

Serendib Land PLC

Annual Report

2011/2012

31



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Notice of Meeting

NOTICE is hereby given that the Thirty First Annual General Meeting of SERENDIB LAND PLC will be held at Hotel Renuka, No. 328, Galle Road, Colombo 03 on 24th September, 2012 at 3.30 p.m. for the following purposes:

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2012, together with the Report of the Auditors thereon.
2. Directors
 - (i) To re-elect Mrs. Yogaluckshmi Ponnambalam as Director, who retires by rotation at the Annual General Meeting in terms of Article 98 of the Company's Article of Association.
 - (ii) To re-appoint as a Director Dr. Brahman Sivaprakasapillai, who is 76 years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Dr. Brahman Sivaprakasapillai, who is 76 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Dr. Brahman Sivaprakasapillai"

- (iii) To re-appoint as a Director Mr. Segarajasingham Nagendra who is 73 years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Segarajasingham Nagendra who is 73 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Segarajasingham Nagendra".

- (iv) To re-appoint as a Director Dr. (Mrs) Vijayaluckshmi Sivaprakasapillai who is 71 years old and who vacates her office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Dr. (Mrs) Vijayaluckshmi Sivaprakasapillai who is 71 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Dr. (Mrs) Vijayaluckshmi Sivaprakasapillai"

- (v) To re-appoint as a Director Mr. Jayanta Mootatamby Swaminathan who is 71 years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Jayanta Mootatamby Swaminathan who is 71 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Jayanta Mootatamby Swaminathan"

- (vi) To elect Mr. Indika Prematunga Director, who retires at the Annual General Meeting in terms of Article 103 of the Company's Article of Association.

3. To declare a First and Final Dividend of Rs. 20/- for the year ended 31st March, 2012, as recommended by the Directors.
4. To re-appoint the retiring Auditors M/s KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD
JACEY & COMPANY
SECRETARIES
COLOMBO
12th July 2012

Notes:

A shareholder is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy need not be a shareholder of the Company.

A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 9/5, Thambiah Avenue, Colombo 07, not less than forty eight hours before the time fixed for the meeting.

Corporate Information

Board of Directors

Mr. S. Nagendra	-	Chairman
Dr. (Ms.) Y. Ponnambalam	-	Director
Mr. Gajendrakumar G. Ponnambalam	-	Director
Dr. B. Sivaprakasapillai <i>(Alternate: Ms. S. De Lanerolle)</i>	-	Director
Dr. (Ms.) V. Sivaprakasapillai <i>(Alternate: Ms. N. Sivaprakasapillai)</i>	-	Director
Dr. (Ms.) M. Wimalendran <i>(Alternate: Mr. U. Wimalendran)</i>	-	Director
Mr. J. M. Swaminathan	-	Director
Mr. T. Someswaran	-	Director
Mr. Indika Prematunga	-	Nominee Director

Audit Committee

Mr. T. Someswaran	-	Chairman
Mr. S. Nagendra		
Mr. J. M. Swaminathan		

REGISTERED OFFICE	9/5, Thambiah Avenue, Colombo 07.
SECRETARIES	Jacey & Company 9/5, Thambiah Avenue, Colombo 07.
ACCOUNTANTS	Accounting Consultancy and Solutions (Pvt) Ltd 212, De Saram Place, Colombo -10.
AUDITORS	KPMG Chartered Accountants P.O.Box 186 Colombo 03.
BANKERS	The Honkong & Shanghai Banking Corporation Ltd DFCC Vardhana Bank

Profiles of Board of Directors

Mr. Sega Nagendra

Chairman / Non-executive, Independent Director

Mr. Sega Nagendra, FCMI (UK), MBA (UK), FCMI (SL). He was a former Senior Director of Carson Cumberbatch PLC, and several of its Subsidiaries and Associate Companies. Senior Director and Financial Consultant of CML - MTD Construction Ltd, Executive Chairman - Travelserve Ltd and Travelon Ltd and Director and Chairman of several Public Listed and Private Companies. He was a Former Committee Member of Transport, Highways and Aviation of the Monitoring & Progress Division of the Ministry of Policy Development and Implementation. He was also the Immediate Past President of Skal International Colombo (International Association of Travel and Tourism Professionals) and the Past Secretary of Skal International Asian Area Region and a Past President of Pacific Asia Travel Association, Sri Lanka Chapter. Mr Nagendra was the Immediate Past Chairman of the Sri Lanka Benelux Business Council and Sri Lanka Pakistan Business Council. Past Executive Committee Member of the Ceylon Chamber of Commerce and former Chairman of the Import Section of the Ceylon Chamber of Commerce. Mr. Nagendra was the Past President of Chartered Management Institute - UK, Sri Lanka Chapter.

Mr. J. M. Swaminathan

Non Executive, Independent Director

Mr. J.M. Swaminathan LLB (Ceylon), LLM Phil (Colombo), Attorney-at-Law, is the Precedent Partner of Messrs. Julius & Creasy and is a member of the Company Law Advisory Commission, a member of the Intellectual Property Law Commission and the Council of Legal Education. He is also a member of the Law Commission of Sri Lanka. He is a Faculty Member of the Faculty of Law of the University of Colombo and a member of the Legal Cluster of National Economic Commission. He is a Visiting Lecturer and an Examiner at the Faculty of Law University of Colombo. He is also a Faculty member of the LLM Wales Course conducted by the Sri Lanka Law College and a Faculty Member of Post Attorneys Diploma program on Intellectual Property Law and the Course Director of Post Attorneys Diploma program in International Trade Law conducted by the Sri Lanka Law College and is over 45 years in practice. He is also a Director of several listed and unlisted companies.

Dr. (Mrs.) Y Ponnambalam

Non-Executive, Non-Independent Director

Dr. (Mrs) Y. Ponnambalam is a Medical Doctor (Retired) and a Director of Gee Gee Properties (Pvt) Ltd and Getanjali Gajaluckshmi (Pvt) Ltd.

Dr. B Sivaprakasapillai

Non-Executive, Non-Independent Director

Dr. B. Sivaprakasapillai is a retired Engineer and a Director of Githajali Group (Pvt) Ltd

Dr. (Mrs) V Sivaprakasapillai

Non-Executive, Non-Independent Director

Dr. (Mrs.) V Sivaprakasapillai, is a Retired Physician and a Director of Gitanjali Group (Pvt) Ltd

Mr. G G Ponnambalam

Non-Executive, Non-Independent Director

Mr. G G Ponnambalam is an Attorney-at-Law and a Director of Gee Gee Properties (Pvt) Ltd and Getanjali Gajaluckshmi (Pvt) Ltd.

Dr. (Mrs.) M Wimalendran

Non-Executive, Non-Independent Director

Dr. (Mrs.) M Wimalendran is an Ophthalmologist qualified in UK and also a Director of Gee Gee Properties (Pvt) Ltd and Getanjali Gajaluckshmi (Pvt) Ltd.

Mr. T Someswaran

Non-Executive, Independent Director

Mr. T. Someswaran, a Chartered Accountant in practice for more than 35 years and retired from the post of Senior Partner of SJMS Associates, a Firm of Accountants which is associated with Deloitte's in Sri Lanka. He is also a Fellow member of CMA and a member of its Governing Council. Mr. Someswaran serves on the Audit committee of the Institute of Chartered Accountants of Sri Lanka and Serendib Land PLC. He also serves on the Board of Commercial Credit & Finance PLC, Abans Finance PLC, CleanCo Lanka Ltd., Pan Asia Power, ECSAT (Equality-based Community Support & Training), Business Council of Indonesia, Institute for Development of Commercial Law & Practice and is the Vice President of the International Chamber of Commerce of Sri Lanka. Mr. Someswaran is a Member of the Sri Lanka Institute of Directors, Organization for Professional Associations (OPA) and International Fiscal Association (IFA). He holds numerous memberships and honorary positions to help strengthen the capacity of charitable and non-profit organizations as well as philanthropic projects and activities. Mr. Someswaran has substantial experience in auditing, organizational development, leadership & partnership building and is passionate about networking & linking organizations to facilitate positive social change and development, with specific focus on governance, accounting ethics and resource mobilization.

Mr. Indika Udana Prematunga,

Non Executive - Nominee Director of AVIVA NDB Insurance PLC

Mr. Indika Udana Prematunga is the Chief Financial Officer (CFO) / General Manager Finance of AVIVA NDB Insurance PLC. Prior to his current posting, he functioned as the CFO of Union Assurance PLC and counts over 12 years senior management experience in many fields including Insurance, Finance, Shipping and telecommunication sectors. Mr. Prematunga holds a First Class BSc (Hons) Degree in Accountancy and Finance from the University of Sri Jayawardenepura and also an MBA from the Post Graduate Institute of Management attached to the University of Sri Jayawardenepura. He is an Associate member of the Chartered Institute of Management Accountants UK and a finalist in the Chartered Institute of Marketing UK.

Chairman's Review

On behalf of the Board of Directors, I take pleasure in welcoming you to the 31st Annual General Meeting of Serendib Land PLC. It is my privilege to present to you the Annual Report of the Company together with the Audited Financial Statements for the year ended 31st March 2012.

GENERAL

It is pertinent to note that the perspective of Sri Lanka as a whole changed dramatically in the recent years. Having ended the civil conflicts in May 2009 and resettlement of internally displaced persons is largely completed, the macroeconomic situation of the Country has significantly improved. The economy forged ahead and recorded its highest growth rate in the post independence history, sustaining a growth momentum of over 8% for the first time in two consecutive years. Sri Lanka is now gradually transitioning itself from low-income-country to middle-income-economies of the World.

The global economic recovery continued to remain fragile with renewed challenges in 2011. The advanced economies, which showed a slower-than-expected recovery at the beginning of the year, were hit by another wave of shocks due to fiscal and financial uncertainty towards the latter part of the year. Global financial conditions deteriorated, particularly with intensified strains in the Euro area, reflecting the downgrade of sovereign ratings in many countries by international rating agencies and further escalating downside risks to global economic activity.

Oil prices remained high in the international market in 2011, although other commodity prices showed a deceleration towards the latter part of the year. The rising trend in commodity prices that started in the second half of 2010 extended into 2011. International oil prices, which remained at elevated levels in 2011 mainly due to supply side constraints, are expected to further increase during 2012 despite slower than expected global recovery.

SRI LANKAN - ECONOMY

The Sri Lankan economy recorded its highest growth rate of 8.3% in the post independence history, in the calendar year 2011. The Industry and Services sectors were the drivers of the high growth momentum in 2011. Improved consumer and investor confidence arising from the peace dividend, favourable macroeconomic conditions, increased capacity utilisation, expansion of infrastructure facilities and renewed economic activity in the Northern and Eastern provinces underpinned this growth. The Agriculture sector rebounded from the output loss recorded due to adverse weather conditions during the beginning of the year 2011. The expansion in economic activity was reflected in the unemployment rate, which declined to the lowest recorded level of 4.2% in 2011.

Inflation remained at single digit levels for the third consecutive year with the annual average inflation registering 6.7% by and December, 2011, supported by improved domestic supply conditions, prudent liquidity management by the Central Bank and benign inflation expectations.

The external sector encountered heightened challenges in 2011 with unfavourable global developments and rapid growth in import demand domestically. Globally, the intensified sovereign debt crisis in the Euro area, sluggish recovery in the world economy and geopolitical uncertainty in some oil producing Middle Eastern and North African countries exerted pressure on oil prices and financial flows. Domestically, the expansion in aggregate demand had led to a rapid growth in imports, and as a result, the trade deficit widened substantially despite significant growth in exports.

REAL ESTATE/PROPERTY DEVELOPMENT SECTOR

With several local and domestic investors looking to capitalise on a promising economic growth environment and improving infrastructure, real estate has witnessed an upward trend in demand and pricing. The recent upswing in the service sector from finance, tourism, and the Information Technology/Information Technology Enabled Services (IT/ITES) industry in Colombo has triggered a healthy demand for residential space in the Greater Colombo real estate market. The development of premium condominium projects is the most prominent in the Central Business District; and sub-divided developments, row houses and villas in the peripheral suburbs have emerged as the preferred choice for middle-income buyers.

Retailing in the country has largely been confined to established high streets, with domestic retailers catering to an urban population. Lately, Colombo has witnessed the development of some organised retail establishments in up-market locations.

The demand for commercial office space is driven by growth in the banking, IT/ITES and tourism sectors. While Banking, Financial Services and Insurance have an established presence with captive properties across Colombo; IT/ITES is emerging as an attractive sector. It has been established that Colombo is comparatively cost competitive and has lower upward wage pressure than many established global sourcing destinations. With limited operational Grade A office space in the city, the demand is trickling down to inferior grade properties.

With the growing contribution of Tourism and Hospitality Trade, towards the Country's total GDP, and having considered tourism as one of the fastest growing sectors in the economy, hotels and resorts are set to mushroom in tourist destinations.

During the 2011/12, Private Sector continued to play a vital role in the housing Development and Construction Industry. The City of Colombo is undergoing a rapid infrastructure development. Construction of condominium housing is the increasing trend, with corporate property development being encouraged with various direct and indirect fiscal incentives, mostly under BOI status, and the growing interest of expatriate Sri Lankans to invest in the real estate sector.

The land prices in the suburbs have experienced almost continual appreciation over the past two decades. The factors exerting upward pressure on prices include rising demand for housing, currently estimated at around 90,000 units per annum, increases

Chairman's Review (contd.)

in per capita GDP, increases in migrant worker remittances and the financial health of local corporations. The rise in residential land prices in the suburbs has been much sharper than it has been in the city areas, be it from a much lower base. This is likely to be a reflection of the fact that unlike some CMC areas that may have reached their peak in terms of development potential, given existing regulations on constructions and building restrictions, the suburban areas are still significantly below their development potential.

FINANCIAL PERFORMANCE

During the year under review the Company recorded a turnover of Rs. 11,520,000/= and a profit before taxation of Rs. 27,202,524/= compared with a turnover of Rs. 11,520,000/= and the profit before taxation of Rs. 9,577,916/= in respect of the previous year.

A provision for Rs. 942,469/= has been made for taxation for the year under review.

INVESTMENT PROPERTY

In terms of Standard 40 of the Sri Lanka Accounting Standards, the fair value of Investment Property of a Company should be revalued annually by the Board of Directors and once in three (3) years by a Professional Valuer. In order to comply with the fair value model on Investment Property, the Land and Building relating to Investment Property was revalued by M/s P B Kalugalgedara (F.I.V), an Incorporated Valuer & Assessor, Associate Institute of Valuers, Sri Lanka, on 31st March, 2012.

The Change in fair value of Investment Property amounting to Rs. 17,777,834/- has been credited to the Income Statement of the Company, as per Sri Lanka Accounting Standard 40.

DIRECTORATE

There were no changes made to the Directorate of the Company during the year under review. Mr. Gehan Rajapakse, Nominee Director of AVIVA NDB Insurance PLC, our Tenant Company, resigned on 2nd July, 2012 and Mr. Indika Prematunga has been nominated in place of Mr. Rajapakse. Whilst thanking Mr. Rajapakse for his valued contribution towards the deliberations of the Board, I welcome Mr. Prematunga to the Board of Directors of the Company and sincerely look forward to his support in coordinating matters with our Tenants.

DIVIDEND

The Directors have pleasure in recommending a First and Final Dividend of Rs. 20/- per share for the year ended 31st March, 2012 (2011 Rs. 15/-), which is the highest ever Dividend paid, in the Company's history.

APPRECIATION

I wish to thank Jacey & Company, who acts as our Company Secretaries, and Accounting Consultancy and Solutions (Pvt) Ltd who continued to provide Accounting Services for their excellent service and valuable contribution. I wish to thank our valued tenant AVIVA NDB Insurance PLC for the support and cooperation extended to us and for maintaining the property in its present condition.

I wish to thank my colleagues on the Board for their valued contribution and continued support, where their incite guidance proved to be of immense value. I also wish to thank the members of the Board Audit Committee, for their role, in monitoring the affairs of the Company.

Finally, on behalf of the Board, I wish to place on record my sincere appreciation and gratitude to our valuable shareholders for their understanding, continued faith and confidence and trust placed in us which had been a concern source of great strength.



Segga Nagendra
Chairman

12th July, 2012

Statement of Directors' Responsibilities

Directors' Responsibilities for the Preparation of Financial Statements

This Statement of Directors' Responsibilities is to be read in conjunction with the Auditors' Report and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements contained in this Annual Report.

The Directors of your Company are required by the Companies Act No. 7 of 2007 to prepare Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year.

The Directors confirm that the Financial Statements of the Company for the year ended 31st March, 2012 included in the Annual Report have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No.7 of 2007. In preparing the Financial Statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue in operation for the foreseeable future.

The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities. The Directors have also taken all reasonable steps to ensure that the Company maintains adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position.

As required by Section 56(2) of the Companies Act No.7 of 2007, the Board of Directors has confirmed that the Company, based on the information available, satisfy the Solvency Test, immediately after the proposed First and Final Dividend distribution, which is to be declared by the Shareholders at the Annual General Meeting. The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

Compliance Report

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and all other known statutory obligations as at the Balance Sheet date have been paid or provided for in the Financial Statements.

By Order of the Board
JACEY & COMPANY
Secretaries

Colombo
12th July 2012

Report of the Directors

The Directors have pleasure in presenting to shareholders their Report together with the Audited Financial Statements of the Company for the year ended 31st March, 2012.

The details set out herein provide the information required by the Companies Act, No. 07 of 2007 and other necessary information required by the Listing Rules of Colombo Stock Exchange.

Principal Activities

The principal activity of the Company is leasing of office premises for commercial purposes.

Changes to the nature of Business

There was no material change to the nature of the business of the Company during the Financial year ended 31st March, 2012.

Review of Operation

A review of the operations of the Company during the financial year is included in the "Chairman's Review" on page 05.

Director's Responsibility for the Financial Statements

The Directors are responsible for preparing and presenting the financial statements, which are set-out on pages 14 to 23. The financial statements have been prepared in accordance with Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka. A Statement of Directors Responsibilities is set out on page 07 of this Report.

Going Concern

The Directors have adopted the "Going Concerned Concept" in the preparation of the financial statements.

Investment Properties

The details relating to the movement in Investment Properties are given in Note 14.

Financial Statements

The Financial Statements for the year ended 31st March, 2012 are set out on pages 14 to 23 in the Annual Report. The Turnover of the Company during the year was Rs. 11,520,000/- (2011 - Rs. 11,520,000/-) The Profit before Taxation amounted to Rs. 27,202,524/- (2011 - Rs. 9,577,916/-)

Auditors' Report

The Auditors' Report which is an integral part of the Financial Statements prepared for the Accounting period ended 31st March, 2012 is set out in the page 13 in the Annual Report.

Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as required by the new or revised standards mandatory to be adopted in the current financial year. A Summary of significant Accounting Policies is set out on Page 18 to 19 of the Annual Report.

Board of Directors

All the Directors of the Company held office throughout the year. The Board of Directors of the Company during the period under review is as follows:

Mr.S. Nagendra	Chairman / Director
Dr. (Ms.) Y. Ponnambalam	Director
Mr. Gajendrakumar G. Ponnambalam	Director
Dr. (Ms.) M. Wimalendran	Director
<i>(Alternate: Mr. U. Wimalendran)</i>	
Dr. B. Sivaprakasapillai	Director
<i>(Alternate: Ms. S. De Lanerolle)</i>	
Dr. (Ms.) V. Sivaprakasapillai	Director
<i>(Alternate: Ms. N. Sivaprakasapillai)</i>	
Mr. Gehan Rajapakse	Director
<i>(Nominee Director)</i>	
Mr. J. M. Swaminathan	Director
Mr. T Someswaran	Director

Mr. Gehan Rajapakse, Nominee Director of AVIVA NDB Insurance PLC resigned with effect from 2nd July, 2012 and Mr. Indika Prematunga has been appointed in place of Mr. Rajapakse, with effect from the said date.

In terms of Articles 98 of the Articles of Association, Mrs. Yogaluckshmi Ponnambalam retires by rotation and being eligible offers herself for re-election. The Directors recommend her re-election.

Dr. Brahman Sivaprakasapillai, who is 76 years of age vacates his office in terms of the provisions of Section 210 of the Companies Act No. 7 of 2007.

Notice is given by the Company to its shareholders of the intention to move an Ordinary Resolution for the re-appointment of Dr. Brahman Sivaprakasapillai as a Director of the Company, in terms of the provisions of Section 211 of the Companies Act No. 7 of 2007 and is referred to in the Notice convening the Annual General Meeting.

Mr. Segarajasingham Nagendra, who is 73 years of age, vacates his office in terms of the provisions of Section 210 of the Companies Act No. 7 of 2007.

Notice is given by the Company to its shareholders of the intention to move an Ordinary Resolution for the re-appointment of Mr. Segarajasingham Nagendra as a Director of the Company, in terms of the provisions of Section 211 of the Companies Act No. 7 of 2007 and is referred to in the Notice convening the Annual General Meeting.

Dr. (Mrs.) Vijayaluckshmi Sivaprakasapillai who is 71 years of age, vacates her office in terms of the provisions of Section 210 of the Companies Act No. 7 of 2007.

Notice is given by the Company to its shareholders of the intention to move an Ordinary Resolution for the re-appointment of Dr. (Mrs.) Vijayaluckshmi Sivaprakasapillai as a Director of the Company, in terms of the provisions of Section 211 of the Companies Act No.7 of 2007 and is referred to in the Notice convening the Annual General Meeting.

Mr. Jayanta Mootatamby Sweminathan who is 71 years of age, vacates his office in terms of the provisions of Section 210 of the Companies Act No. 7 of 2007.

Report of the Directors (contd.)

Notice is given by the Company to its shareholders of the intention to move an Ordinary Resolution for the re-appointment of Mr. Jayanta Mootatamby Swaminathan as a Director of the Company, in terms of the provisions of Section 211 of the Companies Act No.7 of 2007 and is referred to in the Notice convening the Annual General Meeting.

In terms of Articles 103 of the Articles of Association, Mr. Indika Udana Prematunga, Director, who was appointed to the Board of Directors of the Company on 2nd July, 2012 retires and being eligible, the Directors recommend his election, by the Shareholders.

Interest Register

An Interest Register is required to be maintained in terms of the Companies Act No. 7 of 2007, which came into effect on 03 May, 2007.

Directors' Interest in Contracts with the Company are disclosed in Note 23 to the Financial Statements for the period under review.

Directors Shareholding

The shares held by the Directors at the beginning and at the end of the financial year were as follows. The Articles of Association of the Company do not stipulate a share qualification for Directors.

	31.03.12	01.04.11
Mr.S. Nagendra	257	257
Dr. (Ms.) Y. Ponnambalam	-	-
Mr. Gajendrakumar G. Ponnambalam	-	-
Dr. (Ms.) M. Wimalendran	-	-
Dr. B. Sivaprakasapillai	-	-
Dr. (Ms.) V. Sivaprakasapillai	30,267	30,267
Mr. J. M. Swaminathan	-	-
Mr. T Someswaran	-	-
Mr. Gehan Rajapakse - (Nominee Director)	-	-

Directors' Remuneration and other Benefits

The Information pertaining to the Directors' Fees and Travelling Re-imbursements, during the year under review is disclosed in Note 10 to the Financial Statements.

Director's Interests in Contracts

Director's interests in contracts with the Company are disclosed in Note 23 to the Financial Statements.

Donations

No Donations have been made by the Company during the year ended 31st March, 2012.

Secretaries

Jacey & Company provides Company Secretarial Services to the Company.

Corporate governance

The Company complies with the Corporate Governance Rules set out in the Listing Rules of the Colombo Stock Exchange and also key areas of the code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. Corporate Governance Report for the period under review is set out in page 10 to 11 of this Report.

Stated Capital

There has been no change in the Stated Capital of the Company during the year under review. The Stated Capital of the Company as at 31st March, 2012 was Rs. 36,000,000/-, consisting of 360,000 Ordinary shares. The Shares of the Company are listed on the Colombo Stock Exchange.

Shareholders

The total shareholder base of the Company as at 31st March 2012 was 197 (2011 -173). The distribution of the shareholding and a list of 20 major shareholders are given under Investor Information on pages 24 to 25.

Dividend

The Directors recommend payment of a First & Final dividend of Rs. 20/- per share for the financial year ended 31st March 2012 (2011 - Rs. 15 /- per share). A statement of Solvency in terms of Section 56 (2) of the Companies Act No. 7 of 2007 has been obtained from the Companies Auditors confirming that the Company will, immediately after the distribution is made satisfy the solvency test.

Employment

The Company has no employees. The financial management of the Company is entrusted to Accounting Consultancy and Solutions (Pvt) Ltd; a Company operated and managed by two retired senior Partners of Ernst & Young - Chartered Accountants of Sri Lanka.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government had been made upto date.

Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date, which would require adjustment to, or disclosure in the financial statements.

Auditors

The financial statements for the period under review have been audited by M/s KPMG Rs. 128,000/- payable by the Company as Audit Fee for the year ended 31st March, 2012. In addition KPMG provides Tax Consultancy Services to the Company. M/s KPMG have expressed their willingness to continue in office and a Resolution to re-appoint them and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Auditors' Relationship with the Company

M/S KPMG has also provided Tax Consultancy Services to the Company, during the period under review.

By Order Of the Board



S. Nagendra
Director



Y. Ponnambalam
Director



Secretary
Jacey & Company
Secretaries

12th July 2012

Corporate Governance

Corporate Governance

Corporate Governance is the system by which Companies are directed, managed and controlled by the management in the best interest of the Shareholder.

The Board of Directors is responsible for the Governance of the Company whilst the Shareholders role in Governance is to appoint the Directors and the Auditors and to satisfy themselves that an appropriate governance structure is in place.

Compliance with the Code of Best Practice

The Company currently complies with key areas of the Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

Board of Directors

The Board of Directors takes responsibility for good governance of the Company. The Board of Directors comprises of nine members. All Directors function as Non-Executive Directors. One Director retires by rotation at each Annual General Meeting and is eligible for re-appointment.

The Directors collectively possess a wide range of aptitude, skill, knowledge and experience, in managing companies.

During the period under review, the Financial Management of the Company was handled by Accounting Consultancy & Solutions (Pvt) Ltd.

The Board meets periodically with the Staff of the Accountants of the Company, to review the performance of the Company and the financial statements for the period. Decisions relating to Capital Expenditure and investments require the approval of the Board.

The Directors are responsible for preparing and presenting the financial statements which have been prepared in accordance with the Sri Lanka Accounting Standards and in accordance with

the requirements of the Colombo Stock Exchange. Maximum information is provided to shareholders and full disclosure is made subject to only sensitive information which could directly impact the business of the Company.

Board Sub-Committees

The Board has appointed Audit sub-committee to scrutinize areas under its purview and ensure application of controls over affairs of the Company, mainly the financial management of the Company. The Audit Sub-Committee examines the quarterly financial statements of the Company and discusses necessary steps to be taken in order to better manage the finances of the Company.

Report of the Audit Committee is set out in the page 12 of the Annual Report.

The Board has not appointed a Remuneration Sub-Committee as the Company does not have Executive Directors and Key Management Personnel, who are remunerated by the Company.

Company Secretaries

Jacey & Company provides Company Secretarial services to the Company.

The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act, the Colombo Stock Exchange and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis.

Compliance with Legal Requirements

All Directors have access to the advice and services of the Company Secretaries as well as to the Financial Information of the Company, and makes every endeavor to ensure that the Company Complies with Laws and Regulations. Additionally, checks and controls are in place to ensure that the policies of the Board are complied with.

The manner and the extent to which the Company has applied the principles of good Corporate Governance practices during the period under review is set out in the table below

Rule No	Subject	Applicable requirement	Compliance Status	Details
7.10.1	Non Executive Directors	At least 1/3 of the total number of Directors should be Non-executive Directors	Complied	All Directors are non-executive Directors
7.10.2	Independent Director	2 or 1/3 of non-executive Directors, whichever is higher should be independent	Complied	3 of the Nine Non-executive Directors are independent
		Each Non-executive Director should submit a declaration of independence/Non-independence in the prescribed format	Complied	All Directors have submitted the Declarations.

Corporate Governance (contd.)

Rule No	Subject	Applicable requirement	Compliance Status	Details
7.10.3	Disclosure relating to Directors	<p>a) Names of Independent Directors should be disclosed in the Annual Report</p> <p>b) In the event a Director does not qualify as "independent Director" as per criteria provided by CSE Listing Rules, if the Board, taking into consideration all the circumstances, is of the opinion that the Director is nevertheless "independent" the Board shall specify the criteria not met and the basis for its determination in the Annual Report</p>	<p>Complied</p> <p>The Independent Directors have met the criteria for defining independence as per Rule 7.10.4 of the Listing Rules.</p>	Please refer Information pertaining to the Directors on page 04 of the Annual Report
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	<p>The Board of Directors is aware of the requirement of appointing a Remuneration Sub-Committee. However the Company does not have Executive Directors or Key Management Personnel, who are remunerated by the Company.</p> <p>Financial Management Functions of the Company have been entrusted to Accounting Consultancy and Solutions (Pvt) Ltd. and the Fees for the services rendered by the said Company are determined by the Board of Directors of the Company</p>	The Board has not established a Remuneration Committee.
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied	The Board has constituted an Audit Committee.
	7.10.6(a) Composition of Audit Committee	<p>a) Shall comprise of non-executive Directors a majority of whom shall be independent</p> <p>b) The chairman of the Audit Committee or one member should be a member of a professional accounting body</p>	<p>Complied</p> <p>Complied</p>	<p>Audit Committee consists of three non-executive Independent Directors.</p> <p>Chairman of the Audit Committee is a member of a Professional Accounting Body.</p>
	7.10.6(b) Audit Committee functions	Should be as outlined in the section 7 of the Listing Rules	Complied	
	7.10.6(c) Disclosure in the Annual Report relating to the Audit Committee	<p>a) Names of the Directors comprising the Audit Committee</p> <p>b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination</p> <p>c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer Information of the Board of Directors and the Board-sub Committees on page 03 of the Annual Report</p> <p>Please refer to Audit Committee Report on page 12 of the Annual Report.</p>

Audit Committee Report

Composition of the committee

Audit Committee comprises of three Independent Non-Executive Directors. The committee is chaired by Mr. T. Someswaran who is a fellow member of Chartered Accountants of Sri Lanka and a Retired Senior Partner of SJMS Associates.

Members of the Board appointed Audit Committee are;

Mr. T. Someswaran	Chairman
Mr. S Nagendra	A Fellow Member of Chartered Institute of Management (UK), MBA (UK)
Mr. J. M. Swaminathan	Attorney-at-Law, Senior Partner of M/S Julius and Creasy

Role of the Committee

The Audit Committee is empowered to review and monitor the financial reporting process of the Company, in order to assure that adequate safeguards are in-place to provide true and reliable financial information to the stakeholders of the Company. The duties of the Committee include a detailed review of the financial statements, monitoring Financial Management Functions and making recommendation with regard to adequacy of Financial Management procedures, disclosure of accounting policies, discussions with the External Auditors and Tax Consultants and compliance with the requirement laid down by regulatory authorities.

Meetings

The committee held four (04) meetings during the year under review. The proceedings of the audit Committee meetings are reported to the Board of Directors. The representatives of Accounting Consultancy and Solutions (Pvt) Ltd, who carry out the financial management functions of the Company, attend the meetings by invitation.

Activities

During the year, the Committee reviewed and discussed the Quarterly Financial Statements, the Draft Financial Statements of the Company, Report on Solvency of the Company and communication from the External Auditors of the Company and other various compliance requirements.

The Committee directs and monitors Accounting Consultancy and Solutions (Pvt) Ltd, Accountants of the Company on Financial Management of the Company. The Committee obtains regular updates from the Accountants on utilization of funds of the Company and provides guidance on efficient Treasury Management and investments. The Accountants are also instructed to liaise independently with M/S KPMG, Chartered Accountants and external Auditors of the Company. At the conclusion of the Annual Audit of the Company, the Accountants have been requested to explain to the Committee, the methodology and polices/standards adopted in the audit and the findings of the Audit. The Committee has received a Declaration from the External Auditors of the Company, as required by the Companies Act No 7 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence, within the definition of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Committee has recommended to the Board of Directors that M/s KPMG be reappointed as the Auditors of the Company for the financial year ending 31st March, 2013, subject to the approval of the Shareholders at the Annual General Meeting.

Conclusion

The Audit Committee is satisfied that the effectiveness of the organizational structure of the Company in the implementation of the accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with accepted policies and that assets are properly accounted for and adequately safeguarded.



T. Someswaran
Chairman-Audit Committee

12th July 2012

Independent Auditors' Report



KPMG
 (Chartered Accountants)
 32A, Sir Mohamed Macan Markar Mawatha,
 P. O. Box 186,
 Colombo 00300,
 Sri Lanka.

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 +94 - 11 230 7345
 Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF SERENDIB LAND PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Serendib Land PLC, which comprise the balance sheet as at March 31, 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Chartered Accountants,
 Colombo
 12th July 2012.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	Ms. M. P. Perera FCA	P.Y.S. Perera FCA
C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara ACA	W.K.D.C Abeyrathne ACA
S.T.D.L. Perera FCA	G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Income Statement

Year ended 31 st March	Note	2012 Rs.	2011 Rs.
Revenue	8	11,520,000	11,520,000
Direct expenses		(833,198)	(724,196)
Change in fair value of investment property		17,777,834	–
Administrative expenses		(1,485,120)	(1,430,168)
Finance income	9	223,008	212,279
Profit before taxation	10	27,202,524	9,577,916
Income tax expense	11	7,373,531	(3,485,367)
Profit for the year		34,576,055	6,092,549
Earnings per share (Rs.)			
Including change in fair value of investment property	12	96.04	16.92
Excluding change in fair value of investment property	12	41.06	16.92
Dividend per share (Rs.)	13	20.00	15.00

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

Balance Sheet

As at 31 st March	Note	2012 Rs.	2011 Rs.
ASSETS			
Non-current assets			
Investment property	14	<u>251,160,000</u>	<u>231,270,000</u>
Current Assets			
Receivables	15	739,016	1,753,085
Income tax recoverable		1,059,459	-
Cash and cash equivalents		4,814,200	3,968,685
Total Current Assets		<u>6,612,675</u>	<u>5,721,770</u>
Total Assets		<u>257,772,675</u>	<u>236,991,770</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	16	36,000,000	36,000,000
Retained earnings		<u>197,445,561</u>	<u>168,269,506</u>
Total Equity		<u>233,445,561</u>	<u>204,269,506</u>
Non-Current Liabilities			
Deferred tax liabilities	17	<u>23,184,000</u>	<u>31,500,000</u>
		<u>23,184,000</u>	<u>31,500,000</u>
Current Liabilities			
Income tax payable		-	398,771
Other payable and accruals	18	689,332	428,944
Dividend payable		453,782	394,549
Total Current Liabilities		<u>1,143,114</u>	<u>1,222,264</u>
Total Liabilities		<u>24,327,114</u>	<u>32,722,264</u>
Total Equity and Liabilities		<u>257,772,675</u>	<u>236,991,770</u>

The notes form an integral part of these financial statements.

I certify that the financial statements have been prepared in accordance with the requirements of the Companies Act No 07 of 2007



Shehan De Alwis
Chief Financial Officer

The Directors are responsible for the preparation and presentation of these financial statements

Approved and signed for and on behalf of the Board



S. Nagendra
Director



Y. Ponnambalam
Director

12th July 2012
Colombo.

Statement of Changes in Equity

	Stated capital	Retained earnings	Total
	Rs.	Rs.	Rs.
Balance as at 1st April 2010	36,000,000	167,576,957	203,576,957
Final Dividend 2009/2010	–	(5,400,000)	(5,400,000)
Profit for the year	–	6,092,549	6,092,549
Balance as at 31, March 2011	36,000,000	168,269,506	204,269,506
Final Dividend 2010/2011	–	(5,400,000)	(5,400,000)
Profit for the year	–	34,576,055	34,576,055
Balance as at March 31, 2012	36,000,000	197,445,561	233,445,561

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

Cash Flow Statement

Year ended 31 March	2012 Rs.	2011 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	27,202,524	9,577,916
Adjustments for:		
Change in fair value of investment property	(17,777,834)	–
Interest income	(223,008)	(212,279)
Operating cash flows before working capital changes	9,201,682	9,365,637
(Increase)/decrease in receivables	1,042,164	(1,663,314)
Increase/(decrease) in payables	260,388	100,598
Cash generated from operating activities	10,504,234	7,802,921
Income tax paid	(2,400,699)	(3,522,482)
Net cash generated from operating activities	8,103,535	4,280,439
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to investments properties	(2,112,166)	–
Disposal of Treasury Bills	–	2,300,000
Interest received	194,913	153,484
Net cash flow used in Investing activities	(1,917,253)	2,453,484
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(5,340,767)	(5,400,000)
Net cash flow used in financing activities	(5,340,767)	(5,400,000)
Net decrease in cash and cash equivalents	845,515	1,333,923
Cash and cash equivalents at the beginning of the year	3,968,685	2,634,762
Cash and cash equivalents at the end of the year	4,814,200	3,968,685
Analysis of cash and cash equivalents		
Cash at bank	1,933,913	1,968,685
Fixed deposits	2,880,287	2,000,000
	4,814,200	3,968,685

Notes form an integral part of these financial statements

Figures in brackets indicate deductions

Notes to the Financial Statements

1. Basis of Preparation

1.1 Statement of compliance

The Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Accounting Policies and Notes of the Serendib Land PLC have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No 7 of 2007.

The Financial Statements were authorized for issue by the Directors on 12th July 2012.

1.2 Basis of measurement

The financial statements of the Company are prepared under the historical cost convention except for Investment Property which is measured at Fair Value.

1.3 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees (Rs.) which is the Company's functional currency.

1.4 Use of estimates and judgments

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

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

2. Significant Accounting Policies

The accounting policies applied by the Company are consistent with those of the previous year.

Comparative information has where necessary been reclassified to conform to the current year's presentation.

The Directors' have made an assessment of the Company's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading.

3. Assets and Bases of their Valuation

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 or within one year from the reporting date, whichever is shorter.

3.1 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property

is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit and loss.

3.2 Trade and Other Receivables

Trade receivables and Other Receivables are stated at the amounts they are estimated to realise. Where necessary; provisions are made for bad and doubtful debts.

3.3 Cash and Cash Equivalents

Cash and cash equivalents 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 equivalents consists of cash in hand and deposits in banks net of outstanding bank overdrafts.

Interest paid is classified as operating cash flow. Interest and Dividend received are classified as investing cash flows while dividend paid is classified as financing cash flow for the purpose of presentation of cash flow statement, reported based on the "indirect method".

4. Liabilities and Provisions

Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the reporting date. Non-current Liabilities are those balances that fall due for payment later than one year from the reporting date.

4.1 Trade and Other Payables

Trade and other payables are stated at cost.

4.2 Provisions

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.3 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Company are disclosed in the respective notes to the financial statements.

5. Income Statement

For the purpose of presentation of Income Statement the Directors are of the opinion that "function of expenses method" presents fairly the elements of the enterprises performance, hence such presentation method is adopted.

5.1 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Notes to the Financial Statements (*contd.*)**(a) Rental Income**

Revenue represents the rental income derived from letting of the Company's premises. Rental income is accrued on a time proportion basis.

(b) Interest Income

Interest Income is recognized as it accrues in profit and loss unless future collection is in doubt.

(c) Other income

Other income is recognized on an accrual basis.

5.2 Expenses

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

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

5.3 Operating leases

Leases when the Lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognized in profit and loss on a straight-line basis over the term of the lease.

5.4 Taxation

Income tax expense comprises of current tax and deferred tax. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

(a) Current Taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date.

(b) Deferred Taxation

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

6. Others**6.1 Segment Reporting**

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or service within a particular economic environment (Geographical Segment) which is subject

to risk and reward that are different from those of other segment.

However there is no distinguishable component to be identified as segment for the company.

6.2 Events occurring after the reporting date

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

7. CORPORATE INFORMATION**7.1 Domicile and Legal Form**

Serendib Land PLC is a limited liability company listed in the Colombo Stock Exchange and domiciled in Sri Lanka. The Registered Office of the Company is located at No. 9/5, Thambiah Avenue, Colombo 07.

7.2 Principal Activities and Nature of Operations

The principal activity of the Company is leasing of office space in its seven storied office complex for commercial purpose remained unchanged during the year.

7.3 Parent Company and Ultimate Parent Company

There is no distinguishable enterprise to be identified as parent company.

7.4 Number of Employees

The Company does not have its own employees. Financial management function of the Company has been outsourced.

7.5 New Accounting Standards Issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards, which are applicable for accounting periods beginning on or after 01st January 2012. Accordingly these Standards have not been applied in preparing these financial statements as they are not applicable for the year ended 31st March 2012.

These new Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS) and are commonly referred to by the term SLFRSs. Application of the Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time is deemed to be an adoption of SLFRSs for the first time. The Council of The Institute of Chartered Accountants of Sri Lanka has also adopted the Interpretation Guidelines issued by the International Financial Reporting Interpretation Committee (guidelines referred to as IFRICs) and Standing Interpretations Committee (guidelines referred to as SICs).

The Company is currently in the process of evaluating the potential effect of these Standards on its financial statements.

Notes to the Financial Statements (contd.)

Year ended 31st March	2012	2011
	Rs.	Rs.
8. REVENUE		
Rental income	<u>11,520,000</u>	<u>11,520,000</u>
	<u>11,520,000</u>	<u>11,520,000</u>
9. FINANCE INCOME		
- Interest income - Bank deposits	<u>223,008</u>	160,294
- Interest income - Treasury Bills	<u>-</u>	<u>51,985</u>
	<u>223,008</u>	<u>212,279</u>
10. PROFIT BEFORE TAXATION		
Profit before taxation is stated after charging all expenses including the following:		
Reimbursement of Directors' traveling expenses	<u>190,000</u>	210,000
Accounting fee	<u>470,394</u>	422,500
Secretarial fee	<u>150,000</u>	165,000
Auditors' remuneration		
- Statutory audit	<u>128,000</u>	112,000
- Audit related services	<u>45,000</u>	40,000
- Non audit services	<u>77,000</u>	81,500
The Company did not employee staff during the year under review		
11. INCOME TAX EXPENSE		
Current Tax		
Taxation on profit for the year	<u>942,469</u>	3,485,367
(Over) / Under provision in respect of previous years	<u>-</u>	<u>-</u>
	<u>942,469</u>	<u>3,485,367</u>
Deferred Tax		
Origination / reversal of temporary differences	<u>(6,300,000)</u>	-
Effect on change in fair value of investment property	<u>(2,016,000)</u>	-
Income tax expense	<u>(7,373,531)</u>	<u>3,485,367</u>
Tax reconciliation statement		
Profit before tax	<u>27,202,524</u>	9,577,916
Interest income	<u>(223,008)</u>	(212,279)
Change in fair value of investment property	<u>(17,777,834)</u>	-
Disallowable expenses	<u>-</u>	<u>233,110</u>
Statutory income from business	<u>9,201,682</u>	9,598,747
Interest income	<u>223,008</u>	212,279
Taxable income	<u>9,424,690</u>	<u>9,811,026</u>
Income tax @ 10%- (2011-35%)	<u>942,469</u>	3,433,859
Social Responsibility Levy 1.5%	<u>-</u>	<u>51,508</u>
Taxation on profits	<u>942,469</u>	<u>3,485,367</u>

In terms of the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto, the Company is liable to taxation at 28% (2011 - 35%). Since the turnover of the Company is below Rs. 300mn the Company is entitled to concessionary tax rate of 10% on operational profits.

Social Responsibility Levy (SRL) was abolished with effect from 1st April 2011 (2011 - 1.5% on income tax charge), hence no SRL is applicable for the current year.

Deferred tax has been computed using a tax rate of 28%.

Notes to the Financial Statements (contd.)

12. EARNINGS PER SHARE

The earnings per share is based on the net profit after taxation for the year attributable to Ordinary shareholders divided by the weighted average number of Ordinary shares issued during the year.

	2012	2011
	Rs.	Rs.
Profit after taxation attributable to Ordinary shareholders	34,576,055	6,092,549
Weighted average number of Ordinary shares	360,000	360,000
Earnings per share	96.04	16.92

Earnings per share excluding change in fair value of investment property

Profit for the year before change in fair value of investment property	14,782,222	6,092,549
Weighted average number of Ordinary shares	360,000	360,000
Earnings per share	41.06	16.92

13. DIVIDEND PER SHARE

	2012	2011
	Rs.	Rs.
Proposed dividend (Note 21)	7,200,000	5,400,000
Dividend per Ordinary share	20.00	15.00

The Board of Directors has recommended a final dividend of Rs. 20/- per share for the year ended 31st March 2012. This is to be approved at the Annual General Meeting held on 24th September 2012.

14. INVESTMENT PROPERTY

	2012	2011
	Rs.	Rs.
Amount at the beginning of the period	231,270,000	231,270,000
Additions during the year	2,112,166	-
Change in fair value	17,777,834	-
Amount at the end of the period	251,160,000	231,270,000

14.1 Details of the Land and Building under Investment Property

Location	Extent	Carrying amount of Investment Property	No of Buildings
No. 75, Kumaran Rathnam Road, Slave Island, Colombo 2			
- Land	20.2 p	100,000,000	0
- Building	20,000 sq.ft	82,800,000	1
No. 70 & 72, Kew Road, Slave Island, Colombo 2			
- Land	17.09 p	68,360,000	0

Investment Property comprises land owned by the Company and a building constructed by the Company on land obtained on a 99 year lease from 1982.

The fair value of land as at 31st March 2012 was assessed using open market value/fair value of the leasehold/freehold interest of the property as at that date. This valuation was carried out by an independent professional valuer Mr. P.B. Kalugalagedara (F.I.V.), an Incorporated Valuer & Assessor, Associate Institute of Valuers, Sri Lanka as at 31st March 2012.

Notes to the Financial Statements (contd.)

Year ended 31 st March	2012 Rs.	2011 Rs.
15. RECEIVABLES		
Advance paid to Mitsubishi Elevator	-	1,061,235
Pre paid rates	633,056	633,055
Interest receivable	86,890	58,795
Withholding Tax receivable	19,071	-
	<u>739,016</u>	<u>1,753,085</u>
	2012 Rs.	2011 Rs.
16. STATED CAPITAL		
Issued & Fully Paid		
360,000 Ordinary shares	<u>36,000,000</u>	<u>36,000,000</u>
The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.		
	2012 Rs.	2011 Rs.
17. DEFERRED TAX LIABILITIES		
Balance at the beginning	31,500,000	31,500,000
Effect on change in fair value of investment property	(2,016,000)	-
Effect on change in tax rate	(6,300,000)	-
Balance at the end	<u>23,184,000</u>	<u>31,500,000</u>
ANALYSIS OF DEFERRED TAX LIABILITIES		
Investment Property		
- Temporary differences	82,800,000	90,000,000
- Tax	23,184,000	31,500,000
18. OTHER PAYABLES AND ACCRUALS		
Value added tax payable	112,890	113,500
NBT payable	19,200	19,584
Other payables (Note 18.1)	557,242	295,860
	<u>689,332</u>	<u>428,944</u>
18.1 Other Payables		
Audit fee payable	144,742	150,000
Accounting fee payable	35,000	33,360
Secretarial fee payable	262,500	112,500
Valuation fee payable	60,000	-
Directors fee payable	55,000	-
	<u>557,242</u>	<u>295,860</u>
19. CAPITAL COMMITMENTS		
There were no capital commitments as at the reporting date.		
20. CONTINGENT LIABILITIES		
There were no material contingent liabilities as at the reporting date		
21. EVENTS AFTER THE BALANCE SHEET DATE		
Directors have recommended the payment of a first & final dividend of Rs. 20/- per share for the year ended 31 st March 2012, which require the approval of the shareholders at the Annual General Meeting to be held on 24th September 2012. The Boards of Directors confirmed that the company has satisfied the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007 and have obtained the certificate from the auditors.		

Notes to the Financial Statements (*contd.*)

The proposed final dividend exceeds the minimum distribution mandated by the Inland Revenue Act No. 10 of 2006 and therefore the 15% deemed dividend tax, will not be imposed on the Company.

Other than that, no circumstances have been arisen since the Balance Sheet date which would require adjustments to financial statements.

22. COMPARATIVE INFORMATION

Comparative figures have been rearranged wherever necessary to confirm to the current year's presentation.

23. RELATED PARTY DISCLOSURES**(a) Parent and Ultimate Controlling Party**

The company does not have an identifiable parent on its own.

(b) Transactions with Key Management Personnel

Key Management Personnel comprise the Directors of the Company.

(i) Loans to Directors

No loans have been given to the Directors of the Company.

(ii) Key Management Personnel Compensation

No compensation have been given to Directors other than Board meeting attendance fee.

(iii) Other Transactions with Key Management Personnel

No other transactions occurred during the year.

(c) Transactions with Related Companies

Company	Relationship	Nature of transaction	Transaction value (Rs.)
Aviva NDB Insurance PLC	Affiliated Company	Rental Income	11,520,000/=

24. OPERATING LEASE COMMITMENTS

The Company entered into lease agreement with Urban Development Authority for lease of land for a period of 99 years ending 01/04/2081.

The Operating lease rentals are payable as follows.

	2012 Rs.	2011 Rs.
Less than one year	100/-	100/-
Between one and five years	500/-	500/-
More than five years	6,300/-	6,400/-

Investor Information

SHARE CAPITAL

Stated Capital - Rs.36,000,000 divided into 360,000 Ordinary shares

The issued Ordinary Shares of Serendib Land PLC are listed on the Colombo Stock Exchange.

SHARE DISTRIBUTION

No of Shares Held	31.03.2012			31.03.2011		
	No of Shareholders	Total Holding	% of Total Shares	No of Shareholders	Total Holding	% of Total Shares
Upto - 1,000	185	14,918	4.14	161	14,618	4.06
1,001 - 5,000	6	12,623	3.51	6	12,923	3.59
5,001 - 10,000	-	-	-	-	-	-
10,001 - 50,000	2	55,981	15.55	2	55,981	15.55
50,001 - 100,000	4	276,478	76.80	4	276,478	76.80
	197	360,000	100.00	173	360,000	100.00

SHARE TRADING

	2011/2012 Rs.	2010/2011 Rs.
Highest Traded Price	2,500.00 (09.03.2012)	600.00 (10.02.2011)
Lowest Traded Price	1,250.00 (27.02.2012)	500.00 (26.07.2010)
Last Traded Price	2,400.00 (14.03.2012)	600.00 (10.02.2011)

PUBLIC HOLDING

7.58% of the issued shares were held by the public as at 31st March 2012. (2011 - 7.58%)

DIVIDEND

A Final Dividend of Rs. 20/- share has been proposed for payment on 24th September 2012. (2011 - Rs. 15/-)

Investor Information (contd.)

The twenty major shareholders as at 31st March 2012 with comparative figures for 2011 were as follows:

20 Major Shareholders	31.03.2012		20 Major Shareholders	31.03.2011	
	Shares	%		Shares	%
Aviva NDB Insurance PLC	80,768	22.43	Aviva NDB Insurance PLC	80,768	22.43
Gee Gees Properties (Pvt) Ltd	76,735	21.32	Gee Gees Properties (Pvt) Ltd	76,735	21.32
Gitanjali Gajaluckshmi (Pvt) Ltd	76,697	21.30	Gitanjali Gajaluckshmi (Pvt) Ltd	76,697	21.30
Gitanjali Group (Pvt) Ltd	67,992	18.89	Gitanjali Group (Pvt) Ltd	67,992	18.89
Dr. (Mrs) V. Sivaprakasapillai	30,267	8.41	Dr. (Mrs) V. Sivaprakasapillai	30,267	8.41
Mr. O. D. Liyanage	4,033	1.12	Mr. O. D. Liyanage	4,033	1.12
Mrs. S. Z. Ossman	2,200	0.61	Mrs. S. Z. Ossman	2,400	0.67
Mr. A. Saverimuttu	1,900	0.53	Mr. A. Saverimuttu	2,000	0.56
Ossman Associates (Pvt) Ltd	1,779	0.49	Ossman Associates (Pvt) Ltd	1,779	0.49
Ms. N. Gunatileke	1,499	0.42	Mr. G. A. E.De S. Gunatileke (Deceased)	1,499	0.42
Mr. G. C. W. De Silva	1,212	0.34	Mr. G. C. W. De Silva	1,212	0.34
Mr. K. T. Wickremaratne	750	0.21	Mr. K. T. Wickremaratne	750	0.21
Colombo Investment Trust Ltd	642	0.18	Colombo Investment Trust Ltd	642	0.18
Dr. (Mrs.) M. S. P. Wijenayake	555	0.15	Dr. (Mrs.) M. S. P. Wijenayake	635	0.18
Mr. A. L. Weerasinghe	534	0.15	Mr. A. L. Weerasinghe	555	0.15
Mrs. A. N. De Mel	534	0.15	Mrs. A. N. De Mel	534	0.15
Mrs. E. Shinya	514	0.14	Colour Products Limited	534	0.14
Mr. B. G. S. De Silva	514	0.14	Mr. B. G. S. De Silva	514	0.14
Mr. C. L. Iddamal goda	507	0.14	Mrs. E. Shinya	514	0.13
Mrs. M. T. Fernando	485	0.13	Mr. P. C. S Fernando	485	0.12
	350,117	97.25			
Shares held by the balance Shareholders	9,883	2.75			
	360,000	100.00			

Company Performance - Five Year Summary

Year ended 31 March	2012 Rs.	2011 Rs.	2010 Rs.	2009 Rs.	2008 Rs.
Trading Results					
Rental Income	11,520,000	11,520,000	11,520,000	11,400,000	11,010,000
Total Revenue	11,520,000	11,520,000	11,520,000	11,400,000	11,010,000
Direct Cost	(833,198)	(724,196)	(716,492)	(665,861)	(559,924)
Gross Profit	10,686,802	10,795,804	10,803,508	10,734,139	10,450,076
Fair Value Gain	17,777,834	-	-	21,622,700	-
Total Operating Expenses	(1,485,120)	(1,430,168)	(1,360,328)	(1,154,584)	(904,926)
Profit from Operating Activities	26,979,516	9,365,637	9,443,180	31,202,255	9,545,150
Net Finance (Exp)/Income	223,008	212,279	391,360	180,272	(136,350)
Net profit before Tax	27,202,524	9,577,916	9,834,539	31,382,527	9,408,800
Income Tax	7,373,531	(3,485,367)	(3,463,582)	(23,202,423)	(3,352,662)
Net profit after Tax	34,576,055	6,092,549	6,370,958	8,180,104	6,056,1388
Balance Sheet					
Assets					
Investment Property	251,160,000	231,270,000	231,270,000	231,270,000	209,647,300
Current Assets					
Trade and Other Receivables	1,798,475	1,753,085	30,976	779,430	1,151,591
Cash and Cash Equivalentents	4,814,200	3,968,685	4,934,762	3,373,747	607,109
	6,612,675	5,721,770	4,965,738	4,153,177	1,758,700
Total Assets	257,772,675	236,991,770	236,235,738	235,423,177	211,406,000
Equity and Liabilities					
Stated Capital	36,000,000	36,000,000	36,000,000	36,000,000	36,000,000
Accumulated Profit/(Loss)	197,445,561	168,269,506	167,576,957	166,245,999	161,665,896
Total Equity	233,445,561	204,269,506	203,576,957	202,245,999	197,665,896
Non Current Liabilities					
Deferred tax Liability	23,184,000	31,500,000	31,500,000	31,500,000	11,783,996
Total Non Current Liabilities	23,184,000	31,500,000	31,500,000	31,500,000	11,783,996
Current Liabilities					
Trade & Other Payables	689,332	428,944	366,081	616,681	587,004
Tax Payable	-	398,771	435,886	726,777	1,070,178
Dividend Payable	453,782	394,549	356,814	333,720	298,926
Total Current Liabilities	1,143,114	1,222,264	1,158,781	1,677,178	1,956,108
Total Equity & Liabilities	257,772,675	236,991,770	236,235,738	235,423,177	211,406,000
Earnings per Share	96.04	16.92	17.70	22.72	16.82
Dividend per Share	20.00	15.00	15.00	14.00	10.00
Net Assets Value per share	648.45	567.42	565.49	561.79	549.07
Share Value (High)	2,500.00	600.00	505.00	500.00	500.00
Share Value (Low)	1,250.00	600.00	240.00	200.00	-
Current Ratio	5.78	4.68	4.29	2.48	0.90
Return on Equity (%)	14.81	2.98	3.13	4.04	3.06
Total Debt to Total Assets (%)	-	-	-	-	-
Debt/Equity Ratio	-	-	-	-	-

Form of Proxy

Serendib Land PLC
No 9/5, Thambiah Avenue,
Colombo 07.

I/ We
of.....

Being a shareholder/ shareholders of Serendib Land PLC, hereby appoint,

.....
of

whom failing SEGANAGENDRA, Chairman whom failing Dr (Ms) Y. Ponnambalam, whom failing Mr. G.G. Ponnambalam, whom failing, Dr. (Ms) M. Wimalendran, whom failing Dr. B Sivaprakasapillai, whom failing Dr.(Ms) V. Sivaprakasapillai, whom failing Mr. J M Swaminathan whom failing Mr. T Someswaran, whom failing Mr. Indika Prematunga as my/our Proxy to vote and *.....as indicated hereunder for me/ us and on my/our behalf at the Thirty First Annual General Meeting of the Company to be held on 24th September, 2012 at 3.30 p.m. and at any adjournment thereof.

	For	Against
1. To receive and adopt the Report of the Directors and the Statements of Accounts for the year ended 31st March 2012, together with the Report of the Auditors thereon.	<input type="radio"/>	<input type="radio"/>
2. Directors		
(i) To pass the Ordinary Resolution numbered 2 (i) set out in the Notice of Meeting of the Annual General Meeting	<input type="radio"/>	<input type="radio"/>
(ii) To pass the Ordinary Resolution numbered 2(ii) set out in the Notice convening the Annual General Meeting	<input type="radio"/>	<input type="radio"/>
(iii) To pass the Ordinary Resolution numbered 2 (iii) set out in the Notice of Meeting of the Annual General Meeting	<input type="radio"/>	<input type="radio"/>
(iv) To pass the Ordinary Resolution numbered 2 (iv) set out in the Notice of Meeting of the Annual General Meeting	<input type="radio"/>	<input type="radio"/>
(v) To pass the Ordinary Resolution numbered 2 (v) set out in the Notice of Meeting of the Annual General Meeting	<input type="radio"/>	<input type="radio"/>
(vi) To pass the Ordinary Resolution numbered 2 (vi) set out in the Notice of Meeting of the Annual General Meeting	<input type="radio"/>	<input type="radio"/>
3. To declare Rs. 20/- per share as a Final Dividend for the year ended 31st March, 2012 as recommended by the Directors.	<input type="radio"/>	<input type="radio"/>
4. To re-appoint the retiring Auditors M/s KPMG, Chartered Accountants to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.	<input type="radio"/>	<input type="radio"/>

As witness my/our hand this day of Two Thousand and Twelve.

.....
Signature of Shareholder

Notes:

If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.

Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

A Proxy holder need not be a member of the Company

Instructions as to completion appear on the reverse hereof.

INSTRUCTIONS FOR COMPLETION

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No. 9/5, Thambiah Avenue, Colombo 7 not less than 48 hours before the time appointed for the holding of the Meeting.
2. The full name and address of the Proxyholder and of the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.
3. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details at 1 overleaf and initial against this entry.
4. In the case of a Company/ Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
5. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already registered with the Company.

Serendib Land PLC
9/5, Thambiah Avenue, Colombo 07.