Annual Report
2012

Southern Development Authority of Sri Lanka

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Southern Development Authority of Sri Lanka

The Annual Report – 2012

The Establishment of the Authority

Southern Development Authority of Sri Lanka is a Government Authority established under the Parliament Act No. 18 of 1996

Vision

"Our vision is to create an economically prosperous Southern Region within an ecologically sustainable and culturally vibrant environment, while offering attractive and challenging opportunities for the youth and opening up the Region as a "Gateway" to the fast growing Asia Pacific Region".

Mission

"Our mission is to contribute to the accelerated growth of the Region's Gross Domestic Production (GDP) and assisting in the achievement of a Per Capita Income to targeted levels, within an environment providing challenging opportunities and better quality of life, by scrutinized identification of felt needs and resources in the Region, planning and developing with the co-ordination of line Agencies and the Private Sector."

Objectives, Powers and Functions of the Southern Development Authority

The Authority and its Duties

The objectives, powers and functions as per the sections 12 and 13 of the Act are given below.

The Objectives of the Authority (As per the Section 12 of the Act)

(a) Plan and implement development projects in the designated area to improve productivity, foster economic development and generate income and employment opportunities;

(b) Carry-out detailed studies of the projects identified in the overall development plan for the designated area on priority basis;

(c) Request the Ministry of the Minister to seek foreign funding for specific projects or programmes;

(d) Secure the co-operation of Government Departments, State institutions, Local Authorities, Public Corporations and other persons whether private or public, in carrying out studies referred to in paragraph (b) and implementation of development projects in the designated area; and

(e) Secure the participation of foreign and local private sector agencies, in carrying out detailed studies referred to in paragraph (b) and implementation of development projects in the designated area.

Powers, Duties and Functions of the Authority (As per the Section 13 of the Act)

(a) Secure and obtain technical and financial assistance from local and foreign sources in fulfilling the objectives of the Authority.

(b) Secure local and foreign collaboration for carrying out studies and implementation of special development projects in the designated area;

(c) Request Government Ministries, Departments and all other agencies responsible for the implementation of the projects being carried on in the designated area, to co-operate in planning and implementing such projects;

(d) With the concurrence of the President, request Government Ministries, Departments or other authorities to take-over, maintain and operate any development projects commissioned by the Authority;

(e) Establish own departments or agencies for the purpose of any work involved in the discharge of its functions;

(f) Carry out researches relating to the economic and social development of the designated area;

(g) Prepare an environmental impact assessment report in respect of any development project within the designated area;

(h) Award in accordance with the tender procedure laid down by the Government from time to time and tender for the procurement of goods and services necessary for the implementation of the development projects;

(i) Impose or levy a charge for the services rendered by the Authority within the designated area;

(j) Purchase, acquire, erect, maintain, reconstruct adapt any offices, plants, machinery or other material that may become necessary for the implementation of any development project;

(k) Implement development projects through any public or private institution or jointly by private and public institution;

(l) With the concurrence of the Minister in charge of the subject of Finance, to borrow, raise money or secure obligations from sources in Sri Lanka;

(m) Acquire in any manner and hold, take or give on lease or hire, mortgage, pledge, sell or otherwise dispose of any immovable property; and

(n) Subject to the provisions of the constitution and any other written law, do all such other acts as may be incidental or conducive to the attainment of the objects of the Authority or the exercise of its powers under this Act.

The Designated Area, Board of Directors, General Administration and Senior Management

The Designated Area

As per the Section No. 3 (1) of the Act, designated area of the Authority consists of the Galle, Matara, Hambantota, and Monaragala Districts and Kolonna and Embilipitiya two Divisional Secretariat Divisions of the Ratnapura district. Accordingly, there are 60 Divisional Secretariat Divisions in such designated area of the Southern Development Authority.

Board of Directors of the Authority

As per the Section No. 04 of the Act, the Authority shall consist of the following 07 members appointed by His Excellency the President

(a) An officer of the Ministry of the Minister nominated by such Minister,

(b An officer of the Ministry of the Minister in charge of the subject of Finance nominated by such Minister and

(c) Five other members referred to as “appointed members”

Ministry under which the Authority is regulated

Ministry	-	Ministry of Economic Development
Ministers		
Minister of Economic Development	-	Hon. Basil Rajapaksa
Deputy Minister of Economic Development	-	Hon. Lakshman Yapa Abeywardena
	-	Hon. Muttusivalingam
Secretary	-	Dr. P. B. Jayasundara

Board of Directors, General Administration and Senior Management

Board of Directors

Director Board Meetings – Year 2012

The Board of Directors that consist of as per the Section (04) of the Act of the Southern Development Authority of Sri Lanka usually meets once in every month. Yet, due to some practical reasons, the Board has met only 07 times during the year 2012 and such meetings were chaired by the Chairman of the Authority. Also, the names of the Board members are given below.

01.	Mr. A. P. S. Ranjith Gunasekara - Attorney-at-law (07-06-2006 to 31-12-2012)	-	Chairman / Director General
02.	Mr. Sunil Sooriya Bandara Dissanayake (01-09-2007 to 31-12-2012) Senior Tea Inspector Tea Small Holdings Development Authority	-	Member
03.	Mr. Sarath Amaraweera (12-05-2010 to 31-12-2012)	-	Member
04.	Mr. Chandana Priyalal Pathirana (12-05-2010 to 31-12-2012)	-	Member
05.	Mr. D. C. Siribaddana (08-04-2011 to 05-06-2012) Director – Department of Public Enterprises General Treasury Colombo 01	-	Member
06.	Mrs. W. K.K.Athukorala (20-06-2012 to 31-12-2012) District Secretary District Secretariat Matara	-	Member
07.	Mr. K. P. Dayanayake (20-06-2012 to 31-12-2012) Regional General Manager Regional Development Bank 382 A, Anagarika Dharmapala Mawatha Pamburana Matara.	-	Member
08.	Mr. A. K. A. Y. Tharanga (25-06-2012 to 31-12-2012) Assistant Director Legal Affairs Department Ministry of Finance and Planning Colombo 01.	-	Member

Management of the Authority

Chairman/Director General	-	Mr. A. P. S. Ranjith Gunasekara
Director (Finance & Administration)	-	Mr. J. K. Padmasiri
Actg. Director (Plan Implementation)	-	Mr. P. N. Wijerathne (From 07-09-2011 to 04-01-2012)
Actg. Director (Policy Planning)	-	Mr. P. N. Wijerathne (From 01-06-2010 to 31-12-2012)
Sector Manager (Industries)	-	Mr. Sunil Wannigama
Sector Manager (Planning)	-	Mr. L. M. A. Perera
Sector Manager (Fisheries)	-	Mr. H. K. Ranaweera
Sector Manager (Lands)	-	Mrs. S. D. Kalyani
Sector Manager (Training)	-	Mr. Shriyantha Liyanaarachchi
Sector Manager (Infrastructure)	-	Mr. S. R. Wijesekara
Actg. Sector Manager (Plantation)	-	Mr. C. L. Wegiriya
Actg. Sector Manager (Agriculture)	-	Mr. W. M. A. Perera (From 01-01-2012 to 14-03-2012)
Internal Auditor	-	Mr. S. C. Wanigathunga

District Administration of the Authority

Galle District	-	District Director	-	Mr. K. I. Masakorala
Matara District	-	District Director	-	Mr. Ranjith De Silva
Hambantota District	-	Act. District Director	-	Mr. K .Gunathilaka (From 31-08-2010 to 15-03-2012)
				Mr. Rohan Sanjeewa (From 16-03-2012 to 31-12-2012)
Moneragala District	-	District Director	-	Mr. P. M. Kulathunga

Staff of the Authority

Senior Level	-	03
Tertiary Level	-	89
Secondary Level	-	91
Primary Level	-	78
Total	-	**261**

Review of the Chairman / Director General

Introduction

It gives me a great pleasure to make a review regarding the whole activities of the Southern Development Authority of Sri Lanka for the year 2012, i.e. its 16^{th} year after the establishment of this Authority in 1996. By this review, I expect to explain the activities carried-out by this Authority from its inception to date, progress achieved regarding implementation of development activities and other special experience gained during the year 2012 in carrying-out all sorts of activities of the Authority.

Progress achieved during the Year 1996 to 2011

Major objectives of setting up of this Authority, as spelled out in the Southern Development Authority of Sri Lanka Act of Parliament No. 18 of 1996, are to upgrade the productivity, enhance economic development, plan and implement development projects in the Southern Region aimed at generating income and employment opportunities for public. In order to achieve these objectives, the Southern Development Authority of Sri Lanka has functioned through various approaches in the past.

Accordingly, during the prime years, this Authority paid its attention to develop the Southern Region by preparing free feasibility reports on several mega projects under Ruhunupura development concept. The following mega projects were included in that concept. That is, construction of International Harbour at Hambantota, Southern Highway, Southern International Air Port, Matara Kataragama Railway Line and Introduction of Model Inter-transport Network for South.

Thereafter, as the supervisory Ministries directed it, the Authority paid its attention towards small and medium scale development projects aimed at regional development and carried out the following development activities. One such important activity is attracting local and foreign investors to the down south by providing basic infrastructure facilities needed to set up industries. Amidst them, successful projects like Loadstar Tyre Factory at Midigama - (1996), Entrepreneur Center at Embilipitiya - (1997), Oliyagodawatte Coal Power Station at, Matara - (1998), Isuru Ceramic Factory at Kumbalgama, Matara - (1999), Ratalankawatte Auto Lanka Tyre Factory at Kamburupitiya - (2001), and Ratalankawatte Dragon Fruit Plantation Project at Kamburupitiya, Matara - (2009) are important. It is our victory that we have been able to give an impetus to the economy of the country and bring foreign currencies into the country through these projects.

In addition, the Southern Development Authority of Sri Lanka has been able to revitalize tea factories which were not functioning for several years and provide an immense support to the tea economy in the Southern Region. All such endeavours include revitalizing of, Panilkanda Tea Factory – (1999), Galagawa Tea Factory at Akuressa, - (2001), Jasminweli Tea Factory at Thawealama - (2001), and Handugala, Tea Factory at Walasmulla – (2009). These factories were started mainly by facilitating local, private investors.

In addition to the above development initiatives, the Southern Development Authority was also able to implement some programmes during the period of 1998 to 2007, in order to upgrade the rural economy. Having identified needs, economic and social problems of rural communities, the Southern Development Authority implemented various development programmes in the fields of industries, plantation, fisheries, agriculture and animal husbandry, lands, training and infrastructure with the aim of providing solutions for dire needs and problems of the public in such areas. The Southern Development Authority further supported the rural economy largely through the implementation of development programmes that aimed at developing under privileged villages.

Furthermore, from the year 2007 onwards, this Authority was entrusted with the task of implementing "Jathika Saviya-Gama Neguma" programme which was earmarked as a national programme in the "Mahinda Chinthana Policy Guide Line". Under such Jathika Saviya – Gaman Neguma Programme, this Authority was assigned with developing of 47 remote villages in the Southern Province, reviving the rural economy. That is, 18 villages in Galle district, 12 villages in Matara District, 17 villages in Hambantota District.

In 2008, "Jathika Saviya Gamaneguma" development programme was further expanded covering Moneragala district and Divisional Secretary's divisions of Kolonna and Embilipitiya in Ratnapura district, in addition to such activities already implemented in the districts of Galle, Matara and Hambantota. Accordingly, this Authority was provided with the financial allocations needed to launch development programmes in new103 villages. Thus, as a whole, this Authority was given the responsibility of developing 150 villages within the Southern Region. (i. e. Galle District – 43, Matara District – 45, Hambantota District – 37, Moneragala District – 25).

Above-mentioned projects were implemented according to Village Development Plan on priority basis. Also, "Jathika Saviya Gamaneguma" development programmes were implemented under three major components as; Economic and Livelihood Development, Infrastructure Development, and Spiritual and Social Development. Accordingly, this Authority had spent Rs. 1701 millions for development activities including special projects implemented in the Southern Region from the inception of this Authority in 1996 up to 2009.

In addition, for the purpose of further implementation of Jathika Saviya-Gama Neguma Programme, the Treasury provided this Authority with the financial allocation of Rupees 280 million in 2010. Out of such allocations, this Authority has spent Rs. 201.1 million for the relevant projects. Thus, it is a pleasure to note that the Authority was able to achieve a financial progress of 71.8% as to implementing such projects. If the balance allocation too were received in cash , the Authority would have achieved 100% financial progress. Further, the physical progress achieved during this year is 80.5%, which is a remarkable achievement. In addition, the total estimated economic benefit derived through the implementation of such projects was around Rs. 300 million.

In addition, as per the instructions given by the Ministry of Economic Development, the District Secretaries of Galle, Matara and Hambantota released Rs. 159.8 million to develop the economic infrastructure facilities in those districts, under the Jathika Saviya Gama Neguma – Phase II. Out of such money, by spending Rs. 96.7 million, 215 numbers of economic infrastructure projects were implemented in the relevant villages selected for the purpose. Accordingly, by implementing these special projects, the Authority was able to achieve 69% financial progress and 90% physical progress.

As per the development plan for the year 2011, it was expected to incur Rs. 300.5 millions, under the three main development programmes as, Rs. 215 millions for establishing 15,000 domestic economic units in 150 villages under the Divineguma Development Programme and developing such villages in the areas of agricultural development, domestic industry development and fisheries and livestock development, Rs. 73 million for implementing accrued projects under Jathika Saviya Gama Neguma and also, Rs. 12.5 million for the payment of other expenditure including payment of retention money on the construction of Head Office building.

Accordingly, the Authority was able to achieve 51% financial progress spending Rs. 152.3 millions on the above-mentioned projects. Thus, the actual spending under the three main programmes contained in the development plan is as follows. That is, Rs. 77.4 million for Divineguma National Programme, Rs. 62.6 million for accrued projects under Jathika Saviya-Gama Neguma and Rs. 12.3 for payment of other expenditure including payment of retention money on the construction of Head Office building. Thereby, the Authority was able to achieve 51% physical progress during the year 2011 by completing 529 numbers of projects out of 1,048 projects planned and identified.

Apart from the progress achieved as mentioned above, this Authority was able to add an economic value of around Rs. 280 million to the Gross Domestic Production of the country by implementing such development projects. That is, Rs. 154 million by implementing Divi Neguma Projects and Rs. 126 million by implementing Jathika Saviya-Gama Neguma Projects. Such values are limited only to values that could have been calculated on the physical projects implemnted. Also, the values that added by implementing services such as providing houses to 398 needy beneficiaries in the Hambantota district during the year 2011 have not been accounted for such value. For this housing project, the Authority spent Rs. 44.1 million that was provided by the District Secretary, Hambantota on the instructions of the Ministry of Economic Development.

Progress achieved for the Year 2012

With the hope of improving livelihood of 15000 family units in selected 150 Garama Nialadari Divisions in the Southern Region, a host of programmes that come under Economic Development, Livelihood Development and Infrastructural Development were implemented under Divi Neguma Programme during the year 2012. The specialty in that is, the projects thus implemented are limited only to accrued and continuation projects carried forward from the year 2011. Since the funds were not allocated considering already scheduled formation of Divi Neguma Department, no any new projects were implemented during 2012.

To effect payments for 246 accrued projects carried forward from the year 2011, the General Treasury had initially allocated Rs. 50 million. Consequently, deducting 9% as savings from that amount, i.e. Rs. 4.5 millions, as per the circular issued by the Ministry of Finance, Rs. 45.5 million net provisions was allocated to this Authority for the above purpose. Out of such amount, Rs. 45.3 million was utilized for such accrued payments. Thereby, having completed all accrued projects, 99.56% financial progress as to payments was achieved.

Project component wise spending of Rs. 45.3 million is as follows. Domestic Economic Unit Development Programme Rs.2 million, Livelihood Development Programme to Strengthen Domestic Economic Unit Development Programme Rs.11.8 million, Infrastructure Development Programme to Strengthen Domestic Economic Development Programme Rs. 27.9 million. Other projects aimed at Rural Development Rs.3.5million.

In addition, the Ministry of Economic Development allocated Rs.22.5 million for implementing continuation projects carried forward from the 2011. Yet, the sum of Rs. 9.5 million actually received was utilized for such purposes and achieved 42% financial progress. In addition, completing 294 projects out of 324 estimated projects, 91% physical progress was achieved.

Apart from that above, the Ministry of Economic Development allocated Rs.91.8 million for Housing Development Programme in the Hambantota District under which it was aimed to construct 600 Nos. of houses for needy poor people, under the theme of "Palpathin Nawa Lowata" (From Shanty to New World). Out of such allocation, the Authority received Rs. 75.06 million and actually spent Rs.75.04 million for the purpose. Thus, a financial progress 99.7% was achieved. On the other hand, constructions were completed even including roofs in all 600 houses. Yet, only 510 Nos. of houses were completed in all aspects as to constructions marking a physical progress of 85%.

By implementing all the above mentioned Divi Neguma Projects and Housing Development Programmes, the Authority was able to provide benefits to more than 200,000 needy and fitting sections of the general public in the Southern Region. Thereby, the Authority was able to uplift the food production capabilities, income generation capabilities and nourishing levels of such beneficiaries. Because of that, this Authority was also able to make such beneficiaries the active partners of the national economy. In addition, the Authority was able to add Rs. 300 million worth contribution to the country's economy by implementing such projects, which is marked as the achievement of prime objectives that are spelled out in the paragraph No. 12 of the Authority's Act.

To explain concisely, during the operations of this Authority for the last 16 years i.e. from the very inception in 1996 and up to 31 December 2012, the Authority has spent around Rs. 2550 million for general and special projects that were implemented for the well-being of the public in the Southern Region.

Thus, this Authority could not only contribute by several folds of expenditure incurred as above to the country's Gross Domestic Production, but also could uplift the economic capabilities and the living standards of beneficiary folks, generate employment opportunities for the youth and thereby, to uplift social and living standards of such people in the Southern Region. With all such positive steps, this Authority could give a significant boost to the economic prosperity of the Southern Region during the year 2012.

Steps taken to Develop Human Resource during the Year 2012

This Authority, which was established in 1996, had only a prime standard organizational structure. Also, there had been no proper recruitment procedure and a promotional system.

Having considered such shortcomings and going by the instructions issued by the Management Services Department in its Circular No 30 and recommendations of the Ministry of Economic Development and the National Salaries and Cadre Commission and the approval by the Management Services Department, this Authority implemented new organizational structure, proper recruitment procedure and promotional system in December 2012. This is a very significant step in the development of Human Resource of the Authority. Through such progressive steps, 193 Nos. of employees (74% out of 261 Nos.) were promoted to the next step of their existing grades. By such means, it is expected to uplift employee motivation, which in turn will result in higher performance in their duties in the future.

Establishment of Divi Neguma Department

The Government has passed a special Act to establish a New Department named "Divi Neguma" by amalgamating this Authority along with four other identified public institutions. That is by the Act of Divi Neguma Department No 01 of 2013. At present, the structure of that Department and the other primary matters relating to the formation of the Department are being finalized under the heading of Ministry of Economic Development. Once such matters are over and the Minister of Economic Development gazettes the notice of the official formation of Divi Neguma Department, its operations are scheduled to be started officially, with what, this Authority along with four other public institutions are ceased to be functioned.

A. P. S. Ranjith Gunasekara
Chairman/Director General
Southern Development Authority of Sri Lanka

The Report of the Audit and Management Committee - 2012

A brief report regarding the activities carried out by the Audit and Management Committee of the Southern Development Authority of Sri Lanka during the period of 2012 is given below.

The Functions of the Audit and Management Committee is to,

- Determine the scope of Internal Audit Department.
- Assist the Board of Directors in decision-making process, submitting reports on financial reporting process.
- Submit summery of recommendations of the Audit and Management Committee periodically to the Board of Directors for making decisions.
- Review the system of internal control and risk management.
- Monitor the effectiveness of the Internal Audit function.
- Review the activities of the staff, compliance with statutory and internal laws and regulations.
- Review findings of internal audit reports from the point of view of accounting, finance, operation and reporting on the same to the Board of Directors periodically.
- Review internal audit reports on matters pertaining to staff discipline, waste of resources and corruption and submitting recommendations to the Board of Directors accordingly.
- Engage in feedback exercise regarding actions taken on internal and external audit reports.
- Review and give feedback on implementation of recommendations by Committee on Public Enterprises (COPE).

Composition of the Committee

The Audit and Management Committee comprises of five members as mentioned below.

Mr. A. K. A. Y. Tharanga Assistant Director Department of Legal Affairs Ministry of Finance and Planning (From 13th October, 2012)	-	Chairman of the Committee
Mr. D. C. Siribaddana Director - Ministry of Finance and Planning Member of Board of Directors - SDA (From 6th April, 2011 to 12th October 2012)	-	Chairman of the Committee
Mr. Sarath Amarweera Member of Board of Directors - SDA	-	Committee Member
Mr. Sunil Suriyabandara Disanayake Member of Board of Directors - SDA	-	Committee Member
Mr. J. K. Padmasiri Director (Finance & Admin.) - SDA	-	Committee Member
Mr. H. D. Ariyarathna Superintendent of Audit Auditor General's Department - Matara	-	Observer
Mr. S. C. Wanigathunga Internal Auditor - SDA	-	Convener of the Committee

The Audit and Management committee consisted of three Non Executive Directors, namely Mr. A. K. A. Y. Tharanga (Director – Ministry of Finance & Planning), Chairman of the committee, Mr. Sarath Amarweera and Mr. Sunil Sooriyabandara Disanayake.

Since Mr. A. K. A. Y. Tharanga was appointed as the new representative from the Ministry of Finance to the Board of Directors of SDA with effect from 13th October, 2012 and he assumed duties as the new Chairman of this committee w.e.f. that date.

Meetings

The Audit and Management Committee met five times during the year 2012, (i.e. January, March, May, October and December). Director (Policy Planning) , other relevant officers of the SDA also attended these meetings by the invitation of the Committee from time to time. Accordingly, remedial measures were taken going by the above-mentioned functions of the Committee.

Financial Reporting

The Committee, as part of its responsibility to oversee the Authority's accounting and financial reporting process, reviewed and discussed with the management on the Annul Accounting and Financial Statements prior to their issue, including the compliance with the Sri Lanka Accounting Standards regarding the preparation of the same and relevant decisions were taken.

Risks and Controls

During the year, the Committee reviewed the effectiveness of the Authority's systems of accounting and other internal controls and took necessary actions to streamline things where necessary.

Internal Audit

The Audit and Management Committee undertook the task of the annual evaluation of the independence of the Internal Audit Department and the effectiveness of the audit process. In this regard, the Committee reviewed the internal audit reports, audit approach and procedures, including matters relating to the scope and resulting actions on audit reports by the management. The Internal Auditor as the convener invited the other relevant officers to be present at all Audit Committee deliberations deemed necessary. He presented a summary of the salient findings of all internal audits and investigations carried out by his department periodically to the Committee.

Regulatory Compliance

The Committee reviewed the sufficiency of the procedures established by the management and compliance with the statutory and internal laws and regulations by the management. The Internal Auditor submitted to the Audit Committee on regular basis, a report on the transparency of finance and administrative procedures and transactions and events.

Whistle blowing

The Audit and Management Committee reviewed matters relating to breach of ethics and frauds committed by employees when inquisitive persons point such incidence out to the top management. The Committee also ensured that the procedures initiated to safeguard the independent investigations of such matters are in place and appropriate.

A.K.A.Y.Tharanga
Chairman - Audit and Management Committee
Southern Development Authority of Sri Lanka

PROGRESS OF DEVELOPMENT PROJECTS IMPLEMENTED IN 2012

1. Introduction

The Southern Development Authority of Sri Lanka has been established under the Southern Development Authority of Sri Lanka Act No. 18 of 1996 with the aim of social, economical and cultural development in the Southern Region. Accordingly, the Authority has been performing a major task for the development of the entire region covering Galle, Matara, Hambantota and Moneragala districts and Divisional Secretarys' divisions of Kolonna and Embilipitiya in the Ratnapura district for the last 16 years since 1996. At such a juncture, the purpose of submitting this performance report for the year 2012 is to present the performance of different development projects implemented in 2012 in different angles for the awareness of different stakeholders to this Authority. Thus, this report may present an obvious analysis as to whether the allocations provided to the Authority by the Treasury are productively utilized in order to achieve objectives of the Authority and aspirations of the people living in the Southern Region.

This report is consisted of five Chapters where the first Chapter provides an introduction while the second introduces the Southern Development Authority of Sri Lanka. Legislative status, geographical areas, objectives, powers, functions and other details of the Authority are presented by the contents of such chapter. The third Chapter shows the past track of the Authority where different projects were implemented by the Authority for the acceleration of the economic development in the Southern Region and their effect under three major phases. The performance of each development project implemented in 2012 by the Authority is indicated in different angles by the fourth Chapter. Consequently, the fifth Chapter provides a description on overall performance achieved during the year 2012.

For the easy comprehension of this report, the second Chapter presents details about the inception of the Southern Development Authority of Sri Lanka, its structure and functions.

2. Introduction to the Southern Development Authority of Sri Lanka

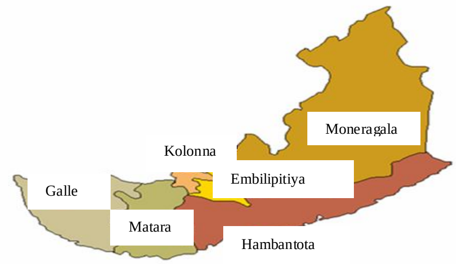
Legal status of establishing the Southern Development Authority of Sri Lanka, geographical area of the Authority, its objectives, powers and functions can be described as follows.

2.1. Legal Status of the Southern Development Authority of Sri Lanka

The Southern Development Authority of Sri Lanka is a public institution established under the Southern Development Authority of Sri Lanka Act of Parliament No. 18 of 1996.

2.2. Geographical Area

As per the section 3 (1) of the Authority's Act, geographical area of the Southern Development Authority of Sri Lanka includes administrative districts of Galle, Matara, Hambantota and Moneragala and divisional secretariats of Kolonna and Embilipitiya in the Ratnapura district. This area covers a land extent of 60 divisional secretariats in the previously mentioned areas. The map depicting the geographical area and the logo of the Authority are shown below.



2.3. Objectives, Powers, Duties and Functions of the Southern Development Authority

The Objectives, Powers, Duties and Functions that are spelled out under the sections 12 and 13 of the Authority's Act are given below.

2.3.1. The Objectives of the Authority (As per the Section No. 12 of the Act)

(f) Plan and implement development projects in the designated area to improve productivity, foster economic development and generate income and employment opportunities;

(g) Carry-out detailed studies of the projects identified in the overall development plan for the designated area on priority basis;

(h) Request the Ministry of the Minister to seek foreign funding for specific projects or programmes;

(i) Secure the co-operation of Government Departments, State institutions, Local Authorities, Public Corporations and other persons whether private or public, in carrying out studies referred to in paragraph (b) and implementation of development projects in the designated area; and

(j) Secure the participation of foreign and local private sector agencies, in carrying out detailed studies referred to in paragraph (b) and implementation of development projects in the designated area.

2.3.2. Powers, Duties and Functions of the Authority (As per the Section No. 13 of the Act)

(a) Secure and obtain technical and financial assistance from local and foreign sources in fulfilling the objectives of the Authority.

(b) Secure local and foreign collaboration for carrying out studies and implementation of special development projects in the designated area;

(c) Request Government Ministries, Departments and all other agencies responsible for the implementation of the projects being carried on in the designated area, to co-operate in planning and implementing such projects;

(d) With the concurrence of the President, request Government Ministries, Departments or other authorities to take-over, maintain and operate any development projects commissioned by the Authority;

(e) Establish own departments or agencies for the purpose of any work involved in the discharge of its functions;

(f) Carry out researches relating to the economic and social development of the designated area;

(g) Prepare an environmental impact assessment report in respect of any development project within the designated area;

(h) Award in accordance with the tender procedure laid down by the Government from time to time and tender for the procurement of goods and services necessary for the implementation of the development projects;

(i) Impose or levy a charge for the services rendered by the Authority within the designated area;

(j) Purchase, acquire, erect, maintain, reconstruct adapt any offices, plants, machinery or other material that may become necessary for the implementation of any development project;

(k) Implement development projects through any public or private institution or jointly by private and public institution;

(l) With the concurrence of the Minister in charge of the subject of Finance, to borrow, raise money or secure obligations from sources in Sri Lanka;

(m) Acquire in any manner and hold, take or give on lease or hire, mortgage, pledge, sell or otherwise dispose of any immovable property; and

(n) Subject to the provisions of the constitution and any other written law, do all such other acts as may be incidental or conducive to the attainment of the objects of the Authority or the exercise of its powers under this Act.

2.4. Corporate Information

Vision, Mission and Values that are primary parts of the Corporate Information of the Southern Development Authority of Sri Lanka are given below.

2.4.1 Vision

"Our vision is to create an economically prosperous Southern Region within an ecologically sustainable and culturally vibrant environment, while offering attractive and challenging opportunities for the youth and opening up the Region as a "Gateway" to the fast growing Asia Pacific Region".

2.4.2. Mission

"Our mission is to contribute to the accelerated growth of the Region's Gross Domestic Production (GDP) and assisting in the achievement of a Per Capita Income to targeted levels, within an environment providing challenging opportunities and better quality of life, by scrutinized identification of felt needs and resources in the Region, planning and developing with the co-ordination of line Agencies and the Private Sector."

2.4.3. Values

Values of the Authority are,

- Dedicated service aimed at customers
- Encouragement for all to contribute and become excellent
- Courtesy
- Respecting others
- Listening, thinking, accepting challenges and working neatly

3. Historical Path of the Southern Development Authority of Sri Lanka.

For easy reference for those who refer this Performance Report for 2012 and to get a clear comprehension about the path through which the Authority progressed and gradually expanded, explanations on all sorts of activities carried out by the Authority from its inception to the year 2012 have been presented under the Chapter 3.

3.1 Development Process for the Period of 1996 to 2011

During the past period of 16 years since the inception of the Southern Development Authority of Sri Lanka in 1996, various development activities were implemented in the Southern Region following different approaches. Such activities carried out by the Authority for the upliftment and renaissance of the Southern Region could be mentioned under three periods as given below.

Period from 1996 to 1998
Period from 1999 to 2006
Period from 2007 to 2011

Out of the above three periods, the first period from 1996 to 1998 could be referred to as the era during which large-scale projects were planned with the aim of creating a renaissance in the Southern Region. Details of such activities are as follows.

3.2 Period from 1996 to 1998

During the initial period of the Authority from 1996 to 1998, under the guidance and the instructions given by the then Government, plans on massive development projects were presented in order to make the Southern Region a very productive economic center in Sri Lanka.

Accordingly, having identified the Southern Region as a region enriched with needy physical and human resources to be an economic center, under the concepts of Ruhunupura Development and Southern Corridor, pre-feasibility studies were conducted, and plans were prepared accordingly. At present, the relevant public, line institutions are implementing those projects identified by such plans and it is a certain type of victory the Southern Development Authority of Sri Lanka achieved in contributing to the development of the Southern Region. Those plans are as follows.

- Construction of the international harbour of Hambantota
- Construction of the southern highway
- Proposal related to the inter model transport network of the Southern Region

- Improvement of the Galle harbour
- Construction of the southern international air port
- Construction of the railway line from Matara to Kataragama

In addition to the above significant programmes, period from 1999 to 2006 could be mentioned as the second milestone of the journey of Southern Development Authority of Sri Lanka. Summarized description of activities carried out during this period is given below.

3.3 Period from 1999 to 2006

After fulfilling the basic mission of the Authority as described above, with effect from 1999, development projects were implemented under eight main sectors . Those sectors are industries, plantation, fisheries, training, agriculture, lands, marketing and services. Under these sectors, a several minor and medium scale projects aimed at regional development were implemented. Further, a significant actions were taken to bring domestic and foreign investments to the Southern Region. Further, the Authority provided basic infrastructure facilities needed to set up industries identified by such investments. Summarized description of a few major such industries are given below.

- **Thermal Powerhouse at Oliyagodawatte, Thihagoda, Matara**

  The Authority provided basic infrastructural facilities needed to set up this Powerhouse. That is, the Authority acquired a land with an extent of 50 acres and provided the same to M/s Ace Power Generation Pvt. Ltd. for the intended purpose. This thermal powerhouse is adding an electricity capacity ranging from 480 to 576 Mega Watt to the national electricity grid.

- **Loadstar Factory at Midigama - Matara**

  This factory can be introduced as a production industry project for which the basic infrastructure facilities needed to set up such industry was provided. That is, this Authority involved in facilitating to provide lands needed to set up this factory, infrastructure facilities and coordinated other related institutions in obtaining permits to implement the factory. Due to the establishment of this factory, about 5700 direct job opportunities were generated while the income of about 2000 rubber tapping farmers in the area was increased. Major importance of this project is that it is earning a considerable amount of foreign exchange to our country by exporting different types of tyres manufactured in this factory.

- **Isuru Ceramic Factory at Kumbalgama, Matara**

  This factory produces ornamental ceramic products using porcelain. The value of the investment is about Rs. 3 m. The factory manufactures products aimed at catering to both local and foreign market demand. Daily production is around 500 units while the monthly income of the owner is between Rs. 100,000 - 200,000. This factory has generated 11 direct and 04 indirect job opportunities. The Authority continuously encourages the entrepreneur of the factory to produce items, which are sufficient to the local and the foreign demand.

- **Entrepreneur Center at Embilipitiya**

  This entrepreneur center is yet another successful project for which the Authority provided basic infrastructure facilities needed to set up industries located in this centre. This was begun with the aim of encouraging private investments. Under this project, six abandoned buildings were renovated and given to several entrepreneurs for implementing successful projects in five buildings. Industries and enterprises that have been started in this venue are bakery products, manufacturing of steel furniture, production of office equipment, advertising through print media, manufacturing of exercise books and computer related printing. This center has generated about 120 direct and 200 indirect job opportunities. These enterprises have made an annual contribution of Rs. 05 m. to the Gross National Production of the country.

- **Auto Lanka Tyre Factory at Ratalankawatte, Kamburupitiya, Matara**

  The Authority facilitated in numerous ways to set up this industry including mainly providing a land of 05 acres for this project. An investment of Rs. 96 m. has been made to this factory and it manufactures belts needed to tyre production and glue. These products were earlier imported from India. This factory has generated about 80 job opportunities. This project has been able to save foreign exchange of about Rs. 400 m. By catering to this factory demand of rubber which is the raw material required by the above products, the income of around 2,000 small rubber estate owners has gone up.

- **Upliftment of abandoned Tea Factories**

  By re-establishing several tea factories, which were not functioning for a few years in the past, the Authority was able to boost the tea economy in the area. This is yet another victory the Southern Development Authority achieved. These factories include Galagawa Tea Factory of Akuressa, Matara, Jasminweli Tea Factory of Thawalama - Galle, Handugala Tea Factory of Walasmulla and Panilkanda Tea Factory of Kolonna. All these factories taken together crush around 8,000 kg. of tealeaves bought from small tea estate holders per day and all these factories have generated around 400 direct and 7,500 indirect job opportunities. In addition, this Authority is proud of the fact that all these projects have been able to earn a considerable amount of foreign exchange to the country.

  In addition to providing basic infrastructural facilities for small scale and medium scale development projects, Southern Development Authority contributed to uplift rural, sustainable economy at a significant level through short-term development plans covering all Divisional Secretariat Divisions in the Southern Region during this period. Especially, providing a greater contribution to both rural agro economy and plantation economy, the Authority implemented more permanent process of development.

Also, a programme was implemented to develop remote villages where downtrodden folks live contributing much to upgrade productivity. In that regard, one village from each Divisional Secretariat division in the Southern Region was selected. Also, this programme was carried out with the purpose of uplifting the livelihood of the inmates of such villages having identified infrastructural needs of such village folks and catering to such needs. Through such means also, it was able to strengthen the economic conditions and uplift the living conditions of villagers who live far away from the urban areas. In addition, a novel pogramme named Integrated Socio Economic Development too was implemented for improving social, economical and infrastructural facilities.

Later on, the Authority was able to enter novel paths of development passing through the third passage of its way. Accordingly, the descriptions of activities carried out during the period of 2007 to 2011 are mentioned below.

3.4. Period from 2007 to 2011

During this period, the Authority got the opportunity to carryout development activities more meaningfully under a new vision beyond the concept of developing remote villages. Accordingly, this Authority was assigned with the responsibility of providing a renaissance to the rural economy under the "Jathika Saviya Gama Neguma" development programme affiliating to the 'Mahinda Chinthana' national policy, from the year 2007. As a result, the "Jathika Saviya Gama Neguma" programme was implemented in all selected villages under three major components namely, economic and livelihood development, infrastructure facilities development and spiritual and ethical development. The very specialty in this programme was that this was implemented under the Village Development Programmes (VDP) for which the public participation is ensured and their ideas and proposals too are included. Such programmes finally assured fulfilling of their necessities.

Accordingly, 47 villages, i.e. each selected from the Divisional Secretariat divisions in the three districts of, Galle, Matara and Hambantota were developed under the "Jathika Saviya Gama Neguma" development programme. That is, 18 villages in Galle district, 12 villages in Matara district and 17 villages in Hambantota district. Later on, several of specially identified projects in 150 villages including the previously mentioned 47 villages, in the districts of Galle, Matara, Hambantota and Moneragala were implemented on priority basis in the years 2008 and 2009. Accordingly, during the period of three years from 2008 to 2011, the total amount spent by the Authority for the "Jathika Saviya Gama Neguma" development project is Rs. 846 m. Thereby, the primary objectives of the Authority could be achieved largely.

Under this chapter, it was expected to give a clear understanding about the development activities carried out by the Southern development Authority of Sri Lanka from its inception. Fourth chapter will presents a comprehension on the development and other activities implemented in the year 2012.

4. Performance of the year 2012

During the year 2012, as well as during the last year, Southern Development Authority carried out development activities within 150 selected Grama Niladari divisions in order to make the great task of creating a self-sufficient village by 2016 a reality through the livelihood development and the social development under the "Divineguma" programme, which is one of the major the novel development concepts of the present Government. Primarily, the Authority, under the "Divineguma" development programme, carried out activities related to economic growth, livelihood development and infrastructure facilities development. This programme was initiated in 2011 and it was expected to strengthen further such programme through the activities carried out in 2012. Accordingly, "Divineguma" programme was continued in 2012 and the Authority involved in developing 15,000 household units further in 150 Grama Niladari divisions selected from the districts of Galle, Matara, Hambantota and Moneragala.

It had been proposed to establish a new department named Divineguma Development Department by integrating five public institutions as, Southern Development Authority of Sri Lanka, Upcountry Development Authority, Upcountry Rural Rehabilitation Department, Samurdhi Authority and Department of Samurdhi Commissioner. Activities of this new department are scheduled to be started in 2013.

The Authority was not able to start new projects this year since the total sum allocated for the Authority in this year had to be utilized only for accrued and continuous projects in 2011.

Accordingly, financial provisions were provided to the Southern Development Authority through two financial sources to achieve the overall development targets in the year 2012. Thus, the Treasury provided allocations for accrued projects and the Ministry of Economic Development provided allocations for continuous projects and housing project in the Hambantota district.

While 9% out of Rs.50 m. approved by the Treasury for accrual projects had to be deducted by way of managing expenditure as per the Finance Ministry circular No. 155. That is, such amount was managed by setting off the expected expenditure on the items of acquisition of capital assets and the training of internal employees. Consequently, Rs.45.30 m. out of the balance amount of Rs. 45.5 was spent on accrued projects concerned, which were completed in full, and a financial progress of 99.56% was achieved by the end of the year.

Further explanations about such accrued projects are mentioned in the following table and the graph.

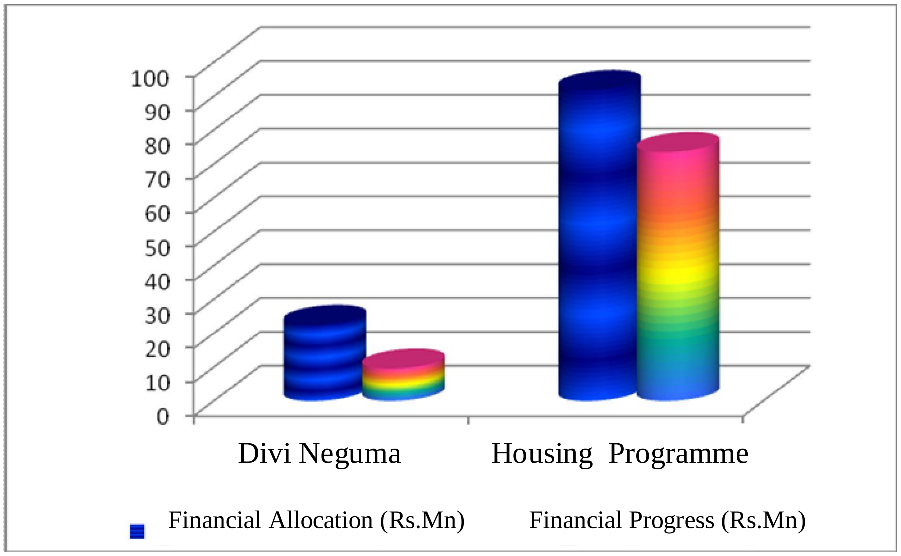
Southern Development Authority of Sri Lanka
Development Programme - 2012
Summarized Financial Progress as at 31.12.2012 - Accrued Projects

Programme		Allocation (Rs.)	Financial Progress (Rs.)
1. "Divineguma" Programme			
1.1 Accrued Projects			
1.1.1	Domestic Economic Unit Development Programme	2,257,108.82	2,027,778.00
1.1.2	Livelihood Development Programme for Domestic Economic Unit Development Programme	13,466,312.76	11,820,318.74
1.1.3	Infrastructure Development Programme for Domestic Economic Unit Development Programme	28,566,307.20	27,916,044.68
Sub Total		**44,289,728.78**	**41,764,141.42**
2. Other Projects			
2.1	Deyata Kirula National Exhibition	525,000.00	418,200.00
2.2	Acquisition of capital assets	4,000,000.00	2,492,206.50
2.3	Internal employee training	500,000.00	
2.4	Administrative cost (2%)	685,271.22	630,196.08
	Sub Total	5,710,271.22	3,540,602.58
Grand Total		**50,000,000.00**	**45,304,744.00**

Note : 9% of expenditure was managed as per the Finance Ministry circular No. 155 setting off the acquisition of capital assets and the training of internal employees.

Descriptions given by the Table in the previous page are also shown by the following graph.

Southern Development Authority of Sri Lanka
Development Programme (Accrued Projects) - 2012
Financial Progress (Receipt of Treasury Funds)



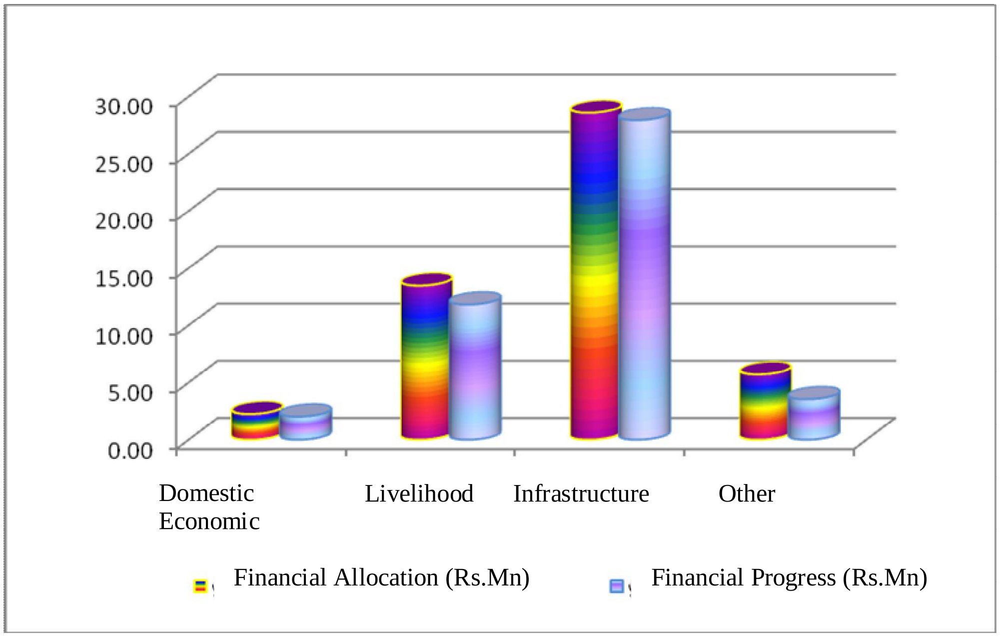
Further, in 2012, under the Ministry allocation, being the second source of finance, Rs. 22.5 m. for continuation projects carried forward from 2011 and Rs. 91.8 m. for housing programme were approved by the Ministry of Economic Development. With the use of Rs. 9.57 m. out of allocation of Rs. 22.5 m. for the continuation projects, the Authority was able to complete them in full achieving a financial progress of 42.22%. For the task of constructing 600 new houses for low-income families selected from the Hambantota district, Rs. 91.8 was allocated by the Ministry. Out of such amount, Rs. 75.06 was released. Accordingly, the Authority was able to complete all 600 houses up to its roof level and spent Rs. 75.04 achieving a financial progress of 81.74%. The physical progress achieved in this regard is 85%.

Financial progress of projects implemented under the allocations made by the Ministry is shown in the following table and graph.

Summarized Financial Progress as at 31.12.2012 (Continuation and Housing Project)
Funds allocated by the Ministry

Programme	Physical target projects	Projects completed	No. of beneficiaries	Allocation (Rs. m.)	Financial progress (Rs. m.)
1.Divineguma programme	318	252	5800	22,500,000.00	9,554,935.26
2.Housing programme	400 (houses)	396	400	91,800,000.00	75,044,809.20
Total	**718**	**648**		**114,300,000.00**	**84,599,744.46**

Financial Progress (Receipt of Ministry Allocation)



In 2012, performance of the above mentioned development activities achieved under seven categories and such sectoral progress could be described as follows.

01. Development Projects Implemented by the Industry Sector

In the year 2012, the Industry Sector selected families with various entrepreneur skills from the beneficiary families living in selected 150 villages and took necessary measures to develop their enterprises and industries so that their livelihood skills could be enhanced. Related details are given below.

- **Entrepreneurship Development and Technology Exchange Programme**

  Under this programme, 30 beneficiaries who were selected from 150 Grama Niladari divisions were given equipment worth Rs. 0.2 m needed for their enterprises under the continuation financial allocations. In addition, 08 programmes on minor scale business management have been conducted for 160 beneficiaries who had been provided with the necessary equipment in 2011. Central Bank of Sri Lanka has incurred a cost of Rs. 16,000/= for this. Accordingly, the total annual income of the beneficiary families has gone up by Rs. 3.8 m.

Thalahitiyawa - Galle district
(Mrs. A.. Karunawathie)

Kabaragala - Galle district
(Mr. W.A. Ajantha Weeramuni)

- **Food Production Entrepreneur Development Programme for Rural Women**

  This programme is implemented with the support of M/s Practical Action, which is functioning under the sponsorship of the SARC fund. In 2012, five beneficiaries were given the opportunity to sell their products at the foreign market and they have earned a sum of Rs. 75,000/= initially.

  Because of conducting programmes on project management for 61 beneficiaries, they have been able to have a better understanding about the costs of their productions and determining prices of the same properly. Furthermore, 16 beneficiaries were given special technology training on a few products for which there is a demand in both the local market and the foreign market. They have also been given the opportunity in supplying such products to the such markets. M/s Practical Action spent a sum of Rs. 600,000/= for this purpose.

Food Production Training
Sabha Institution - Ratmalana

Training Programme held at
Kamburupitiya in Matara district

- **Coir Production Units Development Programme in the Southern Region**

  Under this programme, the following projects were carried out within the Southern Region with the contribution of several government and non-governmental institutions.

  01. An exhibition of coir industry was held in 2012 encouraging 30 coir mill owners, presently operating them properly.

  02. Owners of 48 coir mills were provided with the knowledge of the modern technology and the opportunity to grasp the foreign market as well as the local market through novel products. A cost of Rs. 350,000/= was borne by M/s Oxfam for this purpose. As a result, the monthly income of each of the coir mills has increased from Rs. 5000/= to Rs.25,000/=.

Southern Province Coir Exhibition – 2012
Sanath Jayasuriya Stadium – Matara

Aparekka Coir Industry – Matara District
(Mr. Lalith Kapila Weerasinghe)

- **Programme of Providing Bank Financial Facilities and Knowledge on Financial Management for Rural Industries Enterprises**

  Fulfilling the facilitating role of the Authority, this programme was conducted in association with the Central Bank of Sri Lanka. That is, 08 programmes were conducted for industrialists for which the Central Bank of Sri Lanka incurred a cost Rs. 70,000/=. Accordingly, 269 beneficiaries were made aware about the subject areas as, business management, financial literacy in line with the special housing programme named "Palpathin Navalovata" and obtaining bank financial facilities for rural enterprises. As a result, the necessary measures are being taken by the Central Bank to provide financial facilities for 60 beneficiaries. In addition, a loan amount of Rs.180,000/= was issued to two persons involved in the clay industry for manufacturing of nursery clay pots. Consequently, an order worth Rs. 300,000/= has been placed by the National Center for Styles in order to purchase those products.

Clay Product Center of Pathagahagodella
Hambantota District

Providing Financial Facilities for
Divineguma Businesses
Central Bank Auditorium – Matara

Deyata Kirula Exhibition - 2012

Six female manufacturers, who were picked from the Divineguma economic program, were given the opportunity for exhibiting their products in the exhibition unit of the Ministry of Economic Development and to sell their products in the local market as well as to get foreign market opportunities. M/s Practical Action has provided financial assistance for this purpose.

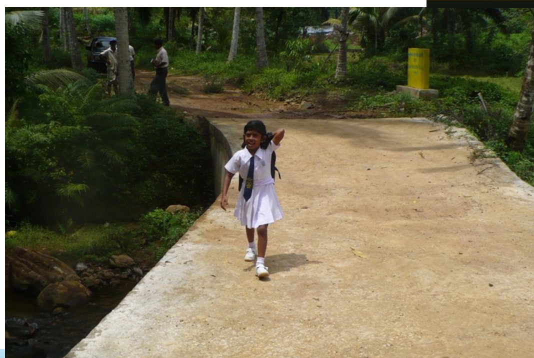
Deyata Kirula Exhibition - 2012
Oyamaduwa - Anuradhapura (Sale of Domestic Food Products)

02. Development Projects carried out by the Infrastructure Sector

Several incomplete programmes, which were carried forward from the year 2011, were completed during the year 2012. Accordingly, Rs. 7,857,296.95 was spent for the completion of incomplete works of 68 access roads, which were started, for providing access facility for rural agricultural projects. A sum of Rs. 208,404.24 for the completion of development works of one lift irrigation project and 03 irrigating anicuts and Rs. 24,681.35 for renovation of the community hall of Kahatagahapitiya of Bibila too were spent.

In addition to the above projects, a sum of Rs 304,593.60 was spent for the construction of land and the building of weekly fair of Pilana, Imaduwa and weekly fair of Mulandiyawala, Kolonna, Embilipitiya to provide infrastructural facilities. That is with the aim of facilitating farming community as; easing selling of agricultural products and making it efficient the purchasing of traders as well.

Construction of Welgulana Kandakosuwa of Kandaketiya Neluwa



Construction of Liyanagewatte Road of Galegodawatte, Urala, Neluwa

Washed away Road before the Reconstruction

- **Hambantota District Special Housing Project " Palpathen Navalovata"**

Based on the success of the special housing project implemented by the Authority in Hambantota district, having identified 7969 houseless families and those who live in temporary houses, by the end of 2011, measures were taken to construct 600 new houses within the year 2012.

"Palpathen Navalovata" Special Housing Project
Ministry of Economic Development
Southern Development Authority of Sri Lanka - Hambantota District
Progress as at 31.12.2012

Serial No.	Divi. Secretariat	No. of houses approved	Allocation made for 2012	Financial progress as at 31.12.2012	Completed up to roofs	Progress of houses completed up to roof					
						Concreting floor	Plastering (Roof completed houses)	Placing Door frames	Placing window frames	Fixing panes of doors and windows	Painting
1	Tissamaharama	42	6,300,000.00	4,996,000.00	42	38	22	29	29	**10**	10
2	Beliatte	57	8,550,000.00	7,113,000.00	57	54	45	49	49	33	31
3	Okewela	40	6,000,000.00	5,608,000.00	40	40	37	33	33	30	18
4	Katuwana	48	7,200,000.00	6,122,988.00	48	48	42	38	38	21	28
5	Lunugamvehera	42	6,300,000.00	4,876,000.00	42	41	18	19	19	10	9
6	Suriyawewa	58	8,700,000.00	6,640,000.00	58	52	41	50	50	22	21
7	Walasmulla	49	7,350,000.00	5,867,000.00	49	45	35	32	32	15	15
8	Weeraketiya	48	7,200,000.00	5,880,000.00	48	41	32	34	34	17	8
9	Angunukolapalessa	50	7,500,000.00	6,846,000.00	50	49	33	46	46	26	18
10	Tangalle	75	11,250,000.00	8,508,000.00	75	62	29	43	43	14	15
11	Ambalantota	36	5,400,000.00	4,398,000.00	36	34	17	24	24	9	7
12	Hambantota	55	8,250,000.00	6,710,000.00	55	51	34	30	30	16	11
		600	**90,000,000.00**	**73,564,988.00**	**600**	**555**	**385**	**427**	**427**	**223**	**191**

A few photographs, which show the manner of implementation of the housing project, are mentioned below.

Progress of the construction of the house of Mr. T.H. Mahinda in Yahangala village of Hambantota

03. Development Projects implemented by Agricultural and Livestock Division

In 2012, Agricultural and Livestock Division implemented projects, which were carried forward as continuation projects from the year 2011. Under such activities, major attention was paid to the development of agricultural crops, infrastructure facilities regarding the same and development of livestock sector. A summarized description of such development activities is given below.

- **Setting up of Agricultural Farms**

  With the aim of achieving the specific objective of "Divineguma" project, the food safety and increasing the income level of the family, the remaining works as to setting up of commercial agricultural farms for beneficiaries identified in 2011 could be completed in 2012. There, the special attention was paid towards the cultivation of vegetables, fruits and additional crops and 1502 beneficiaries were provided with vegetable plants, fruit plants and agricultural equipment. The Authority spent a sum of Rs. 1,364,440.00 for this purpose and it is expected to increase the income of the beneficiaries by about Rs. 10 m. Furthermore, with the aim of increasing the income of each family unit, 74 beneficiaries were provided with bee boxes and other equipment under bee keeping programme. In addition, a sum of Rs. 585,725.00 was spent to provide needy equipment, raw material including counseling for 48 beneficiaries and 147 beneficiaries respectively under mushroom cultivation and horticulture development.

- **Seeds and Plants Supply Unit**

  The objective of this project was to produce seeds and plants needed for beneficiaries living in villages where Divineguma programme is in progress. Under this project, a part of material required for setting up of 100 units of supplying seeds and plants were given in 2011. Such activities were completed in 2012 by providing the rest of the materials such as polythene hoses worth Rs. 384,490.00. As a result, the total annual income of the beneficiaries is expected to be increased by about Rs. 3.6 m.

- **Setting up of Small Nurseries, Secured Domestic / Green Houses**

  By this programme too, it is expected to produce fruit plants, flower plants and other type of plants needed for beneficiaries and a sum of Rs. 276,425.00 was spent to provide materials such as polythene hoses for 133 small nurseries. In addition, the beneficiaries were provided with frames, polythene and nets needed for 41 secured domestic/green houses at a cost of Rs. 1,256,450.00. Because of these measures, the total annual income of beneficiaries is expected to be increased by Rs. 6 m.

Export Standard Anthurium cultivation in
Secure tents maintained by
Mrs. Wasana Palangasinghe of Palatuwa, Thihagoda

- **Poultry Breeding Project**

  Under this project, a sum of Rs. 607,121.00 was spent for paying for breeding animals that were distributed among beneficiaries in the districts of Galle, Matara, Hambantota and Moneragala in 2011.

Improved domestic chicken breeding project
Set up related to compost project of
Urban Council, Weligama

- **Cattle and Goat Breeding Project**

A sum of Rs. 2,369,260/= and Rs. 191,510/= were spent for 17 cattle and 06 goat breeding projects under this project. Accordingly, measures have been taken to genetically improve the exiting animals and distribute their calves among beneficiaries in Divineguma villages.

Cattle breeding project maintained by Mr. Hemachandra Jayawardena of Gonnoruwa, Hambantota

- **Domestic Poultry Farming Programme**

This programme was carried out with the intention of upgrading the nutrition status of the family. Under this programme, 462 beneficiary families were selected and each family was provided with 10 domestically improved chicks aged one month, 03 roofing sheets for a cage of 25 sq. ft. and 45 ft. cage nets. A sum of Rs.1,074,825.00 was spent for making payments pertaining to this project. In addition, Rs. 10,430.00 was spent for two domestic cattle keeping projects.

- **Infrastructure Development Project of Strengthening Divineguma**

Under this project, 45 projects of renovating rural irrigation systems related to agricultural products were implemented in Galle, Matara, Hambantota and Moneragala districts. Cost of that project is Rs. 294,420.00

04. Development Projects carried out by Plantation Division

The Plantation Sector implemented the following projects during 2012 through the coordination of relevant line institutions. A summarized description about such projects is given below.

- **Cinnamon New Plantation and Plantation Rehabilitation Programme**

In order to ensure the achievement of the expected objectives of the new cinnamon plantation and the rehabilitation of cinnamon plantation implemented in 2011, actions were taken to maintain such plantations properly including making the beneficiaries to replant where it was necessary. In addition, the follow up procedures too were carried out.

In addition, a sum of Rs. 327,408.00 was spent to rehabilitate cinnamon lands by providing cinnamon plants for 110 beneficiaries in Matara district and getting beneficiary contribution for clearing lands, growing plants and getting maintained cultivations by them. In this process, Department of Agriculture gave its contribution providing technical assistance to collect suitable plants.

- **Rural Roads Development Programme related to Plantation Crops**

At a cost of Rs. 564,178.71 water break and culvert were constructed in Kandaketiya, Mavita West, Neluwa in Galle district in the year 2012 providing benefits for 40 families.

In addition, a sum of Rs. 832,971.89 was spent by way of retention fee and cost name boards of 14 roads constructed in the districts of Galle, Hambantota and Moneragala in 2011.

- **Income received from Projects implemented by Plantation Sector - 2012**

Income received from projects implemented by plantation sector in 2012 are as follows.

Name of the Project	Income received from Tea Factories (including govt. tax)	Percentage %
Galagawa Tea Factory	544,603.90	29.5%
Jasmin Valley Tea Factory	675,883.20	36.6%
Panilkanda Tea Factory	626,000.00	33.9%
Total	**1,846,487.10**	**100%**

05. Development Projects carried out by Human Resources and Training Division

Capital allocation was not provided for this division in 2012 to start new development projects. However, the following projects and activities were carried out by Human Resources and Training Division in 2012.

- **Maintenance of database designed related to Divineguma [Programme implemented by the Authority in past years**

Incomplete accrued and continuation projects carried forward from 2011 under Divineguma programme were implemented by other sectors in 2012. Under this programme, details of benefits provided for about 15,000 rural beneficiary families living in 150 selected villages and their family details were entered into the database and maintenaning of the same was done in 2012.

- **Maintenance of Vocational Training Institute of Thalahagama - Athureliya**

Our Authority and the Vocational Training Authority of Sri Lanka jointly established this training center in 2007 and the same continued up to now. Even in 2012, activities pertaining to evaluation of the progress of the trainings conducted and identifying students for courses of this training center were carried out.

Group of students who are following courses at the Vocational Training Center of Athureliya

- **Implementing Vocational Trainings with the Coordination of Line Institutions and Making Such Institutions Aware**

  Under this programme, various training activities were conducted in collaboration with the Vocational Training Forum of Hambantota District, which was jointly set up by many line institutions of state and private sector in Hambantota district.

06. Development Projects carried out by the Land Sector

With a view to achieve the primary objectives spelled out in the Authority's Act; i.e. to increase the production, the income and generation of job opportunities in the Southern Region, the Land Sector has implemented the following projects and the Authority could earn a sum of Rs. 1,599,266/= by way of annual rental in 2012. In addition, the following projects established in the Matara District have been able to generate about 94 direct jobs and livelihood for about 378 people in the areas concerned. Such projects are, Tyre Rebuild Factory and Dragon Fruit Plantation, Ratalankawatte, Kamburupitiya. Metal Crusher Project, Dankoluwawatte, Pitabeddara. Isuru Ceremic Factory, Kumbalgama and Powerhouse, Oliyagodawatte, Matara.

In addition, it was able to lease out 08 buildings out of 09 available at the Entrepreneur Center of Emblipitiya in 2012. Thereby, the Authority could earn a rental income of Rs. 355,543/= during 2012. These projects have provided about 246 job opportunities. This was an increase by 87 when compared to the job opportunities provided in 2011.

Yoghurt producing project named Sevari Lanka set up in the Industrial Village at Buttala in the Moneragala district has provided about 15 job opportunities. In addition, the Southern Development Authority could earn a rental income of Rs. 39,600.00 from this project. Accordingly, the total income collected by the Land Sector in 2012 is Rs. 2,485,888.91.

Further, the Authority was able to recover a sum of Rs. 675,000.00, which had been in arrears as unsettled rentals for a few years. In addition, acquisition of several lands was cancelled as per the decisions taken by the Board of Directors considering the present situation.

Furthermore, the Land Sector fulfilled several other activities such as; acquisition of school building at Thamaduwa. Okewela, Beliatta, taking initial steps to sell the buildings located at the Industrial Village at Buttala and providing Kaduruduwa watte land in Galle for investment purposes in 2012.

07. Development Projects carried out by the Fisheries Sector

Allocations were not provided for the implementation of fishery and related projects in 2012. Accordingly, this Sector could complete only projects, which were carried forward from the year 2011 as continuation projects.

Three beneficiaries selected from the areas of Pitigala, Elpitiya and Banwelgodella in Galle district were provided with 4500 fingerlings of "Carf" type for ponds made by them. Rs. 6925/= was spent for this.

Using the allocations provided by the Ministry of Economic Development and the Aquaculture Development Authority, which is under the purview of the Ministry of Fisheries and Aquatic Resources, several fishery projects were carried out with the aim of upgrading the nutritious conditions and the income generation abilities of the beneficiary people. Suitable beneficiaries were selected for these projects at district level and this Authority referred them to the Aquaculture Development Authority on the directions given by the Ministry of Economic Development.

A Pond in which a Successful Fish Farming is Carried out at Mederipitiya, Poddana

A Pond made, covering with nets at Kahaduwa, Elpitiya

Chairman,

Southern Development Authority of Sri Lanka

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

The audit of financial statements of the Southern Development Authority of Sri Lanka for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the statement of financial performance, 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 21(2) of the Southern Development Authority of Sri Lanka Act, No. 18 of 1996. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was issued to the Chairman of the Authority on 17 May 2013.

1:2 Management's Responsibility for the Financial Statements

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

1:3 Auditor's Responsibility

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

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

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

1.4 Basis for Qualified Audit Opinion

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

1.5 Going Concern of the Authority

It was disclosed under the Accounting Policies to the financial statements of the Authority for the year under review that a new Department called the Divineguma Department by amalgamating 05 Government institutions including the Southern Development Authority of Sri Lanka had been established through the Divineguma Department Act, No.01 which was passed by Parliament on 08 January 2013. Accordingly, it was pointed out that there was no Going Concern Concept as this Authority had ceased to function from 08 January 2013.

2. Financial Statements

2:1 Qualified Opinion

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

2:2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

The Authority had not taken action to revalue and account for the fixed assets such as motor vehicles and machinery with zero book value.

According to the letter dated 30 August 1999 of the Chief Valuer, the assessed value of the land with a tea factory amounted Rs.1,500,000. The value of the land had been understand by Rs. 1,400,000 and shown as Rs. 100,000 in the financial statements. The assessment value of compensation also had not been obtained.

A plot of land of 02 acres in extent belonging to the Authority had been leased out in a lease agreement to an external individual on 20 August 2009 for a dragon fruit project. According to the letter dated 08 December 2008 of the Sectoral Manager (Lands), the value of 300 purchases of land allocated for dragon fruit cultivation according to the Chief Valier amounted to Rs. 1,800,000. Nevertheless, the sum of Rs. 250,000 spent on the acquisition of the land only had been shown in the financial statements thus resulting in an understatement of Rs. 1,550,000.

2.2.2 Unreconciled Differences

Even though a sum of Rs.6,959,614 had been shown in the financial statements as accrued expenditure as at end of the year under review, the accrued expenditure as at that date according to the progress report amounted to Rs.5,015,174 and as such a difference of Rs.1,944,440 was observed.

2.2.3 Accounts Receivable and Payable

The following observations are made.

Even though a sum of Rs.221,183 remaining receivable over periods ranging from 2 years to 13 years from 8 institutions and individuals had been continuously brought forward, necessary action had not been taken to recover that amount.

Action had not been taken even up to 31 December 2012 to recover a loan amounting to Rs.1,258,554 granted to an institution over 13 years ago and loans and advances amounting to Rs.134,656 granted to 06 institutions by the Authority over 12 years ago.

Action had not been taken even up to 31 December 2012 to recover a sum of Rs.1,301,601 paid to various projects, institutions and individuals about 12 years ago.

2.2.4 Lack of Evidence for Audit

Sixteen balances payable valued at Rs.2,252,039 shown in the financial statements could not be satisfactorily vouched in audit due to lack of confirmation of balances.

2.2.5 Non-compliance with Laws, Rules, Regulations etc.

Ad hoc sub-imprests amounting to Rs.14,654,793 paid during the period from the year 1999 to the year 2011 had not been settled even up to 31 December 2012 contrary to the Financial Regulation 371(2) of the Republic of Sri Lanka.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, operations of the Authority for the year under review had resulted in a deficit of Rs.24,710,364 as compared with the corresponding deficit of Rs.26,406,383 for the preceding year, thus indicating an improvement of Rs.1,696,019 in the financial results. Increase in the receipt of recurrent grants by Rs.1,355,000 and decrease of operating expenditure by Rs.1,745,548 in the year under review had mainly attributed for the improvement in the financial results.

3.2 Legal Proceedings Initiated Against the Authority

A case had been filed at the Colombo Commercial High Court against the Authority and other 2 Government institutions by an external institution requesting compensation of Rs.158 million due to default in taking action in terms of the agreement.

4. Operating Review

4.1 Performance

Even though new projects should have been commenced in terms of Divineguma Circular No.2/2012 dated 10 July 2012, new projects whatsoever had not been commenced in the districts of Galle, Matara and Moneragala during the year 2012 and it was observed that only a portion of the projects continued from the year 2011 had been completed.

Sixty nine projects valued at Rs.7,897,245 shown as being implemented under the continuation programme had been completely abandoned by 31 December 2012.

Even though estimates amounting to Rs. 39,150.079 had been prepared for the accrued expenditure of the continuation works that estimate had been revised as Rs.16,426,281 by the letter dated 14 March 2012 of the Secretary of the Ministry of Economic Development. As such the manner of completion of continuation works of accrued expenditure amounting to Rs.22,723,798, was not clear.

The Authority had to make payments to its staff in the year only in respect of the work completed in the year 2011. Nevertheless, the entire staff had been deployed in service and a sum of Rs. 108,785,898 had been paid in the year 2012 as salaries, travelling expenses, overtime and fuel expenses.

4.2 Management Inefficiencies

4.2.1 Payment of Salaries to an Officer who had proceeded Abroad

The Board of Directors had approved leave with pay from 28 February 2005 to 31 July 2006 to an officer who had worked as Project Coordinator of the Authority since 01 April 1998 to proceed abroad to follow postgraduate course in Master of Commerce at her own cost and the Authority had entered an agreement with that officer on 01 March 2005. The following observations are made in this connection.

Leave with pay to the above officer for the period from 28 February 2005 to 31 July 2006 to proceed abroad had been approved by the Board of Directors contrary to Sections 14.1.1 and 14.1.5 of Chapter XIV of the Establishments Code.

Prior approval in terms of Paragraph 4 of Circular No.MF/6/1/2/03 dated 25 August 2003 of the Secretary to the Treasury had not been obtained for granting leave with full pay while the courses of action to be taken against the officer in connection with the breach of contract had not been included in the agreement in terms of the Circular No. 24/97 dated 28 November 1997 of the Secretary of the Ministry of Public Administration.

Even though the period of leave with pay granted to the officer had expired on 31 July 2006, a sum of Rs.270,934 had been obtained as salaries by irregularly altering the above date as 31 July 2007. Leave without pay for the period from 01 August 2007 to 31 July 2009 had been approved by the Chairman by his letters dated 26 July 2007, 22 July 2008 and 19 March 2009. In terms of Section 10 of Chapter XV of the Establishments Code as amended by the Public Administration Circular No. 21/2007 of 21 September 2007, any requests for extension of leave should be made by giving reasons therefor. Nevertheless the leave abroad of the officer had been approved in the absence of any reasons adduced.

A sum of Rs.1,002,928 remained recoverable by the Authority from this officer as at 02 July 2013. A complaint bearing No.(4)32/33 had been made on 23 October 2012 at the Matara Police Station treating the matter as a violation of agreement without taking action to recover the money for the offences committed under Public Properties Act, No.12 of 1982 in for obtaining money by preparing forged documents.

4.2.2 Acquisiion and Leasing out of Lands by the Authority

The following observations were made at the test check carried on the lands acquired by the Authority.

(i) According to the letters dated 08 August 1997 of the former Chairman of the Authority addressed to the Secretaries of the Ministry of Finance and Planning and the Ministry of Agriculture and Lands, the expected objective of the acquisition of lands is the commencement of joint projects with the co-operation of the private sector. Nevertheless, only the leasing out of 8 lands and 6 buildings acquired in the restructure of the Authority in the year 1998 to the private sector had been done.

(ii) Appropriate registers and files had not been maintained up to the completion of the transfers of lands through notices of acquisition and the vesting of lands by Gazette Notifications. As such the information on the current status of the lands is not disclosed.

The following matters were observed in connection with a lease agreement entered into with a private institution by the Authority on 05 September 2001.

(i) In leasing out the land, the Authority had entered into a lease agreement unfavorable to the Authority on a request made by the lessee. The lessee had been allowed to obtain loans by pledging the leasehold property as security while the risk resulting from the non-payment of the loan had not been considered. The lease agreement had been prepared in a manner enabling the transfer of title to the land acquired by the Authority on payment or compensation, to the lessee in 02 years.

(ii) Even though information relating to machinery and equipment valued over Rs.5,000 installed by the lessee should have been informed to the Authority within 30 days from the date of installation in terms of clause 7 of the lease agreement, the Authority had not been informed of the machinery and equipment valued at Rs. 101,776,557 installed. A physical inspection carried out on 25 March 2013 revealed that buildings valued at Rs. 55,486,250 had been constructional on the land without the written approval of the Authority contrary to clause 5 of the lease agreement.

4.2.3 Weaknesses in the Implementation of Divineguma Projects

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A sum of Rs.5,238,702 had been spent by the Southern Development Authority of Sri Lanka in the year 2012 for providing cattle, goats and chicks and establishment of cattle breeding centers in 04 districts of Galle, Matara, Hambantota and Monaragala under the Divineguma Project. The following matters were observed at the test check carried out in this connection.

A sum of Rs.987,611 had been spent for distributing chicks and establishment of poultry farms in the Matara District. Even though 300 chicks had been provided to the beneficiaries in the area of Thihagoda for nourishing, it was observed at the physical inspection carried out on 07 March 2013 that those two beneficiaries had abandoned the project.

(b) Out of 80 chicks provided to 08 beneficiaries in the area of the Divisional Secretariat, Yakkalamulla in Galle District, 60 chicks had died and out of 130 chicks provided to 13 beneficiaries in the area of the Divisional Secretariat, Ambalangoda, 81 chicks had died.

4.3 Deficiencies in Contract Administration

4.3.1 Preparation of Land of the Akmeemana Bogahagoda Market and Construction of Restaurant with Stalls

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The Authority had prepared 04 estimates valued at of Rs.4,619,475. Four agreements valued at Rs.4,619,475 had been entered into with 04 contracting societies in December 2010 and August 2011and a sum of Rs.4,111,068 had been paid in the years 2010 and 2011. The following matters observed at the test check carried out in that connection.

Financial provision had not been made for the above projects through the development plan for the year 2010. Even though the unpaid retention money of the year 2010 had been utilized in accordance with the decision of the Board of Directors dated 11 November 2010, works had not been completed even in that year. Even though these projects had not been continued for the year 2011, the work of 02 projects in the continuation plan had been suspended and a sum of Rs. 439,603 out of that had been used for these projects.

The two completed projects referred to above had been handed over to the Akmeemana Pradeshiya Sabha on 10 October 2011 without entering into a Memorandum of Understanding; those projects had not been used for the benefit of the public even up to the physical inspection carried out on 21 March 2013. As such the sum of Rs.4,111,068 spent by the Authority without proper planning had become fruitless.

(b) Before the commence and of work on this land belonging to the Akmeemana Pradeshiya Sabha by the Authority in December 2010, the Akmeemana Pradeshiya Sabha had spent a sum of Rs. 1,583,754 on 20 April 2010 for earth excavation and construction of foundations due to the absence of sound co-ordination between the institutions.

4.3.2 Development of Katapodduwa Agriculture Dam

The Authority had entered an agreement valued at the Rs. 299,710 with a Samurdhi Society on 11 February 2011 for the project for development of agriculture dam at Palatuwa, Katapodduwa under the Divineguma Programme of the year 2011 and a sum of Rs.293,710 had been paid. It was observed at the field inspection carried out on 06 March 2013 that the paddy fields 40 acres in extent, targeted for cultivation, according to the feasibility study report of the project, had not been cultivated.

4.3.3 Formation of Earth Dam of Right Bank of the Kadawarayaya Canal and the Construction of Left Bank Dam of the Kotawila South Gingaswila Canal

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Two agreements valued of Rs.252,200 and Rs.491,941 respectively had been signed in December 2011 for these constructions in the area of the Divisional Secretariat Division, Weligama under the Matara District Office, of the Authority for facilitatering the outflow water accumulating in the paddy field and a sum of Rs.672,080 had been paid.

The following matters were observed in this connection.

Even though two estimates had been prepared and two agreements had been signed for these projects, it was confirmed at the physical inspection carried out on 07 March 2013 that only a portion of the right bank of one irrigation canal had been developed and the Technical Officer of the Divisional Secretariat, Weligama had also confirmed the position.

According to the feasibility study report of these two projects, cultivation of 90 acres of paddy lands fallowed for 25 years had been targeted. Even though preparation of canal for the outflow of water accumulating in the paddy fields was the purpose of the project, the above target had not been achieved as the water was not flowing out as expected due to the failure to develop the left bank and 180 metre section of the right bank. As such the sum of Rs.672,080 spent by the Authority had become fruitless.

4.3.4 Abandoned of Project

Four road constructions works valued at Rs. 2,032,898 for which the Authority had signed agreements with 04 societies in the year 2011 had been abandoned totally.

4.3.5 Reconstruction of Thammennaweva

The District Office, Hambantota had prepared 05 estimates valued at Rs.8,687,630 under the "Jathika Saviya" Gamaneguma Programme of the year 2010. Five agreements amounting to Rs.8,517,392 had been entered into on 21 October 2010 with 05 registered societies under 05 stages. The Authority had paid a sum of Rs. 5,896,390 during the period from 03 December 2010 to 01 March 2011. The following matters were observed in this connection.

The Engineers of the Authority had granted approval to consider the estimate that contained similar items and similar quantities, as three portions for the same tank bund in preparing estimates of first, second and third stages. But the photocopies of the estimates and the bill of quantities of the first stage had been utilized for second and third stages.

According to paragraph 05 of Circular No. Circular/Gamaneguma/03/2008 dated 29 April 2008 of the Ministry of Economic Development, estimates had not been prepared according to the bills of quantity method. Estimates had been prepared with the purpose of awarding contracts to the societies by dividing each item of work.

According to the statements made on 19 April 2013 by the officers of the contracting societies that signed in the agreements, works in the first, second and fourth stages of the Project had not been carried out by them and as such they had admitted that they could not show the places where each work was carried out. It was also admitted in the statement of the Technical Officers dated 02 April 2013 that they could not show the places where the works were carried out by each society and the measurement book in which the measurements were recorder and admitted that the field books with the measurements could not be produced. As a result, it was not possible ensure the correctness of the measurements obtained for the payments.

It was observed at the physical verification carried out on 02 April 2013 that the length of the tank bund of the project was 420 metres. A sum of Rs.806,042 had been overpaid due to the computation of the estimated length as 520 metres, 518 metres and 1560 metres and making payment for 5 stages.

Even though a sum of Rs.2,065,706 had been paid for 4336 square metres of earth supplied for the tank bund, a laboratory certificate was not made available to prove that the above earth conformed to the specified standards. Instead of utilizing 6x9 inch size stones under item of pitching of dam embankment, 1 ½ feet size stones not conforming to the specified standard had been utilized and a sum of Rs.2,394,503 had been paid thereon.

Waler had been seeping through cracks developed at 4 places of dam embankment and the spill way. Even though it was targeted to commence new cultivation of 600 acres of land and for feeding 05 more tanks by construction of a canal from Lunugamvehera reservoir under this project, those objectives had not been achieved. As a result, proper benefits had not been obtained from a sum of Rs.5,896,390 spent by the Authority.

4.4 Personnel Administration

The cadre position of the Authority as at 31 December 2012 had been as follows.

Category of Posts	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
Executive	**05**	**04**	**01**	**-**
Secondary	**97**	**96**	**01**	**-**
Tertiary	**105**	**95**	**10**	**-**
Primary	**80**	**82**	**-**	**02**
	287	**277**	**12**	**02**

The following observations are made.

(a) Even though only there drivers and an assistant were required for 03 motor vehicles belonging to the Office of the District Director, Galle, 09 drivers and two assistants exceeding the above requirement had been deployed.

(b) Total number of days in which the drivers and assistants had been deployed in the service during the year had been only 304 (two assistants had been deployed in other services for 98 days) whilst two drivers/ assistants had not been deployed even on a single day in service and one person had been deployed in service only for 2 days.

4.5 Establishment of Fund for the Provision for Employees Gratuity

According to the financial statements of the Authority provision of Rs.40,939,560 had been made for payment of gratuity as at 31 December 2012. However, the balance of the Bank Account maintained to build up a separate Fund for settlement of future liabilities for payment of gratuity as at 31 December 2012 amounted only to Rs.993,740.

4.6 Utilisation of Vehicles

The Authority owned 12 motor cars, 02 Vans, 19 double cabs motor vehicles, 04 Bowsers and 07 Lorries in the year under review. Total running cost of petrol vehicles and diesel vehicles amounted to Rs.1,071,613 and Rs.20,385,189 respectively and the total average expenditure per kilometre amounted to Rs.31.64 and Rs.60.52 respectively. Total distance run by 03 motor vehicles of the District Office, Galle during the year under review had been 9,451 kilometres and a sum of Rs.2,853,416 had been spent as salaries and allowances of 12 drivers and three assistants attached to the office. A sum of Rs.122,385 had been spent for vehicle maintenance and fuel. According to the expenditure incurred and the number of kilometers run, a sum of Rs. 315 had been spent per kilo meter run.

5. Accountability and Good Governance

5.1 Corporate Plan

Even though it was targeted to prepare and implement a Corporate Plan according to the Divineguma Programme of the Ministry of Economic Development for the period from 2012 to 2015, payment for the continuation works of the year 2011 only had been done in the year 2012. As such, the activities relating to the main objectives of the Authority had not been carried out in the year.

5.2 Action Plan

Even though an Action Plan had been prepared for the year 2012, the new projects included in the plan had not been implemented due to the non-receipt of money from the Ministry.

5.3 Internal Audit

It was observed that the internal audit had not been directed so as to cover the entire internal audit programme approved by the Internal Audit Division.

5.4 Procurement Plan

Even though a Procurement Plan had been prepared for the year under review, procurement activities had not been carried out according to that plan.

5.5 Budgetary Control

Even though the Board of Directors had approved the Budget for the year under review, action had not been taken to implement in accordance with the Corporate Plan and Action Plan. As such, it was observed that the budget had not been made use of as an effective instrument of management control.

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) Budgetary Control

(b) Assets Control

(c) Contract Administration

H.A.S. Samaraweera

Auditor General

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA
STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2012

		YEAR 2012		YEAR 2011	
		Rs.	**Rs.**	**Rs.**	**Rs.**
ASSETS	**Notes**				
Current Assets					
Property, Plant and Equipment (W.D.V)	**1**	145,659,902		145,819,537	
Investments (LT)	**2**	43,097,520		43,097,520	
Other Financial Assets		-	188,757,422	-	188,917,057
Inventories/Stocks	**3**	434,717		660,385	
Trade and Other Receivables	**4**	28,414,102		34,366,341	
Pre-payments	**5**	848,827		979,842	
Cash and Cash Equivalents	**6**	5,709,801	35,407,447	5,570,258	41,576,826
Total Assets			**224,164,869**		**230,493,883**
LIABILITIES					
Current Liabilities					
Payables	**7**	13,390,524		15,081,083	
Accrued Expenses	**8**	18,285,029		39,891,644	
Short-Term Borrowings (OD)		-	31,675,553	-	54,972,727
Borrowings		-		-	
Differed Income		-		-	
Provision for Gratuity		40,939,560	40,939,560	34,808,657	34,808,657
Total Liabilities			**72,615,113**		**89,781,384**
Total Net Assets			**151,549,756**	-	**140,712,499**
NET ASSETS/EQUITY					
Accumulated Fund	**EC**	151,549,756		219,419,936	
Reserves		-	151,549,756	-	140,712,499
Accumulated Loss	**EC**		-		-
Total Net Assets/Equity			**151,549,756**		**140,712,499**

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes, which form an integral part of the Financial Statements, Accounting Policies, Accounting Notes & Schedules of the Authority set out on pages 56 to 83. Figures in brackets indicate deductions.

The report of the auditors is given on pages 38 to 49.

I certify that the Financial Statements of the Authority comply with the requirements of the Finance Act. No. 38 of 1971 and the requirements of the Generally Accepted Accounting Principles.

Director (Finance & Administration)
Southern Development Authority of Sri Lanka

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed on behalf of the Board.

Chairman/Director General
Southern Development Authority of Sri Lanka

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31st DECEMBER 2012

	Notes	2012 Rs.	2011 Rs.
Operating Revenue			
Recurrent Grant		108,955,000	107,600,000
Other Income	**9**	5,669,052	7,073,581
		114,624,052	114,673,581
Operating Expenses			
Personal Emoluments	**10**	104,304,782	102,982,593
Travelling	**11**	1,654,115	2,379,175
Supplies and Consumables used	**12**	4,259,365	5,348,518
Maintenance	**13**	7,601,015	12,170,101
Contractual Services	**14**	7,644,321	3,778,800
Depreciation	**01**	10,556,445	11,074,248
Other Operating Expenses	**15**	3,314,372	3,346,529
Total Operating Expenses		139,334,416	141,079,964
Surplus/(Deficit) from Operating Activities for the Period		**(24,710,364)**	**(26,406,383)**

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes, which form an integral part of the Financial Statements, Accounting Policies, Accounting Notes & Schedules of the Authority, set out on pages 56 to 83. Figures in brackets indicate deductions.

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SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31st DECEMBER 2012

	Accumulated Fund Rs.	Accumulated Deficit or Excess Rs.	Total Rs.
Balance as at 31st December 2012	**176,260,121**	**-**	**176,260,121**
Effects in Changes in Accounting Policy	-	-	-
Restated Balance	176,260,121	-	176,260,121
Surplus on Revaluation of Properties	-	-	-
Deficit on Revaluation of Investments	-	-	-
Currency Translation Differences	-	-	-
Net Gains and Losses not Recognized in the Statement of Financial Performance	-	-	-
Surplus/(Deficit) for the Period	-	(24,710,364)	(24,710,364)
Balance as at 31st December 2012	**176,260,121**	**(24,710,364)**	**151,549,756**

Accumulated Fund	**Reference to Schedule**		**Total**
Balance as at 01.01 2012	-	**140,712,499**	
Add: Work-in-progress as at 01.01.'12		291,648	
Accumulated Development Cost as at 01.01.'12		1,991,513,537	
		2,132,517,684	-
Prior Year Adjustments for Accumulated Fund		(1,118,139)	
Balance as at 311.12 2012		**2,131,399,545**	
Fund Received for the Year 2012 - For Normal Programme	-	54,596,609	
- For Special Project		81,537,135	
	-	2,267,533,289	2,267,533,289
Accumulated Development Cost as at 31.12.'12	**Schedule 19**		(2,091,273,168) -
Accumulated Fund as at 31-12-2012			**176,260,121**

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes, which form an integral part of the Financial Statements , Accounting Policies, Accounting Notes & Schedules of the Authority, set out on pages 56 to 83. Figures in brackets indicate deductions.

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SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA
CONSOLIDATED CASH FLOW STATEMENT
31st DECEMBER 2012

	2012 Rs.	2011 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) from Ordinary Activities	(24,710,364)	(26,406,382)
Non-cash Movements		
Depreciation	10,556,445	11,074,248
Provision for Gratuity	6,637,883	12,362,617
Prior Year Adjustments -Work-in-Progress	291,648	17,189,233
- Accumulated Fund	(1,118,139)	(1,726,239)
- Accumulated Development Expenditure	146,052	(1,093,516)
- Accumulated Depreciation	-	(49,590)
Increase/(Decrease) in Payables	(23,297,174)	3,017,431
(Gains)/losses on Sale of Property, Plant, Equipment and Vehicles	-	-
(Increase)/Decrease in Other Current Assets	356,683	913,790
Increase in Investments due to Re-valuation	-	-
Increase in Receivables	5,952,239	2,856,152
Extraordinary Items	-	
Net Cash Flows from Operating Activities	**(25,184,726)**	**18,137,744**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditure	(99,905,683)	(235,480,884)
Construction of Head Office Building	-	(6,483,097)
Rehabilitation of Fixed Assets (Land)	(7,461,777)	(255,126)
Rehabilitation of Fixed Assets (Vehicles)	-	(122,800)
Purchase of Plant and Equipment	(2,935,032)	(507,375)
Proceeds from Investments	-	815,663
Proceeds from Sale of Vehicles & Motor Bicycles	-	-
Net Cash Flows from Investing Activities	**(110,302,492)**	**(242,033,619)**

CASH FLOWS FROM FINANCING ACTIVITIES

Capital Grant for normal project	54,596,609	119,102,000
Capital Grant for Special project - Housing	81,537,135	50,000,000
Work-in-Progress	-	(291,648)
Gratuity Payments	(506,980)	(822,466)
	135,626,764	**167,987,886**
Net Increase/(Decrease) in Cash and Cash Equivalents	139,546	(55,907,989)
Cash and Cash Equivalents at the Beginning of the Period	5,570,258	61,478,247
Cash and Cash Equivalents as at the end of the Period (Note 06)	**5,709,804**	**5,570,258**

The Financial Statements are to be read in conjunction with the Accounting Policies and Notes, which form an integral part of the Financial Statements, Accounting Policies, Accounting Notes & Schedules of the Authority, set out on pages 56 to 83. Figures in brackets indicate deductions.

The report of the auditors is given on pages 38 to 49.

ACCOUNTING POLICIES AND EXPLAINATIONS TO THE FINANCIAL STATEMENTS - YEAR 2012

01. REPORTING ENTITY

These Financial Statements are of the Southern Development Authority of Sri Lanka which is a Statutory Body incorporated under the Parliament Act No. 18 of 1996. The Head Office of the Authority is located at No. 15, Mathotagama, Walgama - North, Matara.

1.2 CORPORATE INFORMATION

1.2.1. VISION

"Our vision is to create an economically prosperous Southern Region within an ecologically sustainable and culturally vibrant environment, while offering attractive and challenging opportunities for the youth and opening up the Region as a "Gateway" to the fast growing Asia Pacific Region".

1.2.2 MISSION

"Our mission is to contribute to the accelerated growth of the Region's Gross Domestic Production (GDP) and assisting in the achievement of a Per Capita Income to targeted levels, within an environment providing challenging opportunities and better quality of life, by scrutinized identification of felt needs and resource in the Region, planning and developing with the co-ordination of line Agencies and the Private Sector."

1.2.3 DESIGNATED AREA

According to the Section 3 (1) of the Southern Development Authority Act. No. 18 of 1996 and Part I Section I Gazette extraordinary of the Democratic Socialist Republic of Sri Lanka 20th December 2001, the designated area includes Galle, Matara, Hambantota, Moneragala districts and Kollonna and Embilipitiya Divisional Secretariats in the Rathnapura administration district.

1.2.4 STAFF DETAILS

The number of permanent employees at the end of the year 2012 was as follows.

Senior Level	-	03
Tertiary Level	-	89
Secondary Level	-	91
Primary Level	-	78
Total	-	**261**

02. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements of the Southern Development Authority of Sri Lanka are prepared under the historic cost convention in conformity with the Generally Accepted Accounting Principles. Historic cost is applied as the measurement basis. Income and expenditure are recorded on accrual basis in the Financial Statements of the period to which they relate. Where appropriate, the income and expenditure items are explained in the notes thereto.

2.2 APPLICABILITY OF GOING CONCERN CONCEPT

The Government has decided to form a new Department called " Divineguma" by amalgamating five Government Institutions in which this Authority too is included and the Bill which has already been presented in this regard to the Parliament is scheduled to be passed on 08th January 2013. (This Act with the title of Divineguma Departmental Act No. 01 of 2013 has been passed by the Parliament on 08-01-2013)

Due to the above situation, this Authority will be ceased to function with effect from 08th January 2013. Considering this significant event, Financial Statements for the year 2012 were prepared on the basis that "Going Concern Concept" is not applicable and directions given under LKAS-1 were adhered to in preparation of the Financial Statements for 2012.

2.3 REPORTING PERIOD

The reporting period of these Financial Statements is the year ended 31st December 2012.

2.4 APPROVAL OF FINAL ACCOUNTS

The Board of Directors of this Authority has approved the Final Accounts on 26-02- 2013.

03. ASSETS AND BASES OF THEIR VALUATION

Considering the significant event scheduled to occur on 08th January 2013 as revealed under the Paragraph 2.2 and adhering to the requirements of the Generally Accepted Accounting Principles, all assets were presented as current assets in the Financial Statements.

(a) Current Assets

Assets classified as current assets on the Balance Sheet are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle of the Authority's activities or within one year from the reporting date, whichever is shorter.

(b) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost/valuation less accumulated depreciation and accumulated impairment losses / net realizable value whichever is less. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Lands are valued either at cost or assessed value by the Government valuer which ever the case is applicable.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within “capital/development income account”.

(ii) 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 that part will flow to the Authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day to day servicing of Property, Plant and Equipment are recognized in Income and Expenditure Statement as incurred.

(iii) Depreciation

Depreciation is recognized in the Statement of Financial Performance on a straight-line basis over the estimated useful lives of items of each part of an item of the following assets. No depreciation is provided for in the year of disposal and a full year’s depreciation is provided for in the year of purchase of assets. Depreciation on the following assets has been provided for at the following rates, on their costs.

Buildings	5%
Furniture and other Equipment	10%
Electrical Equipment	20%
Motor Vehicles	20%
Communication Outlay	15%
Training Equipment	25%
Name Boards	10%

04. INVENTORIES / STOCKS

Stocks consist of different types of consumables and inventory items. Nevertheless, the majority of such stocks are office stationary items and low valued inventory items.

Such inventories/stocks are stated either at the costs or net realizable value whichever is less. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories/stocks is based on the FIFO principle and includes expenditure incurred in acquiring the inventories/stocks and bringing them to their existing location and condition.

05. RECEIVABLES

Receivables are stated at the amounts that they are estimated to be realized net of provisions for bad and doubtful receivables.

06. EMPLOYEE BENEFITS

(i) Defined Contribution Plans – Employee Provident Fund and Trust Fund

The Authority contributes 12% and 3% of gross salary to the Employees' Provident Fund and Employees' Trust Fund respectively, in terms of EPF Act No.15 of 1958 as amended and in terms of the ETF Act No.46 of 1980 as amended.

(ii) Employee Benefit Plans - Retirement Gratuity

Provisions have been made for retirement gratuity, which may fall due for payments, i. e. from the first year of service for all employees in conformity with the Generally Accepted Accounting Principles. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued services. The liability is not externally funded, nor actuarially valued.

The whole staff consisting of 261 employees are entitled for claiming retirement gratuity. At the end of the year 2012, annual provision made in this regard is Rs. 6,710,883.00 bringing the total cumulative provision as at 31/12/2012 to Rs. 40,939,560.00.

07. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Considering the significant event scheduled to occur on 08th January 2013 as revealed under the Paragraph 2.2 and adhering to the directions given under the Generally Accepted Accounting Principles, all liabilities were presented as current liabilities in the Financial Statements.

All tangible commitments and contingent liabilities are considered and where necessary adjustments and /or disclosures are made in the Financial Statements.

Contingencies are possible assets or obligations that arise from past events and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Authority's control.

7.1 Kaduruduwawattha - Galle

This land with an extent of 19 A. 02 R .14.1 P. has been acquired under the Clause 38 (a) of the Land Acquisition Act and the extra-ordinary gazette No. 1044 which has been issued on 29.09.1998. A sum of Rs.10,869,989.60 was paid as compensation to 29 No. of settlers and the balance i.e. interest amount, to be paid as estimated is Rs.6,675,954,00.

However, as per the instructions given by the Secretary to the His Excellency to the President by his letter No. CoS/2/7/7 dated 07th December 2012 actions are being taken to handover this entire land to the G/Richmond College through the Department of Education.

08. REVENUE

(i) Revenue Recognition

Income of the Authority mainly consists of Government grants. Grants include with recurrent grant, and long term capital/development grants and they are recognized at cost/fair value as income on cash basis. The related expenses are recognized on an accrual basis. Accounting for Government grants and incurring such expenditure and the presentation of such information in the Financial Statements were in conformity with the Generally Accepted Accounting Principles.

Other revenue of the recurrent and capital nature is recognized in the Statement of Financial Performance on accrual basis. No revenue is recognized if there are significant uncertainties regarding recovery of the same.

(ii) Rent and Other Income

Rent income on properties given to outside entrepreneurs and investors is recognized on accrual basis and shown in Statement of Financial Performance.

09. OTHER PAYABLES

Other payables are stated in the Financial Statements at the cost.

10. EXPENSES

(i) Expense Recognition

All expenditure incurred in the running of the Authority and maintaining the capital assets in a state of efficiency has been charged to income in arriving at the deficit or excess for the year.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the Authority's activities or for the purpose of increasing the earning capacity of the Authority has been treated as capital expenditure.
Costs of repairs and renewals are charged to income in the year in which the expenditure is incurred.

(ii) Recurrent Expenditure

Recurrent Expenditure has been incurred mainly for the following purposes.

- Personal Emoluments
- Traveling Expenses
- Supplies
- Maintenance Expenditure
- Contractual Services
- Other Recurrent Expenses

(iii) Capital / Development Expenditure

Capital expenditure is incurred in the implementation of development projects in the designated area, which shall also include the cost of planning, designing and development of project reports as deemed applicable, in addition to the cost of implementation.

11. CASH FLOW STATEMENT

The Cash Flow Statement of the Authority has been prepared and presented in using "Indirect Method", in accordance with the Generally Accepted Accounting Principles.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash in hand, demand deposits in banks net of outstanding bank overdrafts and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

13. COMPARATIVE INFORMATION

To ensure consistence with the current period and classification method adopted in making a fair presentation of financial information, comparative figures have been re-stated where appropriate.

14. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material, post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in respective notes to the Financial Statements.

Special attention is drawn to Paragraph 2.2 under the Accounting Policies in this regard.

15. INTEREST IN JOINT VENTURES

(i) Income from Ruhuna 2001 Multivision Company Ltd.

The Ministry of Media, Tourism and Aviation has granted a license to this Authority to operate and maintain a private television broadcasting station. (Letter Ref. MTA/M/RC/54 dated 24.10.1996) In this regard, the Director General of Telecommunications had allocated 19 MDS telecasting channels/frequencies to this Authority. (Letter Ref. DGT/MDS/1/1996 dated 02.12.1996)

As per an agreement entered into by this Authority with Chalmway Pvt. Ltd., Australia, on 06.06.1997, the franchise gained to run 19 MDS channels/frequencies, (i.e. 6 to Colombo area and 13 to all island) have been transferred to the Chalmway Pvt. Ltd.

As per the conditions of this agreement, both parties have formed Ruhuna 2001 Multivision Company Ltd. to operate and run the business of telecasting Cable TV services. Also, as per the clause No. 11.1 of this agreement, Multivision Company should pay 10% of its total gross subscriber revenue to this Authority by way of Royalty and such payments should be effected quarterly.

Yet, Multivision Company has neither paid any payment to the SDA in this regard, up to 26.04.2005 nor submitted annual accounts up to that date. Subsequently, with the intervention of then Chairman of this Authority, he has managed to get Rs.7, 694,218.24, a part of Royalty payment, on 27.04.2005 by Cheque No -047411from Multivision Co., Ltd.

Since the practical circumstances involved with regard to this Company has been so complexed, it is extremely difficult to account for the total balance income to be received from Multivision Co., with reasonable certainty. Therefore, it was inevitable only to account for Rs. 7,694,218.24, which we have received by cash for the year 2005.

While steps were taken to recover the royalty value receivable from Ruhuna 2001 Multivision Company (Pvt) Ltd., the Telecommunication Regulatory Commission (TRC) had filed a case at the District Court, Colombo under the case No. 7797/SP, against Ruhuna 2001 Multivision Co. Ltd., on several legal grounds, with a view to withdraw the frequencies allocated to Multivision. Having known of this, this Authority sent several written requests to the Chairman, TRC requesting not to withdraw the channels/frequencies until this Authority's dues are recovered from Multivision.

Yet, at the final proceedings of this case that had taken place on 24.07.2008, the Court has given a judgment ordering to withdraw all frequencies to the TRC from Multivision. Further, according to the judgment, eight frequencies had been handed over to one M/s Sky Television Radio Network (Pvt.) Company Ltd.

Due to this situation, the Authority is not in a position to recover Royalty arrears to be received from Multivision. In the meantime, it has been reported that Multivision Company has not been re-registered under the new Company Act No. 07 of 2007.

As such, legal advice has been sought from the Attorney General to instruct as to how this Authority could recover the Royalty arrears and what legal action this Authority could initiate in this regard.

16. INVESTMENTS IN ASSOCIATES

(i) Investments in Ruhuna 2001 Venture Capital Company Ltd; (Southern Development Finance Company Ltd;)

The Ruhuna 2001 Venture Capital Company Ltd. (Presently known as the Southern Development Finance Company Ltd.) was incorporated on 15/12/1996 under the Company Act No. 17 of 1982 and consequently re-registered under the Company Act No. 07 of 2007. The Board of Directors and the management of this company is headed by the Chairman of this Authority. The Authority's contribution for this company as at 31-12-2012 is as follows.

Initial Capital Contribution	-	Rs. 10,000,000.00
Revolving Loan Fund	-	Rs. 33,072,519.77
Total	-	**Rs. 43,072,519.77**

This Authority has not received any return or benefit on the above investment up to now. As such, this Authority has repeatedly requested from this Company to pay a return on this investment. Yet, the company management has informed that due to the losses experienced by this Company in the past, they were not able to provide such returns. Also, they have informed that since this Company has started to earn profits from the year 2011, they would make arrangements to pay due returns to this Authority in the future.

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2012

Note – 1

FIXED ASSETS - SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA

Description	Total Cost as at 01.01.2012	Addition	Disposal	Total Cost as at 31.12.2012
	Rs.	Rs.	Rs.	Rs.
Lands **(Schedule 01)**	18,674,863			
Lease Hold Lands	630,488			630,488
Buildings **(Schedule 02)**	15,292,876	4,750		15,297,626
Head Office Building	110,434,073	-		110,434,073
Motor Vehicles	68,007,700	-		68,007,700
Communication Outlay	2,148,152	-		2,148,152
Furniture & Fittings	12,548,637	994,411		13,543,048
Name Boards	2,023,265	-		2,023,265
Office Equipment	3,200,770	1,780		3,202,550
Electrical Equipment & Computers	28,370,006	-		28,370,006
Training Equipment	1,241,500	-		1,241,500
Cold Room	-	-	-	-
Plant & Machinery(Galagawa Tea)	1,450,000	-		1,450,000
Building Partitions	7,058,419	1,934,090		8,992,509
Total	271,080,749	10,396,809	-	281,477,558

FIXED ASSETS -HAMBANTOTA INTEGRATED COASTAL ZONE MANAGEMENT PROJECT

Description	Total Cost as at 01.01.2012	Addition	Disposal	Total Cost as at 31.12.2012
	Rs.	Rs.	Rs.	Rs.
Motor Vehicles	3,920,293	-	-	3,920,293
Communication Outlay	209,618	-	-	209,618
Furniture & Fittings	190,600	-	-	190,600
Office Equipment	472,733	-	-	472,733
Electrical Equipment	1,801,606	-	-	1,801,606
Total	6,594,849	-	-	6,594,849
Total Assets	**277,675,598**	**10,396,809**	**-**	**288,072,407**

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2012

Note - 1.1

DEPRECIATION - SOUTHERN DEVELOPMENT AUTHORITY

Description	Balance as at 01.01.2012 Rs.	For the Year Rs.	Disposal/ Addition Rs.	Balance as at 31.12.2012 Rs.
Lands	-	-	-	-
Head office new Building	10,718,682	5,521,704		16,240,386
Buildings	7,836,220	764,644		8,600,864
Motor Vehicles	67,797,660	89,160		67,886,820
Communication Outlay	2,026,614	33,215		2,059,829
Furniture & Fittings	6,695,878	833,178		7,529,056
Name Boards	812,422	171,376		983,798
Office Equipment	3,254,452	53,320		3,307,772
Electrical Equipment & Computers	22,032,664	2,190,597		24,223,261
Training Equipment	1,241,499	-		1,241,499
Cold Room	-	-		-
Plant & Machinery(Galagawa Tea)	1,450,000	-		1,450,000
Building Partitions	1,395,121	899,251		2,294,372
Total	**125,261,212**	**10,556,444**	**-**	**135,817,656**

DEPRECIATION-HAMBANTOTA INTEGRATED COASTAL ZONE MANAGEMENT PROJECT

Description	Balance as at 01.01.2012 Rs.	For the Year Rs.	Disposal Rs.	Balance as at 31.12.2012 Rs.
Motor Vehicles	3,920,292	-	-	3,920,292
Communication Outlay	209,618	-	-	209,618
Furniture & Fittings	190,600	-		190,600
Office Equipment	472,733	-		472,733
Electrical Equipment	1,801,606	-		1,801,606
Total	**6,594,849**	**-**	**-**	**6,594,849**
Total Depreciation	**131,856,061**	**10,556,444**	**-**	**142,412,505**
W.D.V.	**145,819,537**			**145,659,902**

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2012

Note - 2 **Long Term Investments**	**Schedule**	**2012** **Rs.**	**2011** **Rs.**
R2001 - GEM Services		25,000	25,000
Southern Development Financial Company (Pvt.) Ltd.	**14**	43,072,520	43,072,520
Total		**43,097,520**	**43,097,520**

Note - 3
Inventories/Stocks

Stationery Stocks	434,717	660,385
Total	**434,717**	**660,385**

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2012

Note - 4	**Schedule**	**2012**	**2011**
Trade and Other Receivables		**Rs.**	**Rs.**
Advance	**4**	192,240	2,782,277
Advance - Sector		-	3,803,611
Advance - Hambantota C/A		-	30,000
Acquisition Deposit A/C	**3**	2,602,000	3,377,000
Deposit (Water Bottle)		1,000	1,000
Deposit Telephone & Water		8,000	8,000
Debtor - Ministry of Plan Implementation		-	22,199
Debtor - E-Commerce Center		1,258,554	1,258,554
Debtor - SANEEPA		26,080	26,080
Debtor - Bakery Suppliers	**16**	310,277	310,277
Debtor - Maize Cultivation		10,883,680	10,883,680
Debtor - Monera Fruit Processing A/C		888,125	888,125
Debtor - Red Onion A/C		702,833	702,833
Debtor - Coir Machine		-	24,550
Debtor - Soya Bean Loan		103,200	103,200
Debtor - Wellassa Engineering		56,826	56,826
Deposit Salary Guarantee Deposit		269,396	-
Deposit A/C Fisheries		48,000	48,000
Fuel Deposit	**5**	85,000	144,165
Festival Advance		270,112	278,812
Income Receivable	**13**	1,039,034	1,400,615
Keselgashena Housing Loan Scheme		256,978	256,978
Project Loan A/C		150,000	150,000
Rent Advance	**7**	1,111,012	1,198,000
Rent Deposit	**6**	20,192	29,688

Receivable A/C	**9**	1,093,732	1,070,026
Receivable - Galle Urban Commissioner		3,750	3,750
Receivable from UDA		3,796,920	-
Receivable from Gayana de Silva		-	162,642
Receivable - Batheegama Caterers		-	55,462
Security Deposit		-	31,500
Staff Loan A/C		3,216,160	5,237,492
Stamp Imprest - Hambantota		3,000	3,000
Stamp Imprest - Galle		3,000	3,000
Stamp Imprest - Moneragala		2,000	2,000
Stamp Imprest - Matara		3,000	3,000
Stamp Imprest - Head Office		10,000	10,000
Total		**28,414,102**	**34,366,342**

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2012

Note - 5 **Pre-payment**	**Sched.**	**2012** **Rs.**	**2011** **Rs.**
Pre- payment Vehicle Revenue Licenses		222,038	-
Pre- payment Staff Insurance		-	979,842
Pre- payment Vehicle Insurance		625,109	-
Pre- payment Service Agreement		1,680	-
Total		**848,827**	**979,842**

Note - 6
Cash and Bank

Gratuity Fund Saving A/C	993,740	1,339,217
Closing Cash Balance - Capital	1,769,039	905,359
- Recurrent	407,478	365,550
- Special Project	2,539,543	2,960,132
Total	**5,709,801**	**5,570,258**

Note - 7

Payables

		2012 Rs.	2011 Rs.
Retention	**11**	1,107,758	10,383,541
Refundable Deposit	**12**	3,500	-
Deposit Embilipitiya Entrepreneur Centre		71,429	71,429
Rent Deposit from Lessees	**17**	239,135	207,635
Payable Divisional Secretary- Thihagoda		685,823	-
Rent Deposit from Laughf Lanka Gas		-	552,891
NBT Payable		3,282	23,949
Payable Salary Guarantee Deposit		269,396	-
Payable IDB		-	131,988
Payable Divisional Secretary - Akmeemana		6,675,954	-
Lease Rent Received in Advance	**8**	1,180,686	1,074,653
Payable Sri Lanka Land Reclamation & Deve.Corporation		1,731,183	-
VAT Payable		(70,530)	138,751
Stamp Fee Payable		9,725	24,725
Retention Payable - Special Project	**18**	1,144,292	2,296,320
Creditor - Agro Products		-	37,683
Dasuna Loan Scheme		-	20,516
Payable Sripali PLC(Kaduruduwawatta)		42,075	-
25% from Leased Iron Barge		296,816	117,001
Suspense T/B		- -	-
Total		**13,390,524**	**15,081,083**

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2012

	2012	2011
	Rs.	**Rs.**
Note - 8		
Recurrent Accrued Expenses		
Audit Fees Payable	1,126,865	726,865
EPF Payable	6,205	11,090
ETF Payable	1,551	1,664
Salaries Payable	(0)	0
Cleaning Charges	9,264	-
Repair & Maintenance	19,488	63,126
Electricity Charges	6,900	10,009
Fuel & Lubricants		6,225
Overtime	71,756	95,700
Water	7,989	-
Staff Welfare	12,500	-
Telephone Charges	154,041	90,890
Travelling & Subsistence	92,346	123,524
Vehicle Repairs & Maintenance	1,443,427	250
Rent - Hambantota	3,860,496	-
Fuel Allowance	51,082	33,035
E-mail Charges	980	980
Legal fees	616,675	-
Printing & Stationery	114,495	-
Newspapers & Periodicals	-	640
Capital Accrued Expenses		
Admin cost capital	16,720	906,258
Seminar & Training	-	-
Divi Neguma	6,959,614	34,419,888
Admin cost Housing	193,636	
Special Project	3,519,000	3,401,500
Total	**18,285,029**	**39,891,644**

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2012

Note - 9 **Other Income**	**Shed.**	**2012** **Rs.**	**2011** **Rs.**
Interest Income from Staff Loan		183,306	234,683
Income from Moneragala Circuit Bungalow		77,800	81,158
Insurance Claim (Income)		422,750	571,923
Income - Others	**10**	121,648	489,175
Income Lease Rent	**15**	4,496,219	5,491,734
Income Private Vehicle Usage		14,400	17,200
Interest Income from Saving A/C		-	73,640
Income from sale unserviceable item		352,929	114,069
Total		**5,669,052**	**7,073,582**

Note - 10
Personnel Emoluments

Salaries	57,134,887	56,039,738
EPF	9,911,828	8,943,842
ETF	2,685,921	2,238,413
Overtime	1,182,516	1,676,562
Wages	37,200	205,050
Gratuity	6,637,883	12,362,617
Consultancy Fee	300,000	18,419,413
Cost of Living Allowance	18,113,745	18,419,413
Special Allowances	8,300,802	2,796,958
Total	**104,304,782**	**121,102,006**

Note -11

Travelling	**2012 Rs.**	**2011 Rs.**
Foreign	-	-
Local	1,654,115	2,379,175
	1,654,115	**2,379,175**

Note-12

Supplies and Consumable Used

Fuel & Lubricant	2,827,001	3,296,681
Fuel Allowance	626,500	844,653
Printing & Stationery	805,864	1,207,184
Total	**4,259,365**	**5,348,518**

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2012

Note - 13
Maintenance

Cleaning Charges	927,263	1,041,818
Computer Maintenance	44,885	78,000
Repairs & Maintenance	472,270	1,834,936
Security Charges	593,328	538,096
Vehicle Insurance	631,429	689,363
Vehicle Repair & Maintenance	4,799,759	7,678,182
Vehicle Revenue License	132,082	309,706
Total	**7,601,015**	**12,170,101**

Note - 14

Contractual Services	2012 Rs.	2011 Rs.
Electricity	2,047,337	1,954,958
Postage	165,847	192,520
Rent	4,280,496	420,000
Telephone Charges	965,948	974,396
Water Charges	184,693	236,926
Stamp Duty	-	-
Total	**7,644,321**	**3,778,800**

Note - 15

Other Operating Expenses	2012 Rs.	2011 Rs.
Accommodation & Refreshment	23,433	86,430
Audit Fees	400,000	400,000
Advertising	-	25,402
Bank Charges	84,500	197,333
Board Meeting	223,122	133,378
Circuit Bungalow - Moneragala	74,980	83,389
E-mail & Internet	10,631	27,857
Insurance Others (Staff Insurance)	982,837	1,504,916
Legal Expenses	929,266	276,619
Newspapers & Periodicals	44,150	46,871
Publicity	18,940	209,107
Staff Welfare	184,492	68,843
Service Agreement	196,267	79,487
Translation Fees	101,630	138,297
Disciplinary Inquiries	40,125	68,600
Total	**3,314,372**	**3,346,529**

SCHEDULE - 01

LANDS

	As at 31st December 2012 Rs.
Jasmine Valley Tea Factory Land	1,668,811
Galagawa Tea Factory Land	150,000
Oliyagodawatta Land	6,203,886
Ratalankawatta Land	268,000
Dankoluwawatta Land	200,000
Kaduruduwawatta Land	17,545,943
Panilkanda Tea Factory Land	100,000
Total	**26,136,640**

SCHEDULE - 02

BUILDINGS

Circuit Bangalow - Moneragala	1,393,453
Entrepreneur Centre Building - Embilipitiya	1,221,473
Jasmine Valley Tea Factory	6,821,443
Galagawa Tea Factory	5,115,382
Industrial Village Building - Buttala	745,875
Total	**15,297,626**

SCHEDULE - 03

LAND ACQUISITION DEPOSIT

Divisional Secretary Nagoda - Aptopwatta.	1,600,000
Divisional Secretary Kotapola - Ensalwatta (Mathugoba)	600,000
Divisional Secretary Kamburupitiya - Ratalankawatta	250,000
Grate Tangalle Hotel	152,000
Total	**2,602,000**

SCHEDULE - 04

ADVANCE

Plantation	28,938
Advance for Palukapitiya Tank Rehabilitation Project	1,450
Advance for Transfer of Vehicle (from RCSL to RMSSL)	4,000
Advance for Fuel & Board Meeting Expenses	7,851
Advance for repairing of Head office building (Pv 974 year 2012)	150,000
Total	**192,239**

SCHEDULE - 05	As at 31st December 2012 Rs.
FUEL DEPOSITS	
M.P.C.S.- Galle	25,000
M.P.C.S. - Moneragala	10,000
M.P.C.S -Tangalle	50,000
Total	**85,000**

SCHEDULE - 06

RENT DEPOSIT

Food Commissioner Agrarian Service Center - Koggala (Renold Engineering Factory)	17,400
Buttala Industrial Village Building no 33	2,792
Total	**20,192**

SCHEDULE - 07

RENT ADVANCE

Chamber of Commerce Hambantota	814,012
Others	297,000
Total	**1,111,012**

SCHEDULE - 08

LEASE RENT RECEIVED IN ADVANCE

Galagawa Tea Factory	208,725
Panilkanda Tea Factory	67,500
Auto Lanka Tyre Industry -Ratalankawatta	29,734
ACE Power Generation	114,300
Jesmine Valley Tea Factory	595,606
Coir Machine (H.K.S De Silva)	984
Thawasi Burusu Rent	2,440
Dankoluwa watta	84,000
Isuru Ceramic	18,146
Embilipitiya Entrepreneurship Building	
Sanjeewa Peramune -N01 Building	7,500
Sanjeewa Peramune -N01 Building	12,000
Sanjeewa Peramune -I 01 & I 02 Building	11,250
Gayan Menuka Dissanayaka -G06 Building 1	13,500
Gayan Menuka Dissanayaka -G06 Building 2	15,000
Total	**1,180,685**

SCHEDULE - 09

RECEIVABLE A/C

German SAFE Programme	38,480
Receivable from Ms. Samantha Jayasekara	1,002,929
Receivable from Ministry of Agriculture - S.G Nandasiri Salary	52,323
Total	**1,093,732**

SCHEDULE - 10

OTHER INCOME

	As at 31st December 2012
	Rs.
Tender Document Fees	7,215
Sales of Disposable used Items	19,455
Hiring Bowser Rent	12,936
Salary Deposit	75,367
Cheque Return Charges	1,250
Stores -Shortage	5,425
Total	**121,648**

SCHEDULE - 11

RETENTION PAYABLE

Hambantota District - 2011	
Kuda Indi Wewa To Katan Wewa14C/14B	64,501
Panwewa To Galwewa 3-A Part	79,458
Kudaindiwewa To Katanwewa 16th step	178,237
Kudaindhiwewa To Katanwewa 15 step	187,095
Katanwewa Canal 14 E	190,570
Katanwewa 14F	72,115
Kudaindiwewa To Katanwewa17th step	180,633
Kudaindiwewa To Katanwewa 18th step	155,149
Grand Total	**1,107,758**

SCHEDULE - 12

REFUNDABLE DEPOSIT

B.G. Anil Kumara	1,500
S.P. Edwin	1,500
Nihal Subasinghe	500
Total	**3,500**

SCHEDULE - 13

INCOME RECEIVABLE

Buttala Monera Fruit Factory			24,829
Ratalankawatta Land			203,500
Income from Vehicle Rent from Southern Master Co. Ltd.			29,490
Surcharge Receivable from Southern Master Co. Ltd.			17,100
Receivable from Ruhunu Net Company			5,333
Radar Farm			6,250
Entreprenuership Building			182,704
Anura Kariyawasam	- N01 Building	19,172.00	
Nalin Priyantha	- G 07 Building	63,064.00	
Saman Gunarathna	- G 06 Building	36,839.00	
S.R Dissanayaka	- E 08 & E 09 Building	33,510.37	
M.A Chandrasena	- I 03 & I04 Building	30,118.40	
Water Bowser	- MAGA		565,336
Sewari Lanka Enterprises			4,492
Total			**1,039,034**

SCHEDULE - 14

SOUTHERN DEVELOPMENT AUTHORITY OF SRI LANKA

		As at 31st December 2012 Rs.
Shares		10,000,000
Revolving Loan Fund		33,072,519
Total		**43,072,519**

SCHEDULE - 15

LEASE RENTAL INCOME

Panilkanda Tea Factory		202,500
Jesmine Valley Tea Factory -Ruhuna 2001		589,893
Galagawa Tea Factory -Ruhuna 2001		333,960
Auto Lanka Tyre Industries - Ratalankawaththa		178,404
Galagawa Tea Factory -Ruhuna 2001 New Rent		147,285
Sewari Lanka (Yoghurt)		25,760
Ace Power Generation, Thihagoda		685,800
Dankoluwawatta Land New Rent	168,000	
Delay Charges	3,360	171,360
Juki Machine Rent (P.A Kamalawathi)		1,320
Coir Machine (H.K.S De Silva)		5,902
Isuru Ceremic	72,587.00	
Delay Charges	19,077.00	91,664
Ratalankawatha Land -Dragon Fruit Project	103,320	
Delay Charges	27,572	130,892
Tamaduwa Building -Rent		7,319.00
Bowser Rent -MAGA		1,598,500.03
- Gayan Menuka Dissanayaka - F 10Building	72,000	
Delay Charges	2,947.12	74,947
- Gayan Menuka Dissanayaka - G 06 Building 1		21,000
- Gayan Menuka Dissanayaka - G 06 Building 2		54,000
- B.G Anil Kumara - J10 & J11 Building		42,000
- Sanjeewa Peramune - N01 Building	30,000.00	
Delay Charges	450.00	30,450
- Sanjeewa Peramune - N02 Building	48,000.00	
Delay Charges	4,876.00	52,876
- Sanjeewa Peramune - I 01 &I 02 Building		15,750
- Nalin Priyantha - G 07 Building	27,500.00	
Delay Charges	7,136.54	34,637
Total		**4,496,218**

SCHEDULE - 16	As at 31st December 2012 Rs.
DEBTORS - LOW COST BAKERY SUPPLIERS	
Safhan Ebrahim	44,250
B.H.Kasim	9,609
A.G.A. Sarath Kumara	6,706
D.D.Rubasingha	39,375
A.K.Wikramasooriya	39,375
A.G.L.A.Jinadasa	38,625
W.A.Piyadasa	5,625
NERD	126,713
Total	**310,277**

SCHEDULE - 17

RENTAL DEPOSIT OF LESSEES

Building Rent from Embilipitiya Entrepreneur Centre	
- Gayan Menuka Dissanayaka - F 10 Building	40,320
- Gayan Menuka Dissanayaka - G 06 Building	18,000
- B.G Anil Kumara - J10 & J11 Building	23,520
- Sanjeewa Peremune - N02 Building	26,760
- Sanjeewa Peramune - N01 Building	15,000
- Sanjeewa Peramune - I 01 & I 02 Building	13,500
- Kumari Waniniarchi - I 05 Building	9,000
Sewari Lanka (Yoghurt)	12,880
Ratalankawatha Land - D.N Lokuliyana	51,660
Thamaduwa Kadigamuwa Rent	28,495
Total	**239,135**

SCHEDULE - 18

RETENTION PAYABLE - SPECIAL PROJECT

Hambantota (SPH) 74	
Panwewa to Galwewa cannel - Step 01	195,700
From Kudaindiwewa to Katanwewa cannel - Step 09	194,047
From Kudaindiwewa to Katanwewa cannel - Step 11	195,762
Panwewa to Galwewa cannel - Step 03	26,493
From Kudaindiwewa to Katanwewa cannel - Step 14-D	89,287
Panwewa to Galwewa cannel - Step 03 - B	192,612
Panwewa to Galwewa cannel - Step 03 - C	187,348
Panwewa to Galwewa cannel - Step 03 - D	63,042
Total	**1,144,291**

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SCHEDULE - 19

ACCUMULATED DEVELOPMENT EXPENDITURE

Details	**2009**	**2010**	**2011**	**2012**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Balance B/F	1,255,243,180	1,503,985,212	1,754,939,136	1,991,513,537
Prior Year Adjustments	6,025,286	4,480,770	1,093,516	(146,052)
Sub Total	**1,261,268,466**	**1,508,465,982**	**1,756,032,652**	**1,991,367,485**
Social Welfare Development Programme	94,741,694	143,135,686	115,701,846	388,481
Economic Development Investment Promotion	26,361,686	10,436,916	5,099,682	-
Marketing & Services Facilities	-	-		-
Studies & Technology Transfer Programme	-	-		-
Human Resource Development & Training	201,000	-	-	-
Sub Total	**121,304,380**	**153,572,602**	**120,801,528**	**388,481**
New Programmes				
Divi Neguma		-	52,921,998	16,710,600
Kiralakele Project	25,000	-	-	-
Seminar & Training	445,162	412,821	316,733	9,500
Dayata Kirula Expenses		447,344	106,105	504,290
Admin cost - Capital		2,724,724	2,537,888	60,625
Admin cost - Special Projects		-	598,503	1,405,447
Kohilawagura Capital Expenses	90,000		-	-
Special Project Housing Expenses	122,756,523	90,203,057	58,638,448	80,897,777
- Fuel Expenses	220,943	-	-	-
Sub Total	**123,537,627**	**93,787,946**	**115,119,675**	**99,588,240**
Capital Income & Recoveries **	(2,125,262)	(887,394)	(440,318)	(71,037)
Grand Total	**1,503,985,212**	**1,754,939,136**	**1,991,513,537**	**2,091,273,168**

**

Income From Fisheries boats & Other Capital	14,850
Delay Charges from Construction	3,027
Income Cashew Sales Stall	10,400
Income Palatuwa Sales Stall	25,880
Sale of Motor Bicycles	6,880
Income from Contractors	10,000
Total	**71,037**

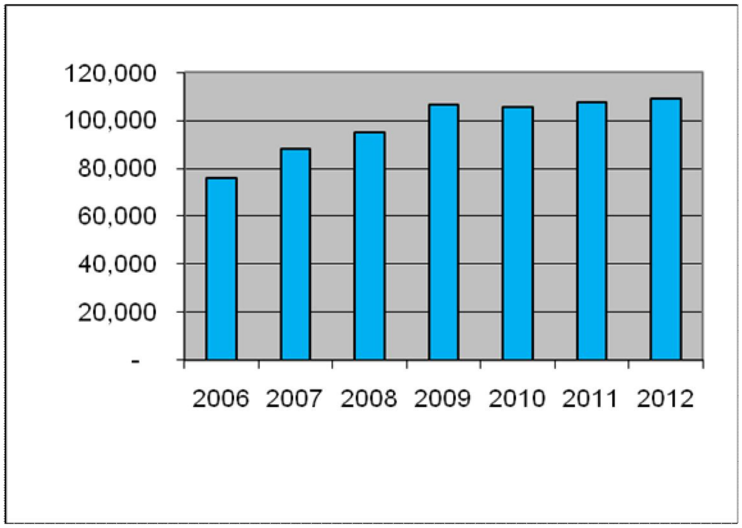
FINANCIAL REVIEW

2006 - 2012

Southern Development Authority of Sri Lanka
Financial Performance from 2006 - 2012

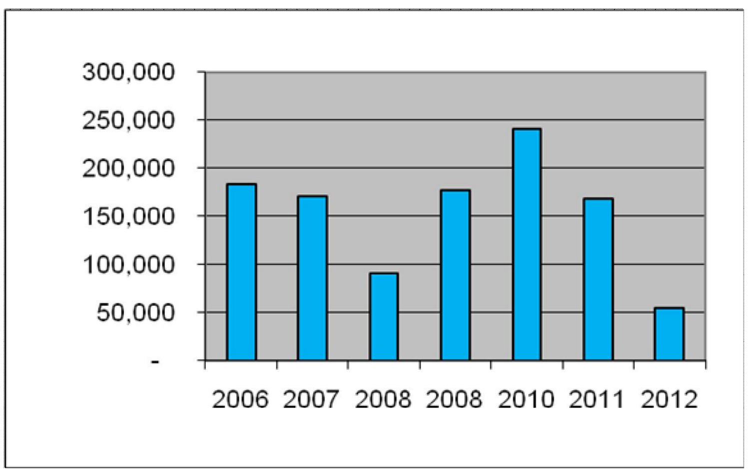
	Description	2006	2007	2008	2009	2010	2011	2012
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
1	Govt. Grant - Recurrent	76,200	88,109	94,900	106,400	105,632	107,600	108,955
	- Capital	184,000	170,767	91,052	177,800	241,662	169,102	54,595
2	Donations/Foreign Aid / Special Project	10,600	-	-	63,863	-	-	-
3	Cess Income	-	-	-	-	-	-	-
4	Own Revenue	3,871	4,518	6,505	6,828	5,896	7,074	5,669
5	Total Income (Rec. Grant+Own Revenue)	80,071	92,627	101,405	113,228	111,528	114,674	114,624
6	Total Cost of Employment (With Gratu.Pro)	72,989	76,227	81,272	86,517	87,741	102,983	104,305
7	Other Recurrent Expenditure (With Depre.)	21,430	20,298	25,972	26,598	32,461	38,097	35,029
8	Surplus/(Deficit)	(14,348)	(3,899)	(5,839)	112	(8,673)	(26,406)	(24,710)
9	Capital Expenditure (Development Assets)	198,421	159,258	226,473	308,529	304,278	242,849	110,302
10	Non Current Assets	62,807	66,658	85,970	146,697	193,389	188,917	188,757
11	Current Assets	77,524	80,662	80,563	64,219	101,255	41,577	35,407
12	Current Liabilities	18,728	18,195	90,259	91,149	51,955	54,973	31,675
13	Accumulated Fund	106,450	111,299	58,863	97,952	219,420	140,712	151,550
14	Number of Employees	282	288	283	279	269	266	261
	Key Performance Indicators							
I	Own Revenue to Total Income (%)	4.83	4.88	6.41	**6.03**	5.29	6.17	4.9
II	Total Cost of Employment per Employee (Rs) (6÷14)	259	265	282	310	326	387	400
III	Total Recurrent Cost per Employee (6+7 ÷14)	335	335	379	405	446	530	533

Southern Development Authority of Sri Lanka
Government Grant - Recurrent
2006 - 2012



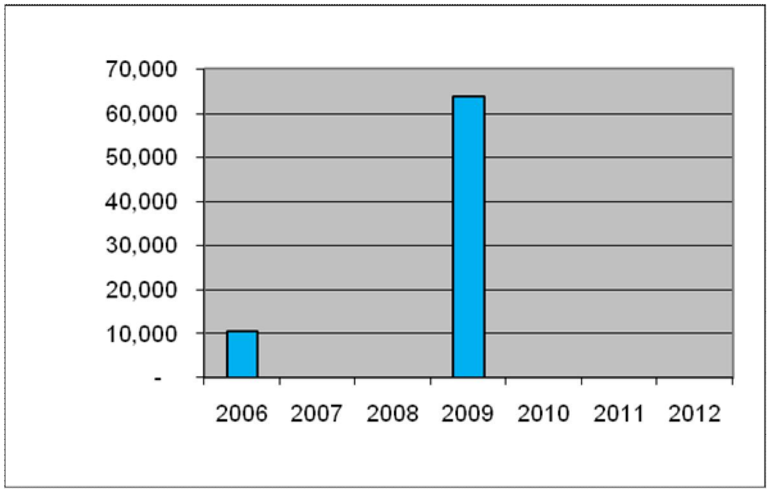
Year	2006	2007	2008	2009	2010	2011	2012
(Rs.'000)	76,200	88,109	94,900	106,400	105,632	107,600	108,955

Southern Development Authority of Sri Lanka
Government Grant - Capital
2006 - 2012



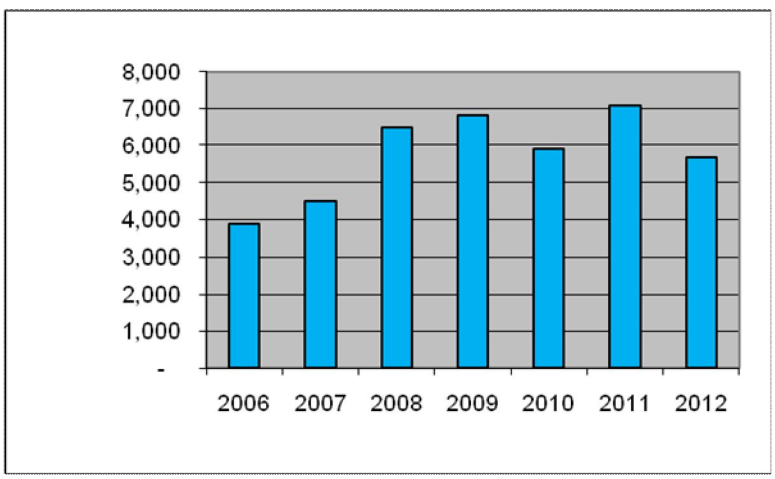
Year	2006	2007	2008	2008	2010	2011	2012
(Rs.'000)	184,000	170,767	91,052	177,800	241,662	169,102	54,597

Southern Development Authority of Sri Lanka
Donations / Foreign Aid
2006 - 2012



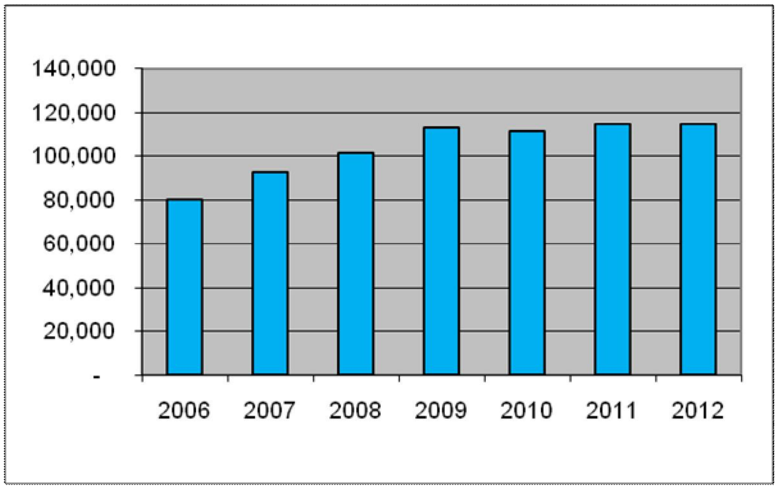
Year	2006	2007	2008	2009	2010	2011	2012
(Rs.'000)	10,600	-	-	63,863	-	-	-

Southern Development Authority of Sri Lanka
Own Revenue
2006 - 2012



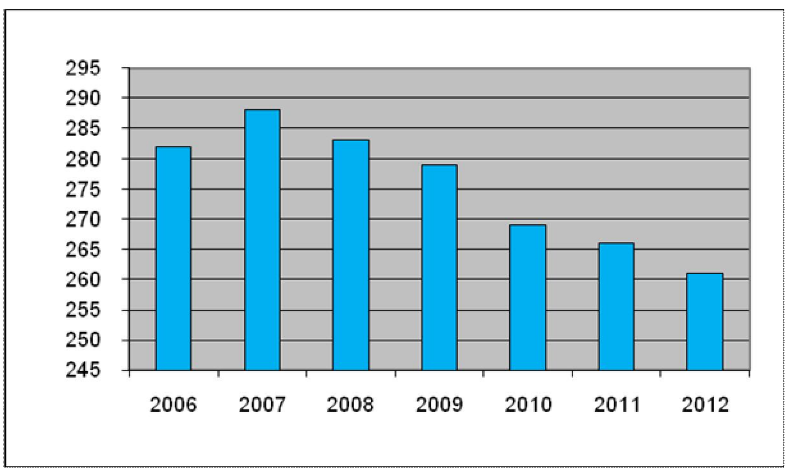
Year	2006	2007	2008	2009	2010	2011	2012
(Rs.'000)	3,871	4,518	6,505	6,828	5,896	7,074	5,669

Southern Development Authority of Sri Lanka
Total Income
2006 - 2012



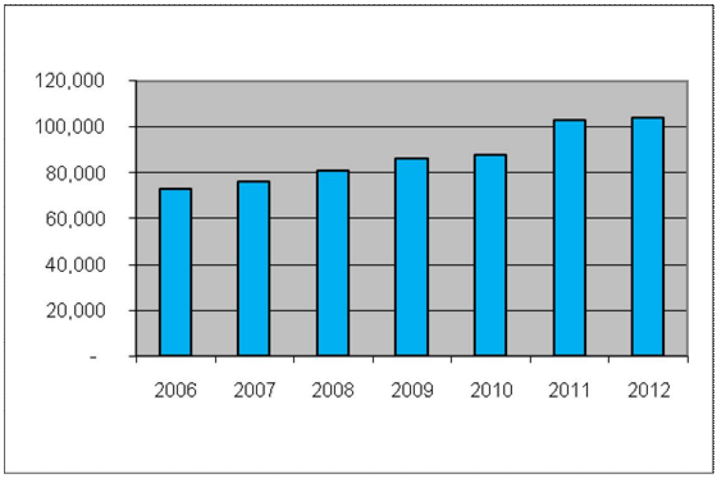
Year	2006	2007	2008	2009	2010	2011	2012
(Rs.'000)	80,071	92,627	101,405	113,228	111,528	114,674	114,624

Southern Development Authority of Sri Lanka
Number of Employees
2006 - 2012



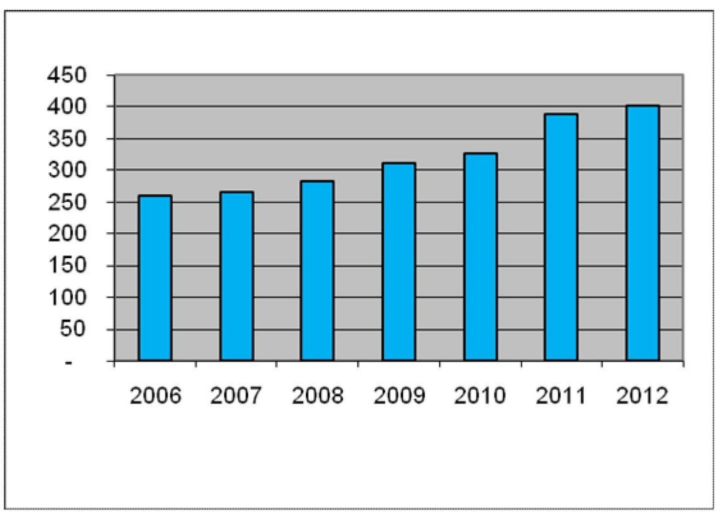
Year	2006	2007	2008	2009	2010	2011	2012
(Nos.)	282	288	283	279	269	266	261

Southern Development Authority of Sri Lanka
Total Cost of Employment
2006 - 2012



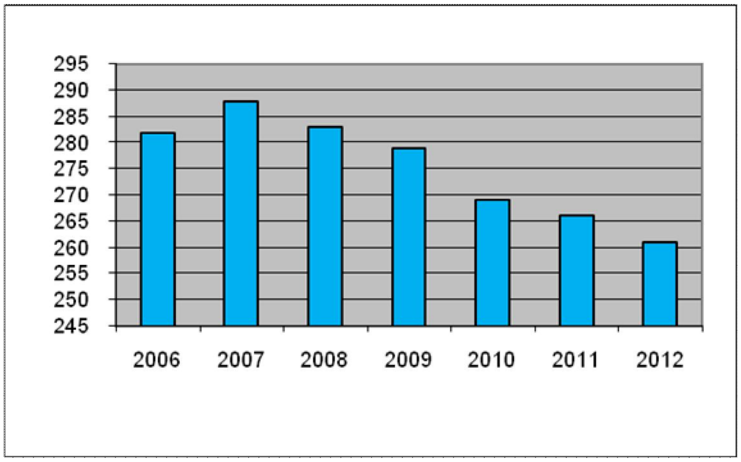
Year	2006	2007	2008	2009	2010	2011	2012
(Rs. '000)	72,989	76,227	81,272	86,517	87,741	102,983	104,305

Southern Development Authority of Sri Lanka
Total Cost of Employment Per Employee
2006 - 2012



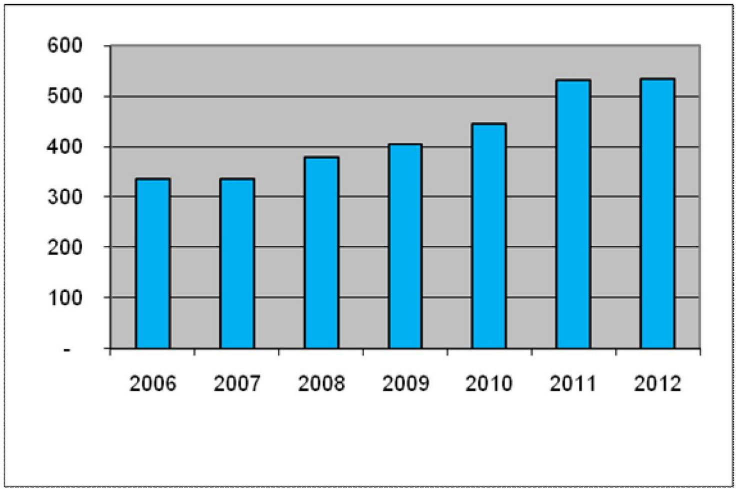
Year	2006	2007	2008	2009	2010	2011	2012
(Nos.)	259	265	282	310	326	387	400

Southern Development Authority of Sri Lanka
Number of Employees
2006 - 2012



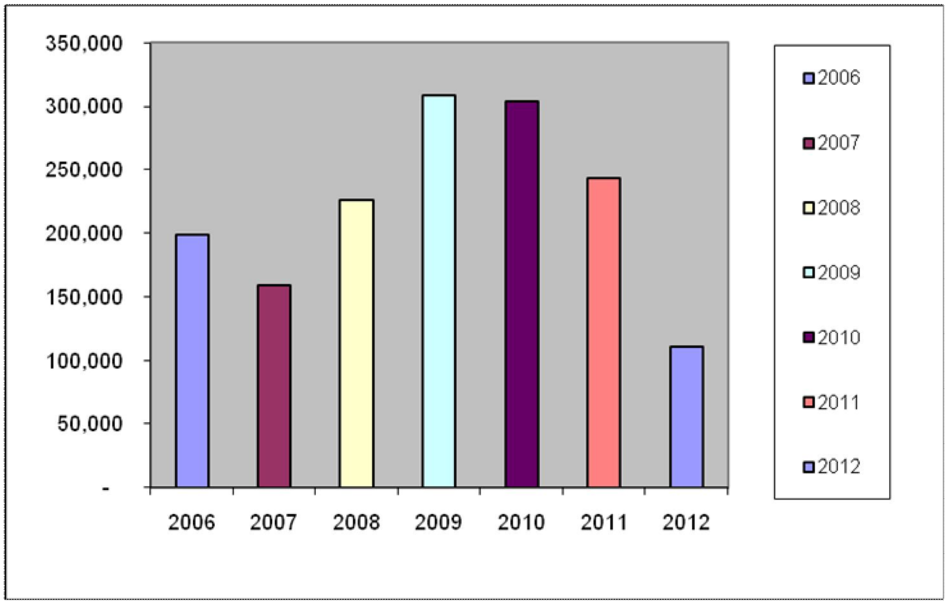
Year	2006	2007	2008	2009	2010	2011	2012
(Nos.)	282	288	283	279	269	266	261

Southern Development Authority of Sri Lanka
Total Recurrent Cost Per Employee
2006 - 2012



Year	2006	2007	2008	2009	2010	2011	2012
(Nos.)	335	335	379	405	446	530	533

Development / Capital Expenditure
2006 - 2012



Year	2006	2007	2008	2009	2010	2011	2012
(Rs. '000)	198,421	159,258	226,473	308,529	304,278	242,849	110,303