

Corporate Information

Board of Directors

Mr. V Sathiyandanan	-	Chairman
Mr. Faizer Musthapha	-	Vice Chairman - Resigned w.e.f. 06.11.2002
Mr. H M Siddeek	-	Vice Chairman - Appointed w.e.f. 06.11.2002
Mrs. Hema Wijesekara	-	Ex-Officio (Actg. Commissioner - National Housing Dept.)
Mr. J M L Jayasekara	-	Ex-Officio (Director General - National Physical Planning Dept)
Dr. Sunil K N de Silva-	Chairman	(Marine Pollution Prevention Authority)
Mr. E A Mettananda	-	Vice Chairman (National Water Supply & Drainage Board)
Mr. Farook Majeed	-	Businessmen
Mr. D W R Weerakoon	-	Ex-Officio Director General – Dept of Irrigation
Mr. Faizer Musthapha	-	Vice Chairman (National Housing Development Authority) From 06.11.2002

Legal Status

Sri Lanka Land Reclamation and Development Corporation formerly known as the Colombo District (Low Lying Areas) Reclamation and Development Board, was incorporated by Act of Parliament No.15 of 1968. By amendment Act No.27 of 1976 the objects of the Corporation were widened. Amendment Act No.52 of 1982 also changed the name of the Board to Sri Lanka Land Reclamation and Development Corporation and widened its area of authority to cover the entire country.

Office

3, Sri Jayawardenapura Mawatha
Welikada
Rajagiriya.

Auditors

Auditor General
Auditor General's Department
Colombo 7.

Corporate Information (Contd..)

Bankers

Bank of Ceylon
People's Bank
Hatton National Bank Ltd.
ANZ Grindlays Bank

Legal Adviser

Attorney General
Attorney General's Department
Hulftsdorp
Colombo 12.

Senior Management

Mr. D T Talagala	- General Manager
Mr. N V Gooneratne	- Dy.General Manager (Canal Development & Maintenance)
Mr. H M K S Jayawardena	- Dy.General Manager (Research & Designs)
Mr. W K Wickramasinghe	- Dy.General Manager (Lands & Marketing)
Mr. A I B Piger	- Dy.General Manager (Civil)
Mr. M B K Gunawardena	- Dy.General Manager (Finance)
Mr. A G Premaratne	- Dy.General Manager (Human Resources Development)
Mrs. S H Gunawardena	- Dy.General Manager (Reclamation Development & Planning)
Mr. V P G Vincent	- Chief Internal Auditor
Mr. P G Arthanayake	- Asst.General Manager (Plant & Equipment)
Mrs. M B D de Silva	- Asst. General Manager (Legal)
Mr. W M P Wasala	- Asst. General Manager (Supplies)
Mr. G S M Abeysekara	- Asst. General Manager (Plant & Equipment)
Mr. K D Keerthi Perera	- Asst. General Manager (Plant & Equipment)
Mr. I Jayantha Kumara	- Asst. General Manager (Research & Designs II)
Mrs S R M Adikari	- Asst. General Manager (Design)
Mr. P P Ghanapala	- Asst. General Manager (Research & Designs I)
Mr. K M G Ranaweera	- Asst. General Manager (Canal Maintenance)
Mr. K Rajapaksa	- Asst. General Manager (Canal Development)
Mrs. R I Silva	- Asst. General Manager (Finance)
Mr. D M W B Elikewela	- Chief Security Manager

Chairman's Statement

I have great pleasure in presenting the Annual Report and Accounts of the Sri Lanka Land Reclamation and Development Corporation for the year 2002.

The total turnover during the year was Rs.192.2 million compared with Rs.352.1 million in the previous year.

The net loss before tax in 2002 was Rs.94.9 million compared with the profit of Rs.173.8 million in 2001. The net loss after tax in 2002 was Rs.125.8 million compared with the profit of Rs.96.6 million in 2001.

Details of work done are reported below:

RECLAMATION AND DEVELOPMENT OF LANDS

During the year 2002 the Corporation carried out several projects on reclamation and development of lands. The work done during the year on reclamation and development of own projects and clients projects are as follows.

Clients Projects

Madiwela Govt. Project – Diversion of Japan – Sri Lanka Friendship Road

The above project is for the construction of a new road access to the proposed Residence and Secretariat Complex for the Head of Government. The estimated project value is Rs.99.81 million. Work commenced in September 2000 and is scheduled to be completed in early 2003. The value of work done during the year 2002 was Rs.15.26 million. The work is now suspended due to non-settlement of progress bills submitted to the UDA.

Beira Lake Restoration Project – Development of Linear Park of South West Lake, West Lake & Galle Face Lake.

The total estimated value for the Beira Lake Restoration Project is Rs.208.5 million which includes the dredging and removal of dredged material and development of Linear Park of South West Lake, West Lake and Galle Face. This work was awarded to this Corporation by Urban Development Authority.

Development of Linear Park of South West Lake and Galle Face lake is inclusive of landscaping work, construction of retaining wall, gabion work, tree planting etc. and is managed by the Reclamation Division of this Corporation. The dredging work is handled by the Plant & Equipment Division of the Corporation. The work commenced in March 2001. The value of work carried out by both above divisions during the year was Rs.28.57 million. The work is now temporarily suspended for non payment of bills by the UDA due to the problem in getting funds from the Treasury.

Uva Development Project

The total estimated value is Rs.11.28 million. Work commenced in November 2002 and is scheduled to be completed in February 2003. The main work is for construction of 65 Nos of Foot Paths and Steps and 21 Nos. of Community Centers costing Rs.3.2 million and Rs.8.1 million respectively.

Own Projects

Wedamulla, Mudun Ela and 9th Lane, Kotte are the main reclamation and development projects handled by the Corporation from our owned funds.

Wedamulla Stage II

The Corporation has planned to reclaim and develop an extent of 37 acres of marshy land, off the Colombo-Kandy road on the eastern side, 3 km from the New Kelani Bridge, under stage II of the Wedamulla project. The total estimated cost of the project is Rs.155 million. 77% of the work had been completed by the end of the year 2002. Cumulative value of work done up to end of the year 2002 was Rs.119.3 million.

Mudun Ela Development Project

The next largest project that the Corporation is about to undertake is the Mudun Ela Development project. The Corporation and the UDA jointly own a total of 945 ha. In the Mudun Ela marsh and its catchment in Peliyagoda. Similar to the Muthurajawela Project it is proposed to reclaim the marsh by utilizing sea sand as the fill material.

The Corporation is planning to develop 136 ha. of marsh low lying land in the Mudun Ela area. The project area lies off the Colombo-Kandy road on the western side about 4 km. from the New Kelani Bridge.

Once this project is completed the newly created land will be available for Port related activities such as warehousing, container yards and for Commercial and Industrial purposes. Its strategic location, being in close proximity to the Colombo Port as well as to the Bandaranayake International Airport is already attracting many inquiries from prospective investors. The total project cost will be Rs.4,725 million approximately. The cumulative work done as at 31st December 2002 was Rs.

Development of Land at 9th Lane, Kotte

Work on the development of 7 acres of land at 9th Lane, Kotte commenced in August 2002. Net area available for housing is 5 acres. In addition to reclamation work, dredging of canals and construction of bunds are also included in this project. The total estimated cost is Rs.49 million. The value of work done during the year 2002 was Rs.6.4 million.

Treasury Grant Projects

The maintenance of Colombo canal system previously maintained by the Dept. of Irrigation was handed over to Sri Lanka Land Reclamation and Development Corporation in 1979. The major items of work involved are the maintenance of canals, canal bank clearing, surface clearing, canal excavation and canal bank protection work.

Rehabilitation of Colombo-Puttalam Canal and Maintenance of Hamilton Canal

A sum of Rs.5.0 million has been allocated for the rehabilitation and maintenance work of Colombo-Puttalam and Hamilton Canals. The length of the canals are 7.5 km and 15.5 km respectively. Work is programmed according to the annual allocation of funds by the Treasury. The value of work done during the year 2002 was Rs.5.0 million.

Dehiwela Canal Sea Out-fall Improvement Project

The Dehiwela Canal Sea outfall is one of the four main storm water drainage outlets for the Colombo and Greater Colombo area. This outfall has no protection for sand bar formulation at its confluence with the sea.

In order to create a pollution free environment and to keep the out-fall free of sand bar formulation, it was suggested to construct two groynes on either banks of Dehiwela Canal and Wellawatta outfall structure to improve scouring in the area. For this purpose, design and supervision of this construction was awarded to Lanka Hydraulic Institute by the Corporation.

Maintenance of Colombo Rehabilitated Canals under Greater Colombo Flood Control and Environment Improvement Project Phase I & Phase II

The canals rehabilitated under Phase I and Phase II, were taken on for maintenance together with a certain proportion of minor canals which needed proper maintenance for the major canals to function. Although a sum of Rs.40 million and Rs.20 million respectively were received from the Consolidated Fund for the maintenance of the two categories of canals in 2001, the amount appropriated for year 2002 was Rs.20 million and Rs.7 million respectively. This was a major set-back for this item of work, specially after the contracted maintenance system had to be abandoned, reverting back to the deployment of direct labour on maintenance work.

CANAL DEVELOPMENT AND MAINTENANCE

Colombo and Greater Colombo has been subjected to inundation during precipitation due to inadequacies in the drainage system which comprised of approximately 36 kilometers of open canals.

This Corporation directed its attention to this problem, after the Irrigation Department handed over its maintenance in 1979. Preliminary studies were carried out by Sri Lankan and Foreign Consultants. The proposals prepared were accepted by the Japan Bank for International Cooperation who agreed to fund the projects. This resulted in the Greater Colombo Flood Control and Environment Improvement Project. Implementation was in three phases commencing from 1994.

Greater Colombo Flood Control and Environment Improvement Project – Phase I

The rehabilitation of the Dutch Canal System of Colombo and adjacent areas were undertaken in 1993 at a cost of Rs.8,000 million and completed in 1998.

Greater Colombo Flood Control and Environment Improvement Project – Phase II

Work under phase II commenced in 1998 and was financed by Japan Bank for International Cooperation. It addressed the flooding problem in five areas within the Colombo Municipal Area. Phase II was completed in 2002 at a cost of Rs.5,800 million.

Greater Colombo Flood Control and Environment Improvement Project – Phase III

Under Phase III Flood prevention and work on eliminating inundation was also funded by the Japan Bank for International Cooperation (JBIC). This project covers Attidiya and Kawdana in the Dehiwela Mount Lavinia Municipal Area. China Geo Engineering Corporation commenced work in May 2000 for Attidiya Scheme and China International Economic and Technical Corporation commenced work in July 2000 for Kawdana Scheme. Work on both schemes is progressing satisfactorily and on schedule with completion targeted to July 2004. The total cost of the project is estimated at Rs.5500 million.

Lunawa Environment Improvement and Community Development Project

The Japan Bank for International Cooperation (JBIC) has given approval to finance the Environment Improvement section of this project for which they have appropriated Rs.5000 million . Pre-qualifications were called under International Bidding for the awarding of Consultancy work. The project awaits approval from Japan Bank for International Cooperation (JBIC) in awarding the Consultancy work for a selected applicant.

Improvement to Water Quality in Canals

Industrial waste, domestic waste and thoughtless disposal of solid waste into canals continue to pollute all canals. The Corporation together with the joint effort of the Central Environment Authority (CEA), Colombo Municipal Council, Dehiwela Mount

Lavinia Municipal Council and Pradeshiya Sabhas of Kolonnawa and Wellampitiya have started creating awareness among communities to minimize such activities.

Extended Uses of Canals and Retention Area

The Corporation now encourages Investors to develop and use canal banks and retention areas for selected recreational activities.

Training and Development of the Corporation Staff

During this year several Engineers and other staff of the Corporation were sent to foreign and local institutions for necessary training. Training was funded by JBIC for the Greater Colombo Flood Control and Environment Improvement Project Phase III.

CONSTRUCTION PROJECTS

Aramaya Road Housing Project at Dematagoda, Colombo 9 for the National Housing Development Authority

Total estimated cost of the project is Rs.16.78 million. Construction work will be completed by end of February 2003. The work done during the year 2002 was Rs.5.46 million.

Rectification Work at Palangastuduwa Housing Scheme at Rodney Street, Colombo 8.

Commenced work on the construction of the sewerage disposal system and renovation works of the housing scheme. Total estimated value for this construction is Rs.9.7 million. The cost of work done during the year 2002 was Rs.4.5 million.

Engineer's Office Building at Kirimandala Mawatha

The total cost of the project is Rs.7.3 million. This project is under the Greater Colombo Flood Control and Environment Improvement Project Phase III. 90% of the work have been completed and the project will be completed by end of February 2003. The work done during the year 2002 was Rs.4.73 million.

Construction of Drain System at Elvitigala Mawatha, Narahenpita

The estimated cost of the project is Rs.2.99 million. This project was awarded to the Corporation by the Skill Development Project under the Ministry of Vocational Training. 70% of construction work have been completed. The project will be completed by end of March 2003. The value of work done during the year 2002 was Rs.1.52 million.

Construction of Weekly Fair at Kotagala, Town

Construction work of this project has commenced in 2002. The total estimated cost for this project is Rs.3.2 million approximately. The Nuwara Eliya Pradeshiya Sabha is the client of this project. The work done for the year 2002 was Rs.1.6 million.

Construction of Post Office Building at Kotagala Town

The total cost estimate of this project is Rs.3.6 million. The project will be commencing in 2002 and completed by end of February 2003. The value of work done during the year was Rs.1.09 million.

Construction of Storm Water Drainage Scheme at Kotagala Town

The above work has been entrusted to this Corporation by the Nuwara Eliya Pradeshiya Sabha. The estimated project cost is Rs.9.05 million. The work has to be completed by end of June 2003. The value of work done during the year 2002 was Rs.0.3 million.

Development Works at Rshita Estate at Kotagala Town

National Housing Development Authority has awarded this job to this Corporation. The cost estimate of this project is Rs.21.6 million and it is expected to complete this project by end of June 2003. The value of work done during the year was Rs.0.6 million.

CONSULTANCY

The Corporation continued to undertake consultancy work on storm water drainage designs, preparation of storm water drainage master plans and preparation of structural designs for buildings, bridges etc. and preparation of EIA/IEE reports for the public and private sector.

1. Storm Water Drainage Designs

Storm Water Drainage Design for Negombo Municipal Area

The Corporation has undertaken to prepare storm water drainage designs for Negombo Municipal Council area. The cost of preparation of feasibility study and detailed designs are Rs.7.71 million. Initial work up to Rs.3.178 million was funded by the Negombo Municipal Council. The detailed designs and supervision of construction work are funded by the Asian Development Bank (ADB) through Urban Development and Low Income Housing Project (UDLIHP) of the Ministry of Housing and Plantation Infrastructure. A Feasibility Report was prepared and survey work and detailed designs have been completed for Phase I & Phase II. Detailed designs of Phase III will be completed by end of February 2003. The construction work began in April 2001 and the Corporation was awarded the resident supervision of construction. The estimated total cost of resident construction supervision is Rs.20.394 million. The value of work done during the year 2002 was Rs.8.26 million.

Storm Water Drainage Designs for Weligama Town

A design costing Rs.300,840/- is being prepared for the rehabilitation and improvements of drainage systems in Weligama Town for the Department of Coast Conservation.

Storm Water Drainage Design for Peliyagoda IUDP

A Storm Water Drainage Design was prepared previously for the Integrated Urban Development Project of UDA at Peliyagoda. The Corporation is now engaged in construction supervision of this project. The value of supervision work is Rs.291,818/-.

Diyawanna Uyana Project

Research and Design division prepared a drainage and reclamation plan for the client, Asia Pacific Golf Courses previously. Implementation has commenced now and supervision and monitoring of the project has been handed over to this division. The estimated cost for this work is Rs.825,330/-.

Checking of Adequacy of Drainage Provisions of Proposed Expressways/Highways

With the Environmental Impact Assessment, Sri Lanka Land Reclamation and Development Corporation has been entrusted with checking the adequacy of drainage provisions of proposed Expressways/Highways by Road Development Authority (RDA). The work on Colombo Katunayake Expressway was completed at a cost of Rs.429,484/- and the drainage adequacy of outer circular Highway is being examined at a cost of Rs.352,642/-.

Storm Water Drainage Master Plan for Drainage Catchments

This is an activity commenced in year 2000 under the Action Plan of Presidential Task Force on Housing and Urban Development. The Sri Lanka Land Reclamation and Development Corporation was made responsible for the preparation of Master Plans for all the drainage catchments in the island.

The following areas in the Western Province have been identified to commence this Task Force Activity.

- i. Ja-Ela basin
- ii. Kalu-Oya basin
- iii. Bolgoda sub-basin (4 sub-catchments)

The estimated cost for preparation of master plan for the above areas is Rs.75 million. The Treasury had allocated Rs.3 million for the year 2001 and Rs.0.5 million for year 2002. Gauge posts have been installed and measurement of water levels and discharges have been carried out. This project has been amalgamated in to the JICA funded project named Storm Water Drainage Master Plan for the Colombo Metropolitan Region, which commenced in October 2001. Draft Final Report of Master Drainage Plan for CMR and Feasibility Study on Storm Water Drainage Project of Weras Ganga basin was prepared by December 2002. This was distributed among relevant organizations for comments. The Final Report will be ready by end of February 2003.

Development of Lands at Ragama and Kiribathgoda

Feasibility study reports and comprehensive drainage designs were prepared for Corporation lands at Ragama and Kiribathgoda. The estimated value of designing are Rs.210,000/- and Rs.220,000/- respectively.

Dedduwa Lake Resort Projects

Storm Water Drainage Designs and estimates were prepared for a Lake Resort Project at Dedduwa for the Sri Lanka Tourist Board costing Rs.370,155/-

Moreswatte Housing Scheme, Beruwela

A Storm Water Drainage Design was prepared to the value of Rs.129,496/-for the development of land for a housing scheme at Moreswatte, Beruwela. The client is National Housing Development Authority.

2. Engineering Materials Testing Laboratory

The Engineering Materials Testing Laboratory of the Corporation undertakes geo-technical investigations, testing of soils, concrete cubes and blocks, dewatering of construction sites etc. for both public and private sector organizations. The income from the Engineering Materials Testing Laboratory during the year 2002 was Rs.2.6 million.

3. Statutory Function of regulating Filling of Low Lying Lands

The Corporation carries out its statutory obligation of regulating the filling of low lying lands in order to minimize flooding. This statutory function is carried out by the Corporation without obtaining any funds from the Government, but charging a nominal fee from prospective developers. Income from this function is Rs.2.6 million for the year 2002.

Some of the major projects handled by this division are given below.

3.1 Low Lying Area Development in Biyagama

A drainage design is being developed for the Biyagama Divisional Secretariat in co-ordination with other relevant organization.

3.2 Storm Water Drainage Design at Cyril de Silva Mawatha, Nugegoda.

A drainage design is being prepared for the above project.

3.3 Storm Water Drainage Improvement in Kotagala Town

Stage I - A storm water drainage design was prepared for the Kotagala Town costing Rs.388,702/-.

Stage II - Drainage design is prepared to develop an additional marshy area of 12 acres for recreational purposes in Kotagala Town, costing Rs.488,382/-.

4. Water Level and Discharge Measurements

Under the Greater Colombo Flood Control and Environment Improvement Project (GCFCEIP) - Phase II, water level and discharge measurements were taken on the Colombo Canal network for 04 years. Phase III commenced in October 2000. Phase III measurements will continue for another 4 years. The total estimated cost of work under Phase III of the the project is Rs.3.48 million.

Under the Colombo Metropolitan Region project water level and discharge measurements are being taken from gauges located in Bolgoda basin, Ja Ela basin and Kalu Oya basin. Data collection is done by automatic level gauges and rain gauges in both locations.

Collected data will be used for preparation of drainage designs and environmental reports.

2 Structural Designs

The Research and Design division undertakes structural designs of buildings, housing schemes, bridges, culverts etc.

- i) The Research and Design division also prepares the design of gabions for private sector.
- ii) The structural designs were prepared for a Post Office and Daily Pola at Kotagala Town. The total design cost is Rs.0.68 million.

3 Design of Pumping Station for Mudun Ela Development Project

A pumping scheme with a capacity of 600 cusecs is being designed for the Mudun Ela Development Project. Total design cost is Rs.834,765/-.

4 Preparation of EIA Report for Mudun Ela Development Project

Environmental Impact Assessment (EIA) report was prepared for proposed Mudun Ela Development Project.. The total cost of preparation of EIA Report is Rs.1 million.

5 Preparation of IEE Report for Police Academy Development, Attidiya

The Corporation prepared the Hydrology and Storm Water Drainage plan the IEE report for client Environment Resources Management Lanka (Pvt) Ltd. The value of consultancy for this work is Rs.124,381/-.

6 Quantity Survey Unit

The Quantity Survey Unit prepares estimates for both internal and external projects handled by the Corporation. Income for the year 2002 is Rs.86,500/-.

LANDS AND MARKETING

Creating new lands required for industrial, commercial and housing purposes in a flood free environment, is one of the main objectives of the Corporation. In achieving this objective the Lands & Marketing Division performs two major functional areas.

- 2 Acquisition of suitable low-lying lands that are identified for reclamation and development.
- 3 Disposing or selling of such land after development.

The modes of disposal are as follows.

Long term leases

Lands will be leased on long term basis i.e. 30 years, 50 years or 99 years for selected projects. Priority is given for Government Projects and BOI Projects.

Direct Sales

Sale of Lands to Government Institutions takes priority.

Outright Sales for Housing

Catering for the high demand for land for housing purposes of individuals, sale of housing blocks by tender and auction.

Short Term Leases

Allocation of lands/buildings is done on short term/temporary basis for applicants.

PLANT AND EQUIPMENT DIVISION

Repair and maintenance of light vehicles and heavy machinery

The Mechanical division of the Corporation is responsible for repairs and maintenance of vehicles and heavy machinery. The total cost of repairs and maintenance carried out by the workshop was about Rs.28.2 million during the year.

Dredging of Lake Gregory at Nuwara Eliya and Beira Lake in Colombo are mainly handled by the Plant and Equipment Division of the Corporation.

The value of work done at Lake Gregory, Nuwara Eliya project for the year 2002 was Rs.17.89 million.

HUMAN RESOURCES DEVELOPMENT

Human Resources Development Division of the Corporation was engaged in implementing activities pertaining to following Key Result Areas in the year 2002.

- Human Resources Planning
- Recruitment and Selection
- Training and development
- Pay (Compensation) administration
- Performance Management
- Employee Relation/Industrial Relation (Union & Other Societies)
- Disciplinary matters
- Safety and Health
- Grievances handling
- Recruitment and Termination benefits

Employees Welfare

The Corporation continued to provide a number of welfare facilities to its employees, some of which are listed below.

- Distress Loans amounting to 10 months salary.
- Housing Loans
- Transport Loans
- Vocational Training for un-skilled employees
- Specialized Training for skilled employees
- Overseas Training
- English Class for Clerical and Allied Grades
- Medical Assistance Scheme
- Financial incentive for un-utilised medical leave

- Recreational Facilities
- Uniforms and Shoes for Security, Workshop and Minor Staff
- Annual Bonus
- Meal Allowance for non-executive employees
- Transport Allowance
- Other loan facilities through the Employees' Investment and Co-operating Development Society.

PERSONNEL

As at 31st December 2002, the Corporation had 1548 employees on its payroll, out of which 16 were on contract, and 332 were employed on casual ad-hoc village labour basis, attached to various work sites of the Corporation. With the completion of work on the projects, this casual ad-hoc village basis labour is either discontinued or transferred to other sites, as the need arises.

PROSPECTS FOR 2003 AND BEYOND

We are confident that in the year 2003 the Corporation will improve its performance.

Work on the Greater Colombo Flood Control and Environment Improvement Project Phase III will continue through year 2003 and beyond. The work on the Lunawa Environment Improvement and Community Development Project has commenced in 2002 and scheduled to be completed in 2010.

The Corporation will pursue its plans on the development of Mudun Ela and several other projects by mobilizing all resources available in order to take the Corporation on a path of steady progress.

ACKNOWLEDGMENTS

In conclusion I wish to express my gratitude for valuable directions, guidance and advice given to me always by Hon. Arumugam Thondaman, Minister of Housing and Plantation Infrastructure.

I am also grateful to the Secretary and all officers of the Ministry of Housing and Plantation Infrastructure and to my colleagues on the Board for the advice and the co-operation extended to me at all times.

I thank the Senior Management team and all the employees of the Corporation for their dedication to work and the cooperation extended to me, without which we would not have been able to achieve its progress.

Chairman

Sri Lanka Land Reclamation and Development Corporation
25th February 2003

Report of the Directors

The Directors have pleasure in submitting their report and the accounts of the Corporation for the year ended 31st December 2002.

Operating Result

Principal Activities

The Corporation continued to create new lands within a flood free environment, to create and maintain inland waterways, comprising of canals, lakes, and reservoirs and to engage in engineering construction activities.

Review of the year

The Chairman's statement provides a detailed description of activities of the Corporation during the year.

Turnover

The Turnover during the year was Rs.192.2 million as compared to Rs.352.1 million in 2001.

Profit/(Loss)

During the year ended 31st December 2002, the Corporation suffered a loss of Rs.125.8 million, after tax, compared to a net profit of Rs.96.6 million after tax in the previous year.

Taxation

Income tax

Provision for income tax is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 28 of 1979 and amendments thereto.

Deferred tax

Deferred tax is provided on the liability method and the balance of the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which depreciation allowances are claimed and the net book value of such assets.

Property, Plant and Equipment

The movement of property, plant and equipment during the year is shown in the Notes to the Accounts.

Employees

As at Balance Sheet date the Corporation was providing employment to 1548 persons.

Auditors

Ms. KPMG Ford Rhodes Thornton & Co. (Chartered Accountants) have been appointed by the Auditor General, to audit the accounts of the Corporation for the year 2002.

Post Balance Sheet Events

All material events occurring after the balance sheet date have been considered and where necessary adjustments have been made in the accounts.

By order of the Board
Secretary

25th February 2003

Income Statement

for the year ended 31st December 2002

	Note	2002 Rs.000	2001 Rs.000
Revenue	1	192,169	352,128
Cost of Sales	2	<u>(158,827)</u>	<u>(239,515)</u>
Gross Profit		33,342	112,613
Other Operating Income	3	92,664	39,473
Administrative Expenses	4	(128,801)	(132,695)
Other Operating Expenses	5	(140,312)	<u>(100,062)</u>
Loss from operations		(143,107)	(80,671)
Finance Cost	6	(140,775)	(28,386)
Non Operating Income	6A	<u>188,886</u>	<u>282,909</u>
Profit/(Loss) before Taxation		(94,996)	173,852
Provision for Income Tax	7	<u>(30,851)</u>	<u>(77,197)</u>
Profit/(Loss) after Taxation		(125,847)	96,655
Prior year adjustment		<u>-</u>	<u>17,177</u>
Net Profit/(Loss) for the year		(125,847) =====	113,832 =====

Figures in brackets indicate deductions.

The Accounting Policies and Notes from page **22** to **33** form an integral part of these financial statements.

SRI LANKA LAND RECLAMATION & DEVELOPMENT CORPORATION

Balance Sheet

as at 31st December 2002

	Note	2002	2001
		Rs.000	Rs.000
Assets			
Non-Current Assets			
Property Plant & Equipment	8	370,181	363,423
Investments in Associates	9	4,000	4,000
Other Investments	10	<u>648,095</u>	<u>647,503</u>
Total Non Current Assets		<u>1,022,276</u>	<u>1,014,926</u>
Current Assets			
Inventories	11	6,406,957	6,098,651
Trade & Other Receivable	12	228,219	237,590
Deposits and Prepayments		4,507	5,394
Related Party Receivable		14,631	2,844
Cash and Cash Equivalents	13	<u>909,318</u>	<u>1,085,762</u>
Total Current Assets		<u>7,563,632</u>	<u>7,430,241</u>
Total Assets		8,585,908	8,445,167
		=====	=====
Equity and Liabilities			
Capital and Reserves			
Contributed Capital		1,000	1,000
Capital Reserves		13,461	13,461
Revenue Reserves		<u>528,016</u>	<u>653,863</u>
Total Capital and Reserves		<u>542,477</u>	<u>668,324</u>
Non-Current Liabilities			
GOSL – Muthurajawela Project		333,314	423,305
Compensation on Lands		898,055	851,890
Other non-current liabilities	14	299,391	280,149
Provision for Gratuity		75,036	69,053
Deferred Taxation		<u>20,406</u>	<u>22,198</u>
Total Non-Current Liabilities		<u>1,626,202</u>	<u>1,646,595</u>

Current Liabilities			
GOSL - Liabilities on Special Projects	15	5,504,998	5,305,539
Trade and Other Payables	16	665,148	520,312
Related Party Payables		2,466	1,001
Bank Overdrafts		-	350
Taxation		244,617	303,046
Total Current Liabilities		6,617,229	6,130,248
Total Equity and Liabilities		8,585,908	8,445,167
		=====	=====

Approved and signed for and on behalf of the Board of Directors

Chairman
10th March 2003

Director

D.G.M.(Finance)

Statement of Changes in Equity

for the year ended 31st December 2002

	Contributed Capital Rs.000'	Capital Reserve Rs.000'	Revenue Reserve Rs.000'	Total Rs.000'
Balance as at 01.01.2001	1,000	13,461	540,031	554,492
Profit for the year	-	-	113,832	113,832
Balance as at 31.12.2001	<u>1,000</u>	<u>13,461</u>	<u>653,863</u>	<u>668,324</u>
	=====	=====	=====	=====
Balance as at 01.01.2001				
Loss for the year	-	-	(125,847)	(125,847)
Balance as at 31.12.2002	<u>1,000</u>	<u>13,461</u>	<u>528,016</u>	<u>542,477</u>
	=====	=====	=====	=====

The Accounting Policies and Notes from Page 22 to 33 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 31st December 2002

	2002 Rs.000	2001 Rs.000
Cash flows from operating activities		
Operating profit/(Loss) before tax and interest	(94,976)	173,895
Adjustments for		
Gratuity	7,436	19,836
Depreciation	7,727	9,048
Provision for compensation for lands acquired	21,926	9,916
Provision for slow moving Inventories	3,441	5,562
Provision for bad and doubtful debts	72,824	27,722
Interest Income	(188,886)	(282,909)
Profit on sale of fixed assets and unserviceable items	(4)	(381)
Foreign Exchange Loss	122,586	11,637
Provision for Diminution in value of investments	-	1,100
Prior year adjustments	<u>-</u>	<u>17,177</u>
Cash out from operating activities before working capital changes	(47,926)	(7,397)
Increased/decreased in Inventories	5,172	50,531
Increased/decreased in WIP-GOSL Muthurajawela project	-	229,828
Increased/decreased WIP - development of own projects	93,891	86,648
Increased/decreased WIP -development of client's pro.	9,199	(7,139)
Increased/decreased Work completed at cost of other pro.	(31,882)	(53,476)
Increased/decreased Deposits and pre-payments	886	5,791
Increased/decreased Trade & Other receivable	(96,672)	(72,137)
Increased/decreased Related Party receivables	(11,787)	(5,461)
Increased/decreased Trade & Other payable	153,414	158,983
Increased/decreased Related Party payables	1,465	1,846
Increased/decreased in GCFC&EIP funds	(106,785)	<u>65,603</u>
Cash generated from operations	(31,025)	453,620

Gratuity paid	(1,452)	(2,168)
Tax paid	(46,086)	(16,979)
Interest paid	(20)	(43)
Net cash out-flows from operating activities	(78,583)	434,430

	2002	2001
	Rs.000	Rs.000
Cash flows from investing activities		
Acquisition of Property Plant & Equipment	(38,887)	(263,668)
Investments for deferred liabilities	(591)	281,711
Interest Income received	197,668	282,909
Proceeds from sale of fixed assets and unserviceable items	5	381
Net cash flows from investing activities	158,195	<u>301,333</u>
Cash flows from financing activities		
Interest and compensation paid	(20,705)	(12,829)
Loan re-payment Muthurajawela Project	(235,000)	<u>(100,000)</u>
Net cash out-flows from financing activities	(255,705)	(112,829)
Net increase in cash and cash equivalents during the year	(176,093)	622,934
Cash and cash equivalents at beginning of the year	1,085,411	<u>462,477</u>
Cash and cash equivalents at end of the year (Note A)	909,318	<u>1,085,411</u>
	=====	=====

Note A

Cash in hand	286	244
Demand Deposits	20,372	9,775
Fixed Deposits	37,887	23,713
Call Deposits	24,000	19,416
Treasury Bills	1,308	1,181
Savings Deposits	3,055	2,314
Repo	822,410	1,029,118
Bank Overdrafts	-	<u>(350)</u>
	909,318	<u>1,085,411</u>
	=====	=====

The Accounting Policies and Notes from page **22** to **33** form an integral part of these financial statements.

Significant Accounting Policies

1. BASIS OF ACCOUNTING

The Financial Statements have been prepared in accordance with generally accepted accounting principles and the accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustments have been made for inflationary factors affecting the accounts. Where appropriate, significant accounting policies are explained in the succeeding notes.

2. ASSETS AND BASIS OF THEIR VALUATION

2.1 Property, Plant & Equipment

Property, Plant and Equipment are stated at cost of purchase or construction, less accumulated depreciation. Cost of purchase or construction includes any attributable cost of bringing the assets to working condition for its intended use.

2.2 Depreciation

No depreciation is provided to write off the cost of the lands.

Depreciation is provided to write off the cost of all other Fixed Assets on straight-line basis over their expected useful lives. The annual rates used for this purpose are:

Buildings-Permanent	5%
Buildings-Semi permanent	10%
Furniture and Fittings	10%
Office Equipment	12.5%
Plant and Machinery, Vehicles and Equipment	25%
Communication Equipment	25%
Bicycles, small workshop equipment	50%

Depreciation was provided for the assets purchased during the year on the following basis:

- (1) If purchased before 31st March - full annual depreciation

- (2) If purchased between 1st April and 30th June - 3/4th of annual depreciation
- (3) If purchased between 1st July and 30th Sep. - 1/2 of annual depreciation
- (4) If purchased between 1st October and 31st Dec.- 1/4 of annual depreciation

No depreciation is charged in the year of disposal.

2.3 Inventories

Inventories are stated at the lower of cost and estimated net realizable value on FIFO basis.

2.4 Work-in-Progress

Work-in-progress relates to long term projects in progress at the date of the Balance Sheet and is valued at cost comprising direct expenditure and estimated overheads attributable to the projects.

Work-in-progress on the Greater Colombo Flood Control and Environment Improvement Projects have been shown as separate items in the Balance Sheet in view of the very high value of these projects.

2.5 Work Completed at Cost

These represent cost of work virtually completed as at the Balance Sheet date. Cost of work completed under Greater Colombo Flood Control and Environment Improvement Project Phase I, II and the Muthurajawela Sand Fill Project have been shown as separate items due to the high value of these projects.

2.6 Trade and Other Receivable

Debtors are stated at the amounts they are estimated to realize. Provision is made in the accounts for bad and doubtful debts which represents over one year.

2.7 Cash and Cash Equivalent

Cash and cash equivalent are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of cash flow statement cash and cash equivalent consist of cash in hand and deposits at Banks net of outstanding bank overdrafts.

3. LIABILITIES AND PROVISIONS

3.1 Retirement Gratuity

Provision is made in the accounts for terminal benefits payable under the payment of Gratuity Act No. 12 of 1983, for all qualifying employees. The employees qualify for this benefit on completion of 5 years continued service with the Corporation.

The accumulated provision is invested in a bank deposit.

3.2 Audit Fees

Audit fees for 2002 were based on fees for 2001.

3.3 Taxation

3.3 (1) Income tax

Provision for income tax is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.28 of 2000 and amendments thereto.

3.3 (2) Deferred tax

Deferred tax is provided on the liability method and the balance of the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which depreciation allowances are claimed and the net book value of such assets.

3.4 Overheads

Overheads are allocated to projects that are carried forward to the following year as work-in -progress. Basis of charging is a sum equivalent to 10% of the direct costs incurred during the year by the project. Overheads are not charged during the year to projects that are brought into the Profit and Loss Account during the year.

4. INCOME STATEMENT

4.1 Turnover

Turnover represents the Invoice value/certified work rendered during the year but excludes the services rendered on Treasury - Grant Projects.

Turnover consists of revenue from:

- (1) Sale of own lands developed
- (2) Reclamation work for clients
- (3) Dredging
- (4) Construction
- (5) Miscellaneous projects
- (6) Sale of houses
- (7) Lease of Lands

Revenue is generally accounted for on an accrual basis.

4.2 Treatment of Income in Land Sales

When lands are sold by Public Auction, full value of the land sale is taken to revenue, treating any balance payable by the buyer as a debt, unless such balance remains unpaid long after the Balance Sheet date and there exists some doubt as to its settlement.

When lands are sold by Tender or by other mode, the sale value is taken to revenue generally when the transfer deed has been executed or all payments have been received and there is no likelihood of the sale not being executed by transfer deed.

5. POST BALANCE SHEET EVENTS

All material events occurring after the balance sheet date have been considered and where necessary adjustments have been made in the accounts.

Notes to the Financial Statements

	2002 Rs.000	2001 Rs.000
1. Revenue		
Land sales	34,840	44,547
Reclamation	17,216	91,396
Miscellaneous Projects	18,684	4,870
Dredging	47,798	110,006
Construction	32,295	40,647
Sale of houses	2,577	22,921
Lease on Lands	<u>38,759</u>	<u>37,741</u>
	192,169	352,128
	=====	=====
2. Cost of Sales		
Cost of land sold	53,160	8,084
Cost of Reclamation	16,945	79,405
Cost of Miscellaneous Projects	8,043	4,337
Cost of Dredging	37,805	84,737
Cost of Construction	40,390	40,600
Sale of houses	<u>2,484</u>	<u>22,352</u>
	158,827	239,515
	=====	=====
3. Other Operating Income		
Registration of Suppliers	291	429
Fines and Surcharges	258	190
Miscellaneous Income	124,768	35,665
Profit on sale of fixed assets and unserviceable items	25	789
Net (deficit)/surplus on P&E division	<u>(32,678)</u>	<u>2,400</u>
	92,664	39,473
	=====	=====

Notes to the Financial Statements

	2002 Rs.000	2001 Rs.000
4. Administrative Expenses		
Director's fees	47	21
Salaries & Wages	74,333	65,228
Staff Welfare	4,922	5,748
Printing & Stationery	2,904	2,406
Telephone & Postage	3,133	2,492
Periodicals & Publications	206	192
Traveling & Subsistence	486	441
Operating & Maintenance Cost of Motor Vehicle	10,127	11,387
Maintenance of Office Equipment & furniture & Fittings	879	835
General Expenses	3,616	597
Professional Charges	1,025	1,497
Medical Expenses	3,540	3,318
Training, Research Study & Development	362	354
Audit Fees	69	69
Bonus	10,740	11,539
Gratuity & Compensation for Employees	7,436	19,836
Workmen Compensation	1,535	1,173
Provision for slow moving stocks	3,441	5,562
	<u>128,801</u>	<u>132,695</u>
	=====	=====
5. Other Operating Expenses		
5.1 Establishment Expenses		
Rent & Rates	188	135
Building Maintenance	955	1,095
Electricity & Water	2,878	2,456
Insurance	1,201	1,961
Security	7,813	7,145
	<u>13,035</u>	<u>12,792</u>
	=====	=====
5.2 Depreciation		
Building	3,479	3,544
Motor Vehicles	483	1,493
Office Equipment	582	771
Furniture & Fittings	366	389
Welfare Equipment	73	43
Bicycles	15	36
	<u>4,998</u>	<u>6,276</u>
	=====	=====

Notes to the Financial Statements

	2002	2001
	Rs.000	Rs.000
5.3 Selling Expenses		
Provision for Bad & Doubtful Debtors	72,824	27,723
Publicity & Promotional Expenses	1,034	3,485
Exhibition Expenses	-	40
National Security Levy	<u>3,388</u>	<u>2,099</u>
	<u>77,246</u>	<u>33,347</u>
	=====	=====
5.4 Others		
Overheads charges to Projects	(6,775)	(8,128)
Palangastuduwa Project Cost	4,496	4,972
Canal Maintenance	34,417	-
Diminution in value of Investments	-	1,100
Value of lands written off	-	49,703
Oliyamulla Project cost	5,593	-
Cancellation of Land Sale	802	-
Cancellation of Leased Land	<u>6,500</u>	<u>-</u>
	<u>45,033</u>	<u>47,647</u>
	140,312	100,062
	=====	=====
6 Finance Charges		
Bank Charges	490	189
Other Interest	2,699	1,560
Special Levy – Treasury	15,000	15,000
Foreign Exchange Loss	<u>122,586</u>	<u>11,637</u>
	<u>140,775</u>	<u>28,386</u>
	=====	=====
6A Non Operating Income		
Treasury Bills Income	742	855
Investment Income	11,758	18,320
Fixed Deposits Interest Income	<u>176,386</u>	<u>263,734</u>
	<u>188,886</u>	<u>282,909</u>
	=====	=====
7. Taxation		
Provision for Income Tax	32,643	56,395
Deferred Tax	1,792	(14,410)
Provision for deemed dividend tax	-	<u>35,212</u>
	<u>30,851</u>	<u>77,197</u>
	=====	=====

Notes to the Financial Statements (Contd..)

8. (a) Property, Plant and Equipment

	Lands & Buildings Rs.000	Plant & Machinery Rs.000	Motor Vehicles Rs.000	Equipment Rs.000	Total Rs.000
COST					
Balance brought forward	363,210	98,957	22,715	20,481	505,363
Additions	-	905	-	1,264	2,169
Disposals	-	-	-	56	56
	<u>363,210</u>	<u>99,862</u>	<u>22,715</u>	<u>21,689</u>	<u>507,476</u>
DEPRECIATION					
Balance brought forward	36,525	96,128	22,232	15,930	170,815
Charge for the year	3,583	2,212	483	1,153	7,431
Disposals	-	-	-	55	55
	<u>40,108</u>	<u>98,340</u>	<u>22,715</u>	<u>17,028</u>	<u>178,191</u>
NET BOOK VALUE	<u>323,102</u>	<u>1,522</u>	-	<u>4,661</u>	329,285
TOOLS AT VALUATION					930
Carried forward to notes 8(b)					<u>330,215</u>

8 (b) Property, Plant & Equipment - GCFC&EIP

	Plant & Machinery Rs.000	Motor Vehicles Rs.000	Equipment Rs.000	Building Rs.000	Total Rs.000
COST					
Balance brought forward	538,058	20,862	49,229	12,677	620,826
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
	<u>538,058</u>	<u>20,862</u>	<u>49,229</u>	<u>12,677</u>	<u>620,826</u>
DEPRECIATION					
Balance brought forward	499,089	12,521	47,185	634	559,429
Charge for the year	17,068	2,554	1,175	634	21,431
Disposals	-	-	-	-	-
Balance carried forward	<u>516,157</u>	<u>15,075</u>	<u>48,360</u>	<u>1,268</u>	<u>580,860</u>
NET BOOK VALUE	<u>21,901</u>	<u>5,787</u>	<u>869</u>	<u>11,409</u>	39,966
Add Other Fixed Assets B/F from note 8(a)					<u>330,215</u>
					370,181
					=====

Notes to the Financial Statements

2002 2001
Rs.000 Rs.000

9 Investment in Associates		
Shares in Land Reclamation & Development Co.Ltd (REDECO) This represents 80% of the issued share capital of Redeco.	2,000	2,000
Real Estate Exchange (Pvt) Ltd (20000 shares of Rs.100 each) This represents 14% of the issued share capital of Reel.	2,000 4,000 =====	<u>2,000</u> <u>4,000</u> =====
10 Other Investment		
Shares in Lanka Machine Leases (Pvt) Ltd (This represents 2% of the issued share capital of LML Ltd.)	1,100*	1,100*
Less provision for diminution in value of investments	(1,100)	(1,100)
Fund for Gratuity	74,105	64,800
Fund for compensation and interest on lands acquired and sold	119,400	108,400
Fund for retention - Civil Contract - GCFC&EIP	-	15,141
Fund for compensation on lands acquired not yet sold	454,590 648,095 =====	<u>459,162</u> <u>647,503</u> =====

*As Lanka Machine Leases (Pvt) Ltd is under liquidation, a provision has been made for loss of value in the investment. (Rs.1.1 million)

11 Inventories		
Inventories	41,765	47,981
Work-in-progress-GCFC&EIP	916,710	1,548,690
Cost of Lands Acquired	689,967	647,421
Work-in-progress- Development of Own Projects	53,163	147,054
Work-in-progress- Development of Clients' Projects	40,560	49,760
Work Completed Projects	4,664,791 6,406,957 =====	<u>3,657,745</u> <u>6,098,651</u> =====
12 Trade and Other Receivable		
Staff Debtors	48,758	40,420
Other Debtors	27,662	15,038
Trade Debtors	151,799 228,219 =====	<u>182,132</u> <u>237,590</u> =====

Notes to the Financial Statements

	2002	2001
	Rs.000	Rs.000
13 Cash and Cash Equivalents		
Fixed and Call Deposits	888,660	1,075,743
Cash in hand	286	244

Cash at Bank	<u>20,372</u>	<u>9,775</u>
	909,318	1,085,762
	=====	=====
14 Other Non Current Liabilities		
Retention due to Civil Contractor (GCFC&EIP)	30,105	18,559
GOSL - Project Machinery under GCFC&EIP	124,632	146,063
Tax for Boskalis International (Pvt) Ltd.	77,140	77,410
Advance received against leased lands	<u>67,244</u>	<u>38,117</u>
	299,391	280,149
	=====	=====
15 Govt. of Sri Lanka – Liabilities on Special Projects		
GCFC&EIP – Phase I		
Phase II	2,553,128	2,553,128
Phase III	1,174,800	1,174,800
Canal Maintenance	1,015,028	787,160
Muthurajawela	-	5,986
	<u>762,042</u>	<u>784,465</u>
	5,504,998	5,305,539
	=====	=====
16 Trade and Other Payable		
Contract Creditors	9,032	6,361
Sundry Creditors	7,763	7,722
Accrued Expenses	120,892	121,408
Sundry Deposits and Security Deposits	2,631	2,691
Advances against sale of lands	441,591	287,195
Other advances received	<u>83,239</u>	<u>94,935</u>
	665,148	520,312
	=====	=====

17. MUTHURAJAWELA SAND FILLED PROJECT

Muthurjawela Sand Fill project was partly funded by a loan obtained by the Government of Sri Lanka from a Netherlands Bank. The loan is repaid by the Government and the Corporation has agreed to reimburse the Treasury the amounts repaid by the Treasury as and when they occur. The Corporation has to raise the funds necessary for reimbursement from proceeds earned from selling developed land.

According to the agreement entered in to between MeesPierson N V Bank Netherland and the Govt. of Sri Lanka, the loan amounting to NLG.33 million is repayable up to the year 2005.

Cost of land in relation to the loan and interest has been arrived at by forecasting a 3% annual rate of currency appreciation on the exchange rate of Netherland Guilders to Sri Lanka Rupees up to the end of the loan period. Any increase in the exchange rate against the estimate amount at the end of each financial year will be considered and if any exchange losses/gain will be charged to the profit and loss account. Consequently, a sum of Rs.122,588,267/45 has been charged to Income Statement as exchange loss in the year under review. Sri Lanka Rupee has drastically depreciated against Netherland Guilders (NLG) during the year.

The exchange rate against SL Rupee/NLG was Rs.46.0053 as at 31.12.2002.

18. Lands on Lease (Long Term Basis)

The following lands have been leased out on a long term basis. (between 50 years to 30 years) Generally the lease rents for the entire period is paid in advance. Therefore, lease income pertaining to each year of the lease term is taken by dividing the lease payment by the number of years. Accordingly income related to the current year is credited to the Income Statement and the balance shown as a liability in the Balance Sheet.

The value of lands relating to long term lease have been shown as a separate item which amounting to Rs.287.4 million in the Balance Sheet under lands on lease.

Name of Lessee	Location	Extent	Duration	Total Consideration Rs.
Asia Siyaka Warehousing (Pvt) Ltd	Muthurajawela	6A 1R 28P	50 years	47,000,000
Niranjan Computers	Lake Drive	1A	50 years	24,000,000
Shell Terminal Ltd	Muthurajawela	26 A	50 years	474,125,326
Japanese School	Lake Drive	1A 12P	30 years	3,000,000

Colombo				
Century Property Ltd	Wedamulla	3 A	50 years	23,000,000
A B Development	Wedamulla	1 A	50 years	10,420,000

19. Retirement Gratuity

Pending the preparation of salary structure of employees in the Public Sector, the Government had recommended two interim allowances to employees. Since these allowances are intended to be incorporated to the salary scales, it will affect payments of gratuity for all qualifying employees. Therefore, provision has been made taking into consideration these interim allowances in the current year.

20. Related Party Transactions

The Chairman of the Corporation is also the Chairman of Land Reclamation and Development Company Limited which is a subsidiary of the Corporation. The Corporation has an arrangement with this company to purchase cement blocks under normal transactions for use in its various projects. An office building and two blocks of land at Kirimandala Mawatha and Narammala are given on lease for this purpose for an annual rental of Rs.300,000.

During the year this Corporation has purchased concrete products to the value of Rs.4,486,796 from Land Reclamation and Development Co.Ltd. (Redeco)

The value of services provided by this Corporation to the Land Reclamation and Development Co.Ltd. during the year 2002 was amounting to Rs.5,632,772/-.

This Corporation pays salaries/wages of the security staff of the LRDC Services (Private) Limited which is owned by the Land Reclamation and Development Company Limited. The total monthly payments are reimbursed by the Corporation in the following month. Further this Corporation has rented out an office space at Kirimandala Mawatha for a monthly rental of Rs.15,000/- .Accordingly, the total amount of rental from the LRDC Services (Pvt) Ltd received/receivable was Rs.180,000/- for the year.

NOTE OF THE AUDITOR GENERAL

The accounts of the Sri Lanka Land Reclamation and Development Corporation for the year ended 31 December 2002 were audited 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.

My observations of these accounts that should be published in terms of Section 14(2)(c) of the Finance Act are contained in my report of even date addressed to the Chairman of the Corporation.

(S C Mayadunne)
Auditor General
15 April 2003
Auditor General's Department
Colombo 7.

AUDITOR-GENERAL'S DEPARTMENT

My No.VM/J/SLRDC/2002

Date: 15 April 2003

Chairman
Sri Lanka Land Reclamation and
Development Corporation.

Report of the Auditor General on the accounts of the Sri Lanka Land Reclamation and Development Corporation for the year ended 31 December 2002 in terms of Section 14(2)(c) of the Finance Act No.38 of 1971.

The audit of accounts of the Sri Lanka Land Reclamation and Development Corporation for the year ended 31 December 2002 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. In carrying out this audit, I was assisted by a firm of Accounts in public practice. My observations which I consider should be published with the annual report of the Corporation 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 furnished to the Chairman of the Corporation on 10 April 2003.

1:2 Scope of Audit

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and the extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements, assessment of accounting principles and significant estimates and judgments made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub-sections (3) and (4) of Section 13 of the Finance Act No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

2. ACCOUNTS

2.1 Audit Opinion

Except for the effects of the adjustments arising from the matters referred to in paragraph 2.2 of this report, I am of opinion that the financial statements have been satisfactorily prepared to present fairly in all material respects the financial position of the Corporation as at 31 December 2002 and the results of its operations for the year then ended in accordance with Sri Lanka Accounting Standards other than the Standards referred to in this report and the stated accounting policies as set out in Notes No 1 to 20 to the financial statements.

2.2 Comments on Accounts

2.2.1 Accounting Policies

- (a) The advances received for land sales amounting to Rs.433,376,320 had been shown in accounts as a liability in accordance with the revenue recognition policy as described in paragraph 4.2 of the accounting policies disclosed with the accounts.

- (b) Work-in-progress on long term contracts as at the balance sheet date had been valued at cost plus Head Office overheads estimated at 10 percent of the direct costs.

2.2.2 Accounting Deficiencies

- (a) Government grants of Rs.124,631,909 received for the acquisition of fixed assets had been accounted under long-term liabilities.
- (b) Eventhough the project of Rehabilitation of the Dutch Canal System of Colombo and the adjacent areas was completed in 1998, funds received amounting to Rs.2,253,128 had been shown as a liability and current assets respectively. It was observed that those balances are being shown in the accounts due to non-finalisation of contract after completion of the project.
- (c) According to the tax return for the year of assessment 2001/2002 an under payment of Rs.32,276 had been made. The provision for income tax had been overstated by Rs.72.699 million.

2.2.3 Accounts Receivable and Payable

- (a) Full provision had been made with accounts in the year 2002 in respect of a loan of Rs.3,500,000 due from the Ministry of Housing and Plantation Infrastructure remaining outstanding for more than 4 years.
- (b) According to the age analysis, debtors amounting to Rs.88,982,010 out of trade debtors amount to Rs.319,745,803 had been outstanding for more than 2 years and provision of Rs.156,914,601 had been made for doubtful debts. This represents a 49% of total trade debtors of Rs.319,745,803 and indicates poor recoverability of debts.
- (c) The prepayments balance of Rs.1,258,152 shown in the accounts had been arrived at by setting off a credit balance of Rs.34,519. According to the age analysis, prepayment amounting to Rs.1,032,059 had been outstanding for more than 4 years.
- (d) Contract creditors included an unexplained debit balance of Rs.236,061. Further Rs.894,408 out of the total contract creditors amounting to Rs.8,655,362 was outstanding for more than 5 years.
- (e) Mobilization advance of Rs.22,845,059 received had been outstanding more than 5 years.
- (f) None of the creditors and debtors had confirmed their balances.
- (g) A sum of Rs.3,938,593 had continued to be shown as outstanding for over 10 years from the liquidated River Valley Development Board.

2.2.4 Lack of Evidence for Audit

The following items in the accounts could not satisfactorily vouched or accepted in audit due to lack of evidence indicated against each items.

Item	Value (Rs)	Evidence not Available (Rs)
(a) Contingent Liabilities	-	Nature of the cases
(b) Donations of Furniture	2,364,900	Supporting documents
(c) Drought Aid	100,000	- do -

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

Insurance of non-compliance with Section 11 of the Finance Act No.38 of 1971 and Sri Lanka Accounting Standards 13,26,27 and 28 were brought to the notice of the Chairman from time to time.

3. FINANCIAL AND OPERATING REVIEW

2.3 Financial Results

Accounting to the accounts presented, the operations of the Corporation for the year ended 31 December 2002 had resulted in a pre-tax net loss of Rs.94.996million as against the pre-tax net profit of Rs.173.852 million for the preceding year thus showing a deterioration of Rs.268.848 million in the financial results. Main reason for the deterioration of Rs.268.848 million in the financial results. Main reason for the deterioration was the foreign exchange loss of Rs.122.5 million as compared with Rs.11.6 million for the preceding year.

2.4 Uneconomic Transactions

Except for the Rs.0.3 million received from a subsidiary as dividends 5 years ago, the investment of Rs.4.0 million made in two companies had not yielded any income.

2.5 Operating Deficiencies

- (a) The accrued interest accumulated over the years at 7 percent on the estimated compensation on lands acquired totaling Rs.577.955 million amounted to Rs.279.115 million.
- (b) There was no evidence that 143 houses sold from Salamulla Housing Project should have been allocated to low-income families in accordance with the Cabinet decision. Although the houses had been allocated on a down payment of Rs.50,000 each with provision for the payment of the balance in monthly installments in 15 years, written agreements had not been entered into with the allottees and the recovery of the installments had been very poor.

2.6 Corporate Plan

Although the Corporate Plan was prepared for the period 2002 to 2006, there was no link between the plan and the budget for the year 2002.

3.5 Budgetary Control

Major variances between the budgeted income and expenditure and the actual income and expenditure were observed thus indicating that the budget had not been made use of an effective instrument of management control.

4. SYSTEMS AND CONTROLS

Special attention is needed in respect of the following areas of control

- (a) Delegation of Authority for Financial Control
- (b) Accounting
- (c) Debtors
- (d) Creditors
- (e) Petty Cash
- (f) Budget

(S C Mayadunne)
Auditor General