Payable after one year	2,798,750,000	2,680,000,000	2,605,000,000	2,680,000,000
		<u>2,873,750,000</u>	<u>2,755,000,000</u>	<u>2,680,000,000</u>	<u>2,755,000,000</u>
23.1	<b>NSB Loan</b>				
	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 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.				
		<b>Group</b>		<b>Authority</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		RS	RS	RS	RS
	Balance as at 01st January	2,755,000,000	2,302,606,973	2,755,000,000	2,302,606,973
	Add: Loan Drawdown during the year	-	467,393,027	-	467,393,027
	Less: Loan repayment during the year	(75,000,000)	(15,000,000)	(75,000,000)	(15,000,000)
	Balance as at 31st December	<u>2,680,000,000</u>	<u>2,755,000,000</u>	<u>2,680,000,000</u>	<u>2,755,000,000</u>
23.2	<b>Commercial Bank Loan</b>				
	Balance as at 01st January	-	-	-	-
	Add: Loan Drawdown during the year	193,750,000			
	Less: Loan repayment during the year	-			
	Balance as at 31st December	<u>193,750,000</u>			
24	<b>Debenture</b>				
	The authority(UDA) has issued 5 years redeemable debentures to the value of Rs. 10 billion as at 31st December 2013 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				
	<b>The details of debenture issue are as follows,</b>				
		<b>Value (Rs)</b>	<b>Interest Rate</b>	<b>Due date of Interest</b>	<b>Maturity date</b>
	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	278,110,000	10%	monthly	04.10.2015
		<u>10,000,000,000</u>			
	<b>Movement in Debentures</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	Balance as at 01st January 2013	10,251,337,275	10,248,896,830	10,251,337,275	10,248,896,830
	Issued during the year	-	-	-	-
	Interest amortised cost for the period	268,377,045	260,269,411	268,377,045	260,269,411
	Interest paid during the year	(260,269,411)	(257,828,966)	(260,269,411)	(257,828,966)
	Redeemed during the year	-	-	-	-
	Balance as at 31st December 2013	<u>10,259,444,909</u>	<u>10,251,337,275</u>	<u>10,259,444,909</u>	<u>10,251,337,275</u>
25	<b>UDSP Loan</b>				
	Government of Sri Lanka (UDSP)				
	Balance B/F GOSL Loan - Non current liabilities	185,882,079	201,453,128	185,882,079	201,453,128
	Less:				
	Short term liability - Current Portion	15,980,563	15,571,050	15,980,563	15,571,050
	Balance C/F GOSL Loan - Non current liabilities	<u>169,901,516</u>	<u>185,882,079</u>	<u>169,901,516</u>	<u>185,882,079</u>
26	<b>Deferred Lease Rent</b>				
	Balance B/F	11,572,221,822	6,729,887,780	11,881,571,821	7,046,137,779
	Add :				
	Premia due in 2013	4,647,282,149	5,063,050,761	4,647,282,149	5,063,050,761
	Less:				
	Revenue written back to the P&L	(394,794,567)	(220,716,719)	(401,694,567)	(227,616,719)
	Balance C/F	<u>15,824,709,403</u>	<u>11,572,221,822</u>	<u>16,127,159,403</u>	<u>11,881,571,821</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2013**

	Group		Authority	
	2013	2012	2013	2012
<b>27 Defined Benefit Obligation - Gratuity</b>				
Provision as at 01st January	131,122,394	127,450,921	115,921,062	113,211,312
Benefit paid	(7,896,895)	(20,533,636)	(6,408,656)	(16,741,145)
Amount recognised as prior year adjustment		(1,926,306)	-	(1,926,306)
	<u>123,225,499</u>	<u>104,990,979</u>	<u>109,512,406</u>	<u>94,543,861</u>
Current Service Cost & Interest Cost	31,244,365	24,949,528	24,599,181	19,633,564
(Gain) / loss arising from changes in the assumptions	51,562,117	1,181,887	51,562,117	1,743,636
Balance as at 31st December	<u>206,031,981</u>	<u>131,122,394</u>	<u>185,673,704</u>	<u>115,921,062</u>
<b>Actuarial Assumptions</b>				
Discount Rate	10%	11%	10%	11%
Salary Increase	1.45%- 10%	1.45%	1.45%	1.45%
Retirement Age	55 - 60 Years	55 - 60 Years	60 Years	60 Years
	Rs	Rs	Rs	Rs
<b>28 Payable to contractor (URP &amp; C)</b>				
28.1 Accses Engineering Pvt Ltd	1,419,550,909	366,563,853	1,419,550,909	366,563,853
28.2 IVRI lanka Pvt Ltd	942,904,861	913,667,493	942,904,861	913,667,493
	<u>2,362,455,771</u>	<u>1,280,231,347</u>	<u>2,362,455,771</u>	<u>1,280,231,347</u>
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 grantees to both companies through the Bank of Ceylon. detail of the bank grantees issued as at 31/12/2013 are as follows				
	Accses Engineering Pvt Ltd	USD	24,675,000	Rs
	IVRI lanka Pvt Ltd			Rs.
				2,750,000,000
				2,464,447,500
<b>29 creditors</b>				
Expense creditors	130,272,778	122,467,165	130,049,164	121,994,449
Rent Deposits	12,805,193	7,963,680		
Development Expenditure	1,911,414,171	1,066,287,358	1,498,446,077	831,386,838
Taxes Payable	496,270,329	523,699,846	483,278,082	513,380,699
UDSP	25,453,983	22,166,774	25,453,983	22,166,774
Other Creditors	182,179,197	165,695,871	33,807,065	30,165,008
	<u>2,758,395,652</u>	<u>1,908,280,695</u>	<u>2,171,034,372</u>	<u>1,519,093,770</u>
<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			2,299,207	1,797,113
29.1.2 Electricity			19,355,010	13,699,214
29.1.3 Maintenance			26,169	25,537
29.1.4 Other Expenses			55,477,046	60,292,698
29.1.5 Supplies			4,583,875	9,515,547
29.1.6 Telephone			1,232,342	1,265,169
29.1.7 Accrued Bonus, Medical Etc			33,446,991	21,723,894
29.1.8 Unpaid Salaries			-	93,163
29.1.09 Rest House Service Charge payable			(1,410,401)	(1,410,401)
29.1.10 E.P.F. Payable			12,386,460	12,284,878
29.1.11 E.T.F. Payable			1,482,981	1,467,657
29.1.12 Transport Charges Payable			1,169,483	1,239,978
<b>29.2 Other Creditors</b>				
<b>Development Expenditure</b>				
29.2.1 Accrued Compensation on Lands with Interest			172,344,512	182,411,583
29.2.2 Bills Payable to Contractors			674,925,675	354,556,764
29.2.3 Retention Money			601,669,204	256,449,909
29.2.4 SEC Current Account			25,136,182	25,136,182
29.2.5 Hamabantota Priority Project Current A/C			24,370,504	12,832,400
<b>UDSP</b>				
29.2.7 Bills Payable-UDSP & Others			1,531,902	1,531,902
29.2.8 ULG's (UDSP) Loan Inst. & Int Payable - (Note 29.2.8.1)			23,922,081	20,634,872
<b>Taxes Payable</b>				
29.2.9 GST Control Account			15,409,424	20,228,964
29.2.10 VAT Control Account			260,030,743	335,989,684
29.2.11 With Holding Tax Payable			(41,272)	(41,272)
29.2.12 NSL payable			51,147,672	51,234,738
29.2.13 PAYEE Tax payable			162,527	292,853
29.2.15 VAT Payable in Advance			2,497,989	179,156
29.2.16 Construction Industry Guarantee Levy			1,144,010	496,541
29.2.17 Income Tax Payable			152,926,989	105,000,035
Economic Service Charge paid	-			
Debits- W.H.Tax Paid at Source	-			
<b>Other Creditors</b>				
29.2.18 Stamp Duty on Deeds			1,171,160	317,926
29.2.19 Fee for water Services			2,253,725	103,725
29.2.20 Unpaid Cheque			307,557	10,000
29.2.21 Over accounted rent payable			3,973,372	4,010,307
29.2.22 Others			1,068,371	691,420
29.2.23 Rest House 80% Food & Beverages payable			31,630	31,630
29.2.25 Success Fee on Debenture Issue			25,000,000	25,000,000
			<u>2,171,034,372</u>	<u>1,519,093,770</u>
<b>29.2.8.1 ULG's (UDSP) Loan Installment &amp; Interest Payable</b>				
Int. Payable- ULG Loan- UDSP (Treasury)			337,155,518	324,183,969
Payable to GOSL - Year 2002			264,257,916	248,277,353
			601,413,434	572,461,323
ULG's (UDSP) Loan Installment Receivable			(229,556,088)	(216,631,545)
ULG's (UDSP) Loan Interest Receivable			(347,935,265)	(335,194,905)
			<u>23,922,081</u>	<u>20,634,872</u>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at 31st December 2013**

	<b>Group</b>		<b>Authority</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>30 Deferred Tax</b>				
Opening Balance - Deferred Tax Assets	(970,343,564)	(818,468,731)	(970,343,564)	(818,468,731)
- Deferred Tax Liability	2,317,150,138	2,388,610,163	2,317,150,138	2,388,610,163
	<u>1,346,806,574</u>	<u>1,570,141,432</u>	<u>1,346,806,574</u>	<u>1,570,141,432</u>
Closing Balance - Deferred Tax Assets	(1,065,093,416)	(970,343,564)	(1,065,093,416)	(970,343,564)
- Deferred Tax Liability	2,274,978,446	2,317,150,138	2,274,978,446	2,317,150,138
	<u>1,209,885,030</u>	<u>1,346,806,574</u>	<u>1,209,885,030</u>	<u>1,346,806,574</u>
Charge to the Income Statement Gain / (Loss)	<u>136,921,544</u>	<u>223,334,858</u>	<u>136,921,544</u>	<u>223,334,858</u>
<b>31 Deposits &amp; Advances</b>				
31.1 Tender Deposits	5,646,971	2,929,078	5,291,971	2,884,078
31.2 Security Deposits	48,575,875	39,132,869	35,916,115	26,503,109
31.3 Rest House Rent Refundable	18,774,581	49,167,117	18,774,581	49,167,117
31.4 Clients Deposits ( Note31.4.1)	1,753,466,620	700,997,450	1,753,466,620	700,997,450
31.5 Sundry Deposits	5,907,606	7,415,750	5,907,606	7,415,750
31.6 Rent Deposits	64,051,996	85,040,913	63,821,996	85,040,913
31.7 Refundable Processing Fee	557,913	482,913	557,913	482,913
31.8 Deposits - Visumpaya	4,358,112	4,358,112	4,358,112	4,358,112
31.9 Deposits for Proposed Projects	379,492	379,492	379,492	379,492
31.10 EIA Deposits Received	4,553,045	2,715,045	4,553,045	2,715,045
31.11 Land Sale Proceeds Received in Advance	1,317,125,347	1,208,838,041	1,312,337,347	1,204,050,041
31.12 Maintenance Deposit	7,064,500	7,063,500	7,064,500	7,063,500
31.13 S. Charge Deposit -( Mihidusenpura Housing Scheme	22,793,191	2,707	22,793,191	660,725
	<u>3,253,255,248</u>	<u>2,109,181,004</u>	<u>3,235,222,488</u>	<u>2,091,718,244</u>
<b>31.4.1 Clients Deposits</b>				
Clients Deposits Received			2,871,967,907	1,992,723,250
Clients' project Expenditure incurred			1,118,501,287	1,291,725,800
Balance as at 31st December 2013			<u>1,753,466,620</u>	<u>700,997,450</u>
<b>32 Bank Overdraft</b>				
<b>CURRENT ACCOUNT</b>				
32.1 BOC- Corporate Branch	545,779,636	243,650,538	545,779,636	243,650,538
32.2 BOC- Hambantota Branch	971,986	971,986	971,986	971,986
32.3 BOC - Debenture Interest Account	1,197,201	-	1,197,201	-
32.4 Bank Account - UNIDEP	-	7,680,815.00	-	-
32.5 Waters Edge Bank Account	21,423,360	16,834,436	-	-
<b>COLLECTION ACCOUNTS</b>				
32.5 BOC- Nuwraeliya Branch	-	38,726.13	-	38,726
32.6 BOC - Kataragama Branch	-	924,157	-	924,157
32.7 BOC - Matara Branch	7,852	7,852	7,852	7,852
	<u>569,380,036</u>	<u>270,108,510</u>	<u>547,956,676</u>	<u>245,593,259</u>

**33. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE AND CONTINGENCIES**

**33.1 Slave Island Stage 1**

Urban Development Authority has temporary vested 08 Acres of land block at Justice Akbar Mawatha , Colombo 02 from the owners of the land with the view of constructing 536 No. of Housing Units to provide better shelter for this underserved community . The total estimated cost of construction is Rs. 6, 981,000,000/- to be incurred by the developer .In lieu of this cost, UDA would be transferring 05 acres of the above land to the developer for a mixed development project and the balance 03 acres which has been utilised for the construction of housing units would be transferred to the ultimate occupants of the above houses.

Since the UDA would engage in the above transaction as a facilitator, this transaction has not been reflected in these financial statements.

**33.2 Compensation**

As per the Urban Development Act. 1978 of 41 UDA has acquired land for various development programmes. Accordingly, the compensation payable for these land acquisitions are determined by the Government Chief Valuer. As per the estimated value based on the Internal valuation, compensation payable for these lands for the year 2013 is Rs. 6,552,936,360/-and these values has not been reflected in these financial statements.

**33.3 Other Investment**

UDA had leased out 02 blocks of Lands to the REEL Company in the year 2003, for the leased value of Rs. 26.5 Mn. The company had issued preferential Shares to UDA to settle the lease consideration and this was accounted as an investment in REEL . However, due to the subsequent decision to liquidate of the said company, above two lease agreements were cancelled and therefore the investment in REEL company has to be reduced to Rs. 2 Mn. in addition to the above as directed by the cabinet of Ministers a sum of Rs. 36,122,523.59 had to be paid by UDA to settle the liabilities of the said company & provided in 2014 Financial Statements.

No circumstances have arisen, since the balance sheet, which would require adjustment to, or disclosure, in the Financial Statements

### 34. DIRECTORS' INTEREST

Key Management personnel emoluments for the year 2013 is Rs. 3,561,302 which includes salaries and sitting allowance paid.

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

<b>Name of the Company</b>	<b>Name of the Board Members/Directors</b>	<b>Relationship</b>
(1). Peliyagoda Ware House Complex Co.(Pvt)Ltd	Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA	Liquidator
(2). Urban Investment & Development Company ( Pvt) Ltd	Mr.P.A.I.S. Perera-Chairman UDA	Chairman
	Mr. K.E.V.N.Frenando - Director General Actg. UDA	Director
	Brrigadiar J.M.S.S. Jayasundara- ADG UDA	Director
	Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA	Director
	Mrs. Renuka Wikramasinghe - Director (PM) UDA	Director
	Mrs.M.W.A.K.S. Wijesuriya- Director (Legal) UDA ( Up To 31/03/2013)	Director
Mrs. M.B.Jayanthi de silva - Director (Legal) UDA ( From 01/04/2013)	Director	
(3). UDA Rest Houses Company Ltd	Mr.P.A.I.S. Perera-Chairman UDA	Director
	Mr. K.E.V.N.Frenando - Director General Actg. UDA	Director
	Mr. W.L.D.P.V. Jayawardena- DDG (Finance) UDA	Director
(4). Real Estate Exchange Plc (Refer Note 33.3)	Mr. K.E.V.N.Frenando - Director General Actg. UDA	Director
(5.) Waters Edge Limited	Mr.P.A.I.S. Perera-Chairman UDA	Chairman

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 34

### 35. RELATED PARTY TRANSACTIONS

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

<b>Name of the Company</b>	<b>Nature of Transaction</b>	<b>2013 Rs.</b>	<b>2012 Rs.</b>
(1). Peliyagoda Ware House Complex Co.(Pvt)Ltd	- Interest Receivable to UDA on loan granted	-	7,019,615
(2). Urban Investment & Development Company ( Pvt) Ltd	-Sethsiripaya Stage 11 project Implementation Expenditure & Loan Interest (Refer Note 23.1 NSB Loan)	312,551,514	977,276,403
(3). UDA Rest Houses Ltd	- All capital and recurrent expenditure (Net)	13,614,155	15,034,046
(4). Onally Holdings PLC	- Financial Management fee received	734,664	734,712
	- Dividend received	19,499,997	18,374,997

There were no related party transactions other than disclosed in Note35 to these financial statements.

**URBAN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

**36 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.

**36.1 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

	Group			UDA		
	2013	2012	2011	2013	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Investment in Fixed Deposit (Long term)	11,406,197,152	12,605,246,336	3,200,910,140	11,285,192,193	12,430,008,865	3,110,000,000
Investment in Fixed Deposit (Short term)	72,619,610	444,917,802	8,058,008,746	-	339,999,952	7,887,999,952
Investment in Subsidiary	-	-	-	345,000,080	345,000,080	345,000,080
Trade and Other Receivables	1,108,219,807	1,101,602,754	1,529,351,346	714,195,242	1,010,620,482	1,434,616,670
Cash and Cash Equivalents	94,466,676	115,544,888	112,096,132	47,277,560	77,558,114	81,667,438
	<b>12,681,503,245</b>	<b>14,267,311,780</b>	<b>12,900,366,364</b>	<b>12,391,665,074</b>	<b>14,203,187,492</b>	<b>12,859,284,140</b>

**URBAN DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31ST DECEMBER 2013**

**36 Financial risk management (continued)**

**36.1 Credit risk (continued)**

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

	GROUP			UDA		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Fee for Use	9,878,171	7,426,069	6,796,029	9,878,171	7,426,069	6,796,029
Premia	458,557,734	211,458,614	211,458,614	465,457,734	218,358,614	29,510,810
Lease	51,471,539	45,581,442	45,581,442	51,471,539	45,581,442	83,622,797
Rent	965,032,457	385,992,881	382,601,857	385,953,893	322,912,890	321,438,664
	<b>1,484,939,901</b>	<b>650,459,007</b>	<b>646,437,943</b>	<b>912,761,337</b>	<b>594,279,016</b>	<b>441,368,300</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	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2013 Rs.	2013 Rs.	2012 Rs.	2012 Rs.	2011 Rs.	2011 Rs.
Current balance (no due)						
00-01 Year	147,529,578		110,760,798		129,842,338	
01-02 Years	15,422,861		107,136,971		100,009,374	
02-03 Years	202,499,712	739,944,428	97,453,017	854,763,833	87,681,067	923,763,833
03-04 Years	465,940,451		96,886,021		85,417,260	
04 & Above			519,770,244		482,035,123	
	<b>831,392,602</b>	<b>-</b>	<b>932,007,051</b>	<b>-</b>	<b>884,985,162</b>	<b>923,763,833</b>
UDA						
Current balance (no due)						
00-01 Year	147,529,578		102,517,580		123,303,131	
01-02 Years	15,422,861		107,136,971		100,009,374	
02-03 Years	202,499,712	739,944,428	97,453,017	854,763,833	87,681,067	923,763,833
03-04 Years	465,940,451		96,886,021		85,417,260	
04 & Above			519,770,244		482,035,123	
	<b>831,392,602</b>	<b>739,944,428</b>	<b>923,763,833</b>	<b>854,763,833</b>	<b>878,445,955</b>	<b>923,763,833</b>

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

**FOR THE YEAR ENDED 31ST DECEMBER 2013**

**36 Financial risk management (continued)**

	<b>GROUP</b>		<b>UDA</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Individual impairment</b>				
Balance at the beginning	<b>162,119,181</b>	-	<b>162,119,181</b>	-
Impairment (Gain) /loss recognised	(55,731,493)	162,119,181	(55,731,493)	162,119,181
Amounts written off	-	-	-	-
<b>Balance at the end</b>	<b>106,387,688</b>	<b>162,119,181</b>	<b>106,387,688</b>	<b>162,119,181</b>

**Cash and cash equivalents**

The Group held cash and cash equivalents of Rs. 94,466,676 at 31st December 2013 (2012: Rs. 115,544,888.00), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties.

**36.2 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

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

**GROUP**

<b>As at 31st December 2013</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>00-01 Year</b>	<b>01-02 Years</b>	<b>02-03 Years</b>	<b>03-04 Years</b>	<b>More than 4 years</b>
<b>Non-derivative financial liabilities</b>							
Trade and other payables	2,758,395,652	-	2,758,395,652	-	-	-	-
Amounts due to related companies	-	-	-	-	-	-	-
Lease creditors	15,824,709,403	-	-	-	-	-	15,824,709,403
Bank overdraft	569,380,036	-	569,380,036	-	-	-	-
	<b>19,152,485,091</b>	<b>-</b>	<b>3,327,775,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,824,709,403</b>

**UDA**

<b>As at 31st December 2013</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>00-01 Year</b>	<b>01-02 Years</b>	<b>02-03 Years</b>	<b>03-04 Years</b>	<b>More than 4 years</b>
<b>Non-derivative financial liabilities</b>							
Trade and other payables	2,171,034,372	-	2,171,034,372	-	-	-	-
Amounts due to related companies	-	-	-	-	-	-	-
Lease creditors	16,127,159,403	-	-	-	-	-	16,127,159,403
Bank overdraft	547,956,676	-	547,956,676	-	-	-	-
	<b>18,846,150,451</b>	<b>-</b>	<b>2,718,991,048</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,127,159,403</b>

The gross inflows/(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 2013**

**36 Financial risk management (continued)**

**36.3 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.

**36.4 Interest rate risk**

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

	<b>2013</b>	<b>Group 2012</b>	<b>2011</b>	<b>2013</b>	<b>Company 2012</b>	<b>2011</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Fixed rate instruments</b>						
Financial Assets - Long term fixed deposit	11,406,197,152	12,605,246,336	3,200,910,140	11,285,192,193	12,430,008,865	3,110,000,000
Financial Assets - Short term fixed deposit	72,619,610	444,917,802	8,058,008,746	-	339,999,952	7,887,999,952
	<u>11,478,816,762</u>	<u>13,050,164,137</u>	<u>11,258,918,886</u>	<u>11,285,192,193</u>	<u>12,770,008,816</u>	<u>10,997,999,952</u>

**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 2013**

**36 Financial risk management (continued)**

**36.5 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

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

- 01) to safeguarded 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

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

	<b>2013</b>	<b>Group</b>	<b>2011</b>	<b>2013</b>	<b>Company</b>	<b>2011</b>
	<b>Rs.</b>	<b>2012</b>	<b>Rs.</b>	<b>Rs.</b>	<b>2012</b>	<b>Rs.</b>
Total liabilities	40,765,709,490	32,983,600,232	24,373,922,433	40,214,553,603	32,833,903,754	24,280,902,214
Less: cash and cash equivalents	(94,466,676)	(115,544,888)	(112,096,132)	(47,277,560)	(77,558,114)	(81,667,438)
Net debt	40,671,242,814	31,521,248,769	24,261,826,301	40,167,276,043	31,409,539,066	24,199,234,776
Total equity	75,371,701,214	79,141,320,905	80,099,268,895	74,967,359,102	78,893,803,839	80,066,071,591
Adjusted equity	34,700,458,400	47,620,072,136	55,837,442,594	34,800,083,060	47,484,264,773	55,866,836,815
Net debt to adjusted equity ratio at 31st December	<b>1.17</b>	<b>0.66</b>	<b>0.43</b>	<b>1.15</b>	<b>0.66</b>	<b>0.43</b>