

33rd



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Form of Proxy Enclosed

## Notice of Meeting

**NOTICE** is hereby given that the Thirty Third Annual General Meeting of SERENDIB LAND PLC will be held at Hotel Renuka, No. 328, Colombo 03 on Friday, 5th September, 2014 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 2014, together with the Report of the Auditors thereon.
2. Directors
  - (i) To re-elect Mr. Gajendrakumar G. Ponnambalam as Director, who retires by rotation at the Annual General Meeting in terms of Article 98 of the Company's Articles of Association.
  - (ii) To re-appoint as a Director Dr. Brahman Sivaprakasapillai, who is 78 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 78 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 75 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 75 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 73 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 her re-appointment.

"RESOLVED THAT Dr. (Mrs) Vijayaluckshmi Sivaprakasapillai 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 Dr. (Mrs) Vijayaluckshmi Sivaprakasapillai".

- (v) To re-appoint as a Director Mr. Jayanta Mootatamby Swaminathan 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. Jayanta Mootatamby Swaminathan 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. Jayanta Mootatamby Swaminathan".

- (vi) To re-appoint as a Director Mr. Thirunavukarasu Someswaran 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 of Meeting

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. Thirunavukarasu Someswaran 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”.

3. To declare a First and Final Dividend of Rs.25/- for the year ended 31st March, 2014, 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  
3rd July, 2014

### **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. (Mrs.) Y. Ponnambalam**  
*Director*

**Mr. Gajendrakumar G. Ponnambalam**  
*Director*

**Dr. B. Sivaprakasapillai**  
**(Alternate: Ms. S. De Lanerolle)**  
*Director*

**Dr. (Ms.) V. Sivaprakasapillai**  
**(Alternate: Ms. N. Sivaprakasapillai)**  
*Director*

**Dr. (Ms.) M. Ponnambalam**  
**(Alternate: Dr. (Mrs.) Y. Ponnambalam)**  
*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

**Union Bank of Colombo PLC**  
**DFCC Vardhana Bank**

## Profiles of Board of Directors

### **Mr. Sega Nagendra**

*Chairman / Non-Executive, Independent Director*

**Mr. Sega Nagendra**, CCMi (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 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 Past President of Skal International Colombo (International Association of Travel and Tourism Professionals) and the Past Secretary of Skal International Asian Area Region and Past President of the Pacific Asia Travel Association, Sri Lanka Chapter. Mr Nagendra was the Immediate Past President 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.

Companion of the Chartered Management Institute, U.K. Master of Business Administration U.K. and Fellow of the Institute of Certified Professional Managers, Sri Lanka.

### **Mr. J. M. Swaminathan**

*Non Executive, Independent Director*

**Mr. J. M. Swaminathan** holds LLB (Ceylon), LL.M, M. Phil. (Colombo), Degrees and is an Attorney-at-Law. He has been in the legal profession for over 50 years. He is the Precedent Partner of Messrs. Julius & Creasy and is a Member of the Law Commission of Sri Lanka and Former Member of the Council of Legal Education. He is also a Member of the Company Law Advisory Commission and Intellectual Property Law Advisory Commission. He is a Member of the Board of the Faculty of Law of the University of Colombo. He also serves as a Member of the Legal Cluster of the National Council for Economic Development. He is a Visiting Lecturer and an Examiner at the Faculty of Law, University of Colombo and a Lecturer at the Institute of Advanced Legal Studies Unit of the Sri Lanka Law College and was also a Faculty Member

for the LL.M Courses of the University of Wales and LL.M Colombo and serves on the Boards of several public and private companies. Recently the University of Colombo has decided to confer the Honorary Degree of Doctor of Law (LLD) on him.

### **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. Ponnambalam**

*Non-Executive, Non-Independent Director*

**Dr. (Mrs.) M. Ponnambalam** 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. 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 Boards of CleanCo Lanka Ltd., Pan Asia Power PLC, Esna Power (Pvt) Ltd., ECSAT (Equality-based Community Support & Training),

## Profiles of Board of Directors

Institute for Development of Commercial Law & Practice. Mr. Someswaran is a member of the Sri Lanka Institute of Directors and Organization for Professional Associations (OPA). He also serves as the Chairman of the Center for Advancement of Resource Mobilization (CARM).

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) of AIA Insurance Lanka PLC. He holds a BSc special degree in Accountancy and Finance with a First Class Honours and a Masters in Business Administration from the Post Graduate Institute of Management attached to the University of Sri Jayawardenepura. He is a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA /CGMA) and a finalist in the Chartered Institute of Marketing, UK. He is the current Chairman of the Finance Technical Sub Committee (FTSC) of the Insurance Association of Sri Lanka (IASL). He counts over 13 years management experience in many fields including insurance, finance, shipping and telecommunication sectors.

## Chairman's Review

On behalf of the Board of Directors, I take pleasure in welcoming you to the 33rd 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 2014.

***“The Services sector improved when comparing with the previous year recording a growth of 6.4%, mainly due to improved performance in wholesale and retail trade and transport and communications sub sectors”***

### Sri Lankan - Economy

The Sri Lankan economy grew by 7.3% during the year 2013 and Inflation remained at single digit levels for the fifth consecutive year; although it gradually declined further to reach mid single digits by the end of the said year.

The economic growth during the said year was broad based, with a strong growth in the Industry sector, continued expansion in the Services sector and recovery in Agricultural activities during the second half of the year despite weak performance due to adverse weather conditions during the first half of the year. Stabilisation policies that were adopted during the year 2012 impacted economic activity during the first half of 2013, but continued development of physical infrastructure, favourable weather conditions and the recovery in advanced economies contributed towards an increase in economic activity during the second half of 2013.

The year 2013 witnessed the completion and continuation of many key infrastructure projects including the Country's second international Airport, Harbour and Port development projects, expressway



and highway development projects, Northern Railway project and rural infrastructure projects. The Colombo city beautification and countrywide township development projects contributed immensely towards the wellbeing of the population among several other benefits associated with such improvements, such as promoting Sri Lanka as an upmarket tourist destination and etc. The Services sector improved when comparing with the previous year recording a growth of 6.4%, mainly due to improved performance in wholesale and retail trade and transport and communications sub sectors. The weak performance of the Agriculture sector during the first half of the year due to extreme weather conditions dragged its annual growth rate down to 4.7%. With the strong performance of the Industry sector during the year, the share of the Services sector and the Agriculture sector in GDP declined to 58.1% and 10.8%, respectively. The unemployment rate increased to 4.4% in 2013 from 4% in the previous year, with the increase largely attributed to the entry on new job seekers to the labor market. An increase in both the number of employed as well as unemployed persons resulted in an expansion of the labor force by 4.1% in 2013.

## Chairman's Review

### Real Estate/ Property Development Sector

During the year 2013, the real estate market in Sri Lanka was full of new development projects particularly on residential development in the Colombo area although some projects are still facing issues with financing of the construction costs.

Refurbishment and redevelopment of prime properties is already underway and likely to continue, as it can be a cost-effective means of providing potential occupiers with quality office space in a short period of time. As the demand for condominiums grows, more residential towers are expected to dot the city skyline of the future. As income levels increase, more individuals are expected to be able to afford minimum housing prices. It is anticipated that prominent property developers will also look at the economies of scale at the bottom of the pyramid, prompting them to construct housing units for the lower-middle income and low-income segments. This process will address excessive urbanisation and reduce risks for developers, thanks to a diversification of their development portfolios.

The City of Colombo remains the most prominent commercial office destination in the Country, while the Fort has conventionally been considered the city's Central Business District. In total, the central and secondary business districts of Colombo have approximately 2.5 million square feet of Grade A multi-tenanted, leasable office space. In future the demand for commercial office space in Colombo will be co-related with the industries that have prospects of maximum growth.

It is when the standard of living and quality of life improve that investors will extend their commitment to projects undertaken in our Country, while encouraging new investor groups to channel their funds towards developing real estate in Sri Lanka.

### Financial Performance

During the year under review the Company recorded a turnover of Rs. 13,140,000/- and a profit before taxation of Rs.11, 423,853/- compared with a turnover of Rs.13, 005,000/- and the profit before taxation of Rs.10, 984,795/- recorded during the previous year.

A provision for Rs.1, 362,422/- has been made for taxation for the year under review.

### Directorate

The Board of Directors of the Company comprises of Nine (09) Non-Executive Directors. There were no changes made to the Directorate of the Company during the year under review. The Directors on the Board maintain a balanced representation of major shareholders and the minority groups and are eminent and competent persons with years of experience in Corporate Administration and Financial Management.

### Dividend

The Directors have pleasure in recommending a First and Final Dividend of Rs.25/- per share for the year ended 31st March, 2014, which is the same Dividend paid last year.

### Appreciation

I wish to thank Jacey & Company, who acted 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 AIA Insurance Lanka 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, whose incite guidance always 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 constant source of great strength.



**Segga Nagendra**  
Chairman

3rd July, 2014

## 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, 2014 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 have 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  
3rd July, 2014

## 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, 2014.

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, 2014.

### Review of Operation

A review of the operations of the Company during the financial year are described in the Chairman's Review on page 7.

### Director's Responsibility for the Financial Statements

The Directors are responsible for preparing and presenting the financial statements, which are set-out on pages 19 to 36. The financial statements have been prepared in accordance with the 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 9 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 11.

### Financial Statements

The Financial Statements for the year ended 31st March, 2014 are set out on pages 19 to 36 in the Annual Report. The Turnover of the Company during the year was Rs.13,140,000/- (2013 – Rs.13,005,000/-) The Profit before Taxation amounted to Rs.11,423,853/- (2013 – Rs.10,984,795/-).

### Auditors' Report

The Auditors' Report which is an integral part of the Financial Statements prepared for the Accounting period ended 31st March, 2014 is set out in the page 18 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 23 to 28 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. (Mrs.) Y. Ponnambalam  | - Director          |
| Mr. Gajendrakumar G. Ponnambalam   | - Director          |
| Dr. (Ms.) M. Ponnambalam<br>(Alternate:<br>Dr. (Mrs.) Y. Ponnambalam)      | - Director          |
| Dr. B. Sivaprakasapillai<br>(Alternate: Ms. S. De Lanerolle)               | - Director          |
| Dr. (Ms.) V. Sivaprakasapillai<br>(Alternate:<br>Ms. N. Sivaprakasapillai) | - Director          |
| Mr. J. M. Swaminathan  | - Director          |
| Mr. T Someswaran   | - Director          |
| Mr. Indika Prematunga<br>(Nominee Director)                                | - Director          |

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

Dr. Brahman Sivaprakasapillai, who is 78 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

## Report of the Directors

referred to in the Notice convening the Annual General Meeting.

Mr. Segarajasingham Nagendra, who is 75 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 73 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 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. 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.

### 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 18 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.

|   | 31.03.14 | 01.04.13 |
|---|----------|----------|
| Mr. S. Nagendra                             | 257      | 257      |
| Dr. (Mrs.) 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. Indika Prematunga<br>(Nominee Director) | -        | -        |

### 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 pages 13 to 15 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, 2014 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 2014 was 253 (2011 -197). The distribution of the shareholding and a listing of the 20 major shareholders are given under Investor Information on pages 37 to 38.

### Dividend

The Directors recommended the payment of a First & Final dividend of Rs25./- per share for the financial year ended 31st March 2014. 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

## Report of the Directors

confirming that the Company will, immediately after the distribution is made to 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; it is 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.

### Events After the Reporting Date

No circumstances have arisen since the reporting 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 Messrs KPMG Rs.168,750/- payable by the Company as Audit Fee for the year ended 31st March, 2014. 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

3rd July, 2014

## 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 an 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 16 of the Annual Report.

The Board has not appointed a Remuneration 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.

## Corporate Governance

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 Directors            | 2 or 1/3 of Non-Executive Directors, whichever is higher should be independent<br><br>Each Non-Executive Director should submit a declaration of Independence/Non-Independence in the prescribed format   | Complied<br><br>Complied   | 3 of the Nine Non-Executive Directors are independent<br><br>All Directors have submitted the Declarations.   |
| 7.10.3   | Disclosure Relating to Directors | a) Names of Independent Directors should be disclosed in the Annual Report<br><br>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 | Complied   | Please refer Information pertaining to the Directors on page 5 of the Annual Report<br><br>The Independent Directors have met the criteria for defining independence as per Rule 7.10.4 of the Listing Rules. |
| 7.10.5   | Remuneration Committee           | A listed Company shall have a Remuneration Committee  | 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.<br><br>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. | The Board has not established a Remuneration Committee  |

## Corporate Governance

| Rule No.  | Subject   | Applicable Requirement  | Compliance Status | Details  |
|-----------|---|---|-------------------|--|
| 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                                  | a) Shall comprise of non-executive Directors a majority of whom shall be independent.                                     | Complied          | Audit Committee consists of three Non-Executive Independent Directors.   |
|           |   | b) The chairman of the Audit Committee or one member should be a member of a professional accounting body.                | Complied          | Chairman of the Audit Committee is a member of a Professional Accounting Body.                                   |
| 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 | a) Names of the Directors comprising the Audit Committee.   | Complied          | Please refer Information of the Board of Directors and the Board-sub Committees on page 10 of the Annual Report. |
|           |   | b) The Audit Committee shall make a determination of the independence of the Auditors and disclose such determination.    | Complied          | Please refer to Audit Committee Report on page 16 of the Annual Report.  |
|           |   | c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions. | Complied          |  |

## 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 Companion Member of Chartered Institute of Management (UK), MBA (UK) and retired Senior Director of Carsons Cumberbatch PLC*

**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

During the year under review, the Committee held four (04) meetings, one (01) in each quarter. 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.

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 representatives of ACSPL, 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 Committee has instructed the Accountants of the Company to liaise independently with M/S KPMG, Chartered Accountants, Auditors to 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 policies/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, 2014, subject to the approval of the Shareholders at the Annual General Meeting.

### Conclusion

The Committee is of the view that based on the Report submitted by the External Auditors, subsequent to the Audit carried out by them on the Financial Statement of the Company for the period ended 31st March, 2014, adequate controls and procedures are in place to provide a reasonable assurance to the stakeholders that the financial position of the Company is adequately monitored and secured.

**T. Someswaran**  
*Chairman-Audit Committee*

3rd July, 2014

## Financial Reports

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## Independent Auditors' Report



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

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### TO THE SHAREHOLDERS OF SEREND LAND PLC

#### Report on the Financial Statements

We have audited the accompanying financial statements of Serendib Land PLC (the "Company"), which comprise the statement of financial position as at 31st March 2014, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information as set out on pages 19 to 36 of the annual report.

#### 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 31st March 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2014 and of its financial performance and its 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  
3rd July, 2014

## Statement of Comprehensive Income

| <i>For the year ended 31st March</i>           | <b>Note</b> | <b>2014<br/>Rs.</b> | 2013<br>Rs. |
|--|-------------|---------------------|-------------|
| Revenue  | <b>5</b>    | <b>13,140,000</b>   | 13,005,000  |
| Direct expenses                                |             | <b>(844,074)</b>    | (844,074)   |
| <b>Gross profit</b>                            |             | <b>12,295,926</b>   | 12,160,926  |
| Administrative expenses                        |             | <b>(1,988,367)</b>  | (1,767,752) |
| <b>Profit from operations</b>                  | <b>6</b>    | <b>10,307,559</b>   | 10,393,174  |
| Net finance income                             | <b>7</b>    | <b>1,116,294</b>    | 591,621     |
| <b>Profit before taxation</b>                  |             | <b>11,423,853</b>   | 10,984,795  |
| Income tax expense                             | <b>8</b>    | <b>(1,362,422)</b>  | (1,373,093) |
| <b>Profit for the year</b>                     |             | <b>10,061,431</b>   | 9,611,702   |
| <b>Other comprehensive income for the year</b> |             | -                   | -           |
| <b>Total comprehensive income for the year</b> |             | <b>10,061,431</b>   | 9,611,702   |
| <b>Basic earnings per share (Rs.)</b>          | <b>9</b>    | <b>27.95</b>        | 26.70       |
| <b>Dividend per share (Rs.)*</b>               | <b>10</b>   | <b>25.00</b>        | 25.00       |

The annexed notes to the financial statement form an integral part of these financial statements.  
*Figures in brackets indicate deductions.*

\* Based on proposed dividends.

## Statement of Financial Position

| As at 31st March                     | Note | 2014<br>Rs.        | 2013<br>Rs. |
|--------------------------------------|------|--------------------|-------------|
| <b>ASSETS</b>                        |      |                    |             |
| <b>Non-current assets</b>            |      |                    |             |
| Investment properties                | 11   | 251,160,000        | 251,160,000 |
| <b>Total non current assets</b>      |      | <b>251,160,000</b> | 251,160,000 |
| <b>Current assets</b>                |      |                    |             |
| Other receivables                    | 12   | 746,020            | 670,557     |
| Short term investment                | 13   | 9,709,858          | 7,847,873   |
| Cash and cash equivalents            | 14   | 330,856            | 558,425     |
| <b>Total current assets</b>          |      | <b>10,786,734</b>  | 9,076,855   |
| <b>TOTAL ASSETS</b>                  |      | <b>261,946,734</b> | 260,236,855 |
| <b>EQUITY AND LIABILITIES</b>        |      |                    |             |
| <b>Equity</b>                        |      |                    |             |
| Stated capital                       | 15   | 36,000,000         | 36,000,000  |
| Retained earnings                    |      | 200,917,937        | 199,856,506 |
| <b>TOTAL EQUITY</b>                  |      | <b>236,917,937</b> | 235,856,506 |
| <b>Non current liabilities</b>       |      |                    |             |
| Deferred tax liabilities             | 16   | 23,184,000         | 23,184,000  |
| <b>Total non current liabilities</b> |      | <b>23,184,000</b>  | 23,184,000  |
| <b>Current liabilities</b>           |      |                    |             |
| Current tax liabilities              |      | 712,506            | 39,009      |
| Other payables                       | 17   | 442,750            | 479,000     |
| Dividend payable                     |      | 531,605            | 453,800     |
| Bank over draft                      | 14   | 157,936            | 224,540     |
| <b>Total current liabilities</b>     |      | <b>1,844,797</b>   | 1,196,349   |
| <b>TOTAL LIABILITIES</b>             |      | <b>25,028,797</b>  | 24,380,349  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>261,946,734</b> | 260,236,855 |

The annexed notes to the financial statements form an integral part of these financial statements.

These Financial Statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



**Bianca Mabogoda**  
Chief Financial Officer

The Board of 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

3rd July, 2014  
Colombo

## Statement of Changes In Equity

For the year ended 31st March 2014

|   | Stated<br>capital<br>Rs. | Retained<br>earnings<br>Rs. | Total<br>Rs.       |
|---|--------------------------|-----------------------------|--------------------|
| <b>Balance as at 01st April 2012</b>  | 36,000,000               | 197,444,804                 | <b>233,444,804</b> |
| Profit for the year   | -                        | 9,611,702                   | <b>9,611,702</b>   |
| Other comprehensive income  | -                        | -                           | -                  |
| <b>Total comprehensive income for the year</b>  | -                        | <b>9,611,702</b>            | <b>9,611,702</b>   |
| <b>Transactions with the equity owners, recorded directly in equity and distribution to equity owners</b> |                          |                             |                    |
| Dividends to equity holders   | -                        | (7,200,000)                 | <b>(7,200,000)</b> |
| <b>Balance as at 31st March 2013</b>  | <b>36,000,000</b>        | <b>199,856,506</b>          | <b>235,856,506</b> |
| <b>Balance as at 01st April 2013</b>  | 36,000,000               | 199,856,506                 | <b>235,856,506</b> |
| Profit for the year   | -                        | 10,061,431                  | <b>10,061,431</b>  |
| Other comprehensive income  | -                        | -                           | -                  |
| <b>Total comprehensive income for the year</b>  | -                        | <b>10,061,431</b>           | <b>10,061,431</b>  |
| <b>Transactions with the equity owners, recorded directly in equity and distribution to equity owners</b> |                          |                             |                    |
| Dividends to equity holders   | -                        | (9,000,000)                 | <b>(9,000,000)</b> |
| <b>Balance as at 31st March 2014</b>  | <b>36,000,000</b>        | <b>200,917,937</b>          | <b>236,917,937</b> |

The annexed notes to the financial statements form an integral part of these financial statements.  
Figures in brackets indicate deductions.

## Statement of Cash Flows

| <i>For the year ended 31st March</i>                               | <b>2014</b><br>Rs. | 2013<br>Rs. |
|--|--------------------|-------------|
| <b>Cash flow from operating activities</b>                         |                    |             |
| Profit before taxation   | <b>11,423,853</b>  | 10,984,795  |
| <i>Adjustments for:</i>  |                    |             |
| Interest income  | <b>(1,116,294)</b> | (591,621)   |
| <b>Operating cash flows before working capital changes</b>         | <b>10,307,559</b>  | 10,393,174  |
| Increase in other receivables                                      | <b>(75,463)</b>    | (18,428)    |
| Decrease in other payables   | <b>(36,250)</b>    | (210,332)   |
| <b>Cash generated from operating activities</b>                    | <b>10,195,846</b>  | 10,164,414  |
| Current tax paid   | <b>(688,925)</b>   | (274,625)   |
| <b>Net cash generated from operating activities</b>                | <b>9,506,921</b>   | 9,889,789   |
| <b>Cash flows from investing activities</b>                        |                    |             |
| Net increase in Short term Investments                             | <b>(1,635,851)</b> | (4,880,857) |
| Interest received  | <b>890,160</b>     | 591,621     |
| <b>Net cash used in investing activities</b>                       | <b>(745,691)</b>   | (4,289,236) |
| <b>Cash flows from financing activities</b>                        |                    |             |
| Dividend paid  | <b>(8,922,195)</b> | (7,199,982) |
| <b>Net cash used in financing activities</b>                       | <b>(8,922,195)</b> | (7,199,982) |
| <b>Net decrease in cash and cash equivalents</b>                   | <b>(160,965)</b>   | (1,599,429) |
| Cash and cash equivalents at the beginning of the year             | <b>333,885</b>     | 1,933,314   |
| <b>Cash &amp; cash equivalent at the end of the year (Note 14)</b> | <b>172,920</b>     | 333,885     |

The annexed notes to the financial statements form an integral part of these financial statements.  
*Figures in brackets indicate deductions.*

## Notes to the Financial Statements

### 1 REPORTING ENTITY

#### 1.1 Domicile and Legal Form

Serendib Land PLC (the "Company"), is a public, limited liability company incorporated on 16th October 2008 and domiciled in Sri Lanka and presently regulated under the Companies Act No. 07 of 2007. The Registered Office of the Company are located at No. 9/5, Thambiah Avenue, Colombo 07.

#### 1.2 Principal Activities and Nature of Operations

The principal activity of the Company is renting and development of properties.

There were no significant changes in the nature of principal activities of the Company during the financial year.

#### 1.3 Parent Enterprise and Ultimate Parent Enterprise

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

#### 1.4 Number of Employees

The Company did not have its own employees during the year. The Management and finance functions of the Company have been outsourced.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Changes in Equity and Cash Flow Statement, together with the notes, (the "Financial Statements") of the Company as at 31st March 2014 and for the period then ended have been prepared in accordance with new Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No 07 of 2007.

#### 2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value.

#### 2.3 Comparative Information

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

#### 2.4 Functional and Presentation Currency

All values presented in the Financial Statements are in Sri Lankan Rupees and rounded to the nearest rupee value.

#### 2.5 Use of Estimate and Judgment

The preparation of the Financial Statements in conformity with SLAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

- Current Taxation (Note 3.2.a)
- Deferred Tax Assets/Liabilities (Note 3.2.b)
- Provisions (Note 3.8)

### 3 SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies set out below have been consistently applied to all period presented in these Financial Statements.

#### 3.1 Foreign Currency Translations

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of

## Notes to the Financial Statements

the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available for-sale equity instruments, which are recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 3.2 Income Tax Expenses

Income tax expense comprises of current & deferred tax expense recognized in the statement of comprehensive income.

#### a) Current Taxation

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No10 of 2006 and amendments thereto.

#### b) Deferred Taxation

Deferred taxation is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of assets and liabilities using tax rate enacted at the balance sheet date.

A Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the statement of financial position are cash and those, which are expected to be realized in cash during the normal operating cycle of the Company or within one year from the reporting date whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the reporting date.

### 3.3 Investment Property

Investment property is property held either to earn rental income or capital appreciation or 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 recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### Determining Fair Value

An external, independent valuer, having appropriate recognized professional qualifications and recent experience in the

## Notes to the Financial Statements

location and category of property being valued, values the company's investment property portfolio every 3 year. In financial periods within that period the fair value is determined by the directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

### 3.4 Financial Instruments

#### 3.4.1 Non-Derivative Financial Assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

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

#### a) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in

an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise other receivables, short term investments and cash & cash equivalents.

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

### 3.5 Impairment of Assets

#### 3.5.1 Financial Assets (Including Receivables)

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

The Company considers evidence of impairment for receivables at specific asset level. All receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against

## Notes to the Financial Statements

receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### 3.5.2 Non-Financial Assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

### LIABILITIES AND PROVISIONS

Liabilities classified as Current Liabilities in the statement of financial position are those obligations payable on demand

or within one year from the reporting date. Items classified as non-current liabilities are those obligations, which expire beyond a period of one year from the reporting date.

All known liabilities have been accounted for in preparing the Financial Statements. Provision and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.7 Non-Derivative Financial Liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Company doesn't have any non-derivative financial liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

### 3.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows

## Notes to the Financial Statements

at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### STATEMENT OF COMPREHENSIVE INCOME

#### 3.9 Revenue Recognition

Revenue is recognized to the extent that it is probable that 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.

##### 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. Other Income

Other income is recognized on an accrual basis.

#### 3.10 Finance Income and Expense

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

#### 3.11 Expenditure Recognition

Expenditure is recognized in the financial statements as they are incurred and recognized on an accrual basis.

#### a) Operating Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the statement of Comprehensive Income.

#### b) Borrowing Cost

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

#### 3.12 Cash Flow Statement

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

#### 4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which have become applicable for financial periods beginning on or after 1st January 2014/ 2015.

Accordingly, these Standards have not been applied in preparing these financial statements.

- **Sri Lanka Accounting Standards – SLFRS 10 “Consolidated Financial Statements”**

The objective of this SLFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

SLFRS 10 has become effective for the Company from 1st April 2014. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS 27 “Consolidated and Separate Financial Statements.”

## Notes to the Financial Statements

- **Sri Lanka Accounting Standards - SLFRS 11 "Joint Arrangements"**

The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

SLFRS 11 has become effective from 1st April 2014 for the Group. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS 31 "Interests in Joint Ventures."

- **Sri Lanka Accounting Standard - SLFRS 12 "Disclosure of Interests in Other Entities"**

SLFRS 12 has become effective for the Company from 1st April 2014.

As SLFRS 10, 11 and 12 applied to groups and jointed arrangements, these standards will not anyway apply to the Company.

- **Sri Lanka Accounting Standard - SLFRS 13, "Fair Value Measurement"**

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

This SLFRS has become effective for the Company from 1st April 2014. This SLFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied in comparative information provided for periods before initial application of this SLFRS.

- **Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments"**

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 "Financial Instruments: Recognition and Measurement."

The effective date of this SLFRS has been deferred.

## Notes to the Financial Statements

| <i>For the year ended 31st March</i>   | <b>2014</b><br>Rs. | 2013<br>Rs. |
|--|--------------------|-------------|
| <b>5. REVENUE</b>  |                    |             |
| Rental income from investment properties   | <b>13,140,000</b>  | 13,005,000  |
|  | <b>13,140,000</b>  | 13,005,000  |
| <b>6. PROFIT FROM OPERATIONS</b>   |                    |             |
| "Profit from operations is stated after charging all expenses including the following: |                    |             |
| Director's fee   | <b>540,000</b>     | 230,000     |
| Accounting fee   | <b>502,881</b>     | 504,955     |
| Secretarial fee  | <b>195,515</b>     | 238,918     |
| Auditors' remuneration   |                    |             |
| - Statutory audit  | <b>168,750</b>     | 150,000     |
| - Audit related services   | <b>50,000</b>      | 100,000     |
| - Non Audit Services   | <b>224,938</b>     | 217,918     |
| The Company did not employ any staff during the year.                                  |                    |             |
| <b>7. NET FINANCE INCOME</b>   |                    |             |
| <b>Finance income</b>  |                    |             |
| Interest income  | <b>1,116,294</b>   | 591,621     |
| <b>Net finance income</b>  | <b>1,116,294</b>   | 591,621     |
| <b>8. INCOME TAX EXPENSE</b>   |                    |             |
| Current Taxation on profits for the year   | <b>1,343,318</b>   | 1,204,971   |
| Under provision in respect of previous years   | <b>19,104</b>      | 168,122     |
|  | <b>1,362,422</b>   | 1,373,093   |
| <b>Current tax reconciliation statement</b>  |                    |             |
| Profit before tax  | <b>11,423,853</b>  | 10,984,795  |
| Interest Income  | <b>(1,116,294)</b> | (591,621)   |
| Statutory Income from business   | <b>10,307,559</b>  | 10,393,174  |
| Non-business income  | <b>1,116,294</b>   | 591,621     |
| Taxable income   | <b>11,423,853</b>  | 10,984,795  |
| Current tax @ 10% (2013 - 10%)   | <b>1,030,756</b>   | 1,039,317   |
| Current tax @ 28% (2013 - 28%)   | <b>312,562</b>     | 165,654     |
| <b>Current taxation on profits</b>   | <b>1,343,318</b>   | 1,204,971   |

In terms of the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto, the Company is liable for tax at 28% (2013 - 28%). Since the turnover of the Company is below Rs.300 Mn, the Company is entitled to a concessionary tax rate of 10% on taxable income.

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

## 9. 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.

## Notes to the Financial Statements

| <i>For the year ended 31st March</i>                              | <b>2014</b><br>Rs. | 2013<br>Rs. |
|---|--------------------|-------------|
| Profit after taxation attributable to ordinary shareholders (Rs.) | <b>10,061,431</b>  | 9,611,702   |
| Weighted average number of ordinary shares                        | <b>360,000</b>     | 360,000     |
| <b>Earnings per share (Rs.)</b>                                   | <b>27.95</b>       | 26.70       |

**9.1 Diluted Earnings Per Share**

There was no potential dilution as at year end. Therefore, diluted earnings per share is the same as basic earnings per share shown above.

| <i>For the year ended 31st March</i>       | <b>2014</b><br>Rs. | 2013<br>Rs. |
|--|--------------------|-------------|
| <b>10. DIVIDEND PER SHARE</b>              |                    |             |
| Proposed dividend (Note 25)                | <b>9,000,000</b>   | 9,000,000   |
| Weighted average number of ordinary shares | <b>360,000</b>     | 360,000     |
| Dividend per ordinary share                | <b>25.00</b>       | 25.00       |

| <i>As at 31st March</i>                      | <b>2014</b><br>Rs. | 2013<br>Rs. |
|--|--------------------|-------------|
| <b>11. INVESTMENT PROPERTIES</b>             |                    |             |
| Balance at the beginning and end of the year | <b>251,160,000</b> | 251,160,000 |

| Location   | Extent       | Carrying amount of investment property | No. of Buildings |
|--|--------------|--|------------------|
| No.75, Kumaran Rathnam Road, Slave Island, Colombo 02  |              |  |                  |
| - Land   | 20.2 p       | <b>100,000,000</b>                     | -                |
| - Building   | 20,000 sq.ft | <b>82,800,000</b>                      | 1                |
| " No.70 & 72, Kew Road, Slave Island, Colombo 02 and No.20, Sri Murugan Street, Colombo 02 " |              |  |                  |
| - Land   | 17.09 p      | <b>68,360,000</b>                      | -                |
| - Building   |              | -                                      | 1                |
|  |              | <b>251,160,000</b>                     |                  |

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 the land and building was based on a valuation made by Mr. P.B. Kalugalagedara (F.I.V.); an Incorporated Valuer & Assessor, Associate Institute of Valuers, Sri Lanka as at 31st March 2012.

The fair value of land as at 31st March 2012 was assessed using the open market value as at that date. The fair value of buildings rented to third party was assessed on 31st March 2012 based on the rental income for the building and a discount rate of 5.5%.

Investment property, yielded rental income of Rs.13,140,000/- (2013 - Rs.13,005,000/-). Based on an internal assessment, the Board of Directors is of the view that the fair value of investment property did not change significantly as at the reporting date.

## Notes to the Financial Statements

| <i>As at 31st March</i>                                 | <b>2014</b><br>Rs. | 2013<br>Rs. |
|---|--------------------|-------------|
| <b>12. OTHER RECEIVABLES</b>                            |                    |             |
| Pre Payments  | <b>633,056</b>     | 670,557     |
| WHT Receivable  | <b>112,964</b>     | -           |
|   | <b>746,020</b>     | 670,557     |
| <b>13. SHORT TERM INVESTMENTS</b>                       |                    |             |
| Fixed deposits  | <b>9,709,858</b>   | 7,847,873   |
|   | <b>9,709,858</b>   | 7,847,873   |
| <b>14. CASH AND CASH EQUIVALENTS</b>                    |                    |             |
| Cash at bank  | <b>330,856</b>     | 558,425     |
| Cash and cash equivalents                               | <b>330,856</b>     | 558,425     |
| Bank overdraft  | <b>(157,936)</b>   | (224,540)   |
| Cash and Cash Equivalent as per the cash flow statement | <b>172,920</b>     | 333,885     |
| <b>15. STATED CAPITAL</b>                               |                    |             |
| 360,000 Ordinary shares                                 | <b>36,000,000</b>  | 36,000,000  |

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.

| <i>As at 31st March</i>              | <b>2014</b><br>Rs. | 2013<br>Rs. |
|--------------------------------------|--------------------|-------------|
| <b>16. DEFERRED TAX LIABILITIES</b>  |                    |             |
| Deferred tax liability (Note 16.1)   | <b>23,184,000</b>  | 23,184,000  |
| <b>16.1 Deferred Tax Liability</b>   |                    |             |
| Balance at the beginning of the year | <b>23,184,000</b>  | 23,184,000  |
| Balance at the end of the year       | <b>23,184,000</b>  | 23,184,000  |

Deferred tax liabilities are attributable to the following:

|  | <b>2014</b>                    |                   | 2013                           |                   |
|--|--------------------------------|-------------------|--------------------------------|-------------------|
|  | Temporary<br>Difference<br>Rs. | Tax Effect<br>Rs. | Temporary<br>Difference<br>Rs. | Tax Effect<br>Rs. |
| Deferred Tax Liabilities   |                                |                   |                                |                   |
| Investment property (arising due to fair value of investment property) | <b>82,800,000</b>              | <b>23,184,000</b> | 82,800,000                     | 23,184,000        |

## Notes to the Financial Statements

**17. OTHER PAYABLES**

| <i>For the year ended 31st March 2014</i> | <b>2014</b><br><b>Rs.</b> | 2013<br>Rs. |
|---|---------------------------|-------------|
| Audit fees payable                        | <b>218,750</b>            | 150,000     |
| Accounting fee payable                    | <b>35,000</b>             | 35,000      |
| Secretarial fee payable                   | <b>174,000</b>            | 84,000      |
| Listing Fees Payable                      | <b>15,000</b>             | -           |
| Directors fee Payables                    | -                         | 45,000      |
| Professional charges payable              | -                         | 165,000     |
|   | <b>442,750</b>            | 479,000     |

**18. RELATED PARTY TRANSACTIONS****(a) Transactions with Key Management Personnel ("KMP")**

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly the KMP include members of the Board of Directors of the company. Close Family Members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the company.

**(a).1 Compensation to KMPs**

| <i>For the year ended 31st March</i> | <b>2014</b><br><b>Rs.</b> | 2013<br>Rs.    |
|--------------------------------------|---------------------------|----------------|
| Short term employment benefits       | <b>540,000</b>            | <b>230,000</b> |
| Post employment benefits             | <b>Nil</b>                | <b>Nil</b>     |

**(b) Transactions with Related Parties**

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standards - 24 Related Party Disclosures, the details of which are reported below.

| <b>Name of Related Party</b> | <b>Relationship</b> | <b>Nature of Transaction</b> | <b>Transaction during the year 2014</b><br><b>Rs.</b> | Transaction during the year 2013<br>Rs. |
|------------------------------|---------------------|------------------------------|---|---|
| AIA Insurance PLC            | Affiliated Company  | Rental income                | <b>13,140,000</b>                                     | 13,005,000                              |
| Jacey & Company              | Affiliated Entity   | Company Secretarial Services | <b>195,515</b>  | 238,918                                 |
| Julius & Creasy              | Affiliated Entity   | Legal Services               | -   | -                                       |

There were no amounts due to or due from related parties as at the reporting date.

## Notes to the Financial Statements

### 19. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities, together with the carrying amounts of which are shown in the statement of financial position, are as follows:

As at 31st March

|  | 2014                   |                   | 2013                   |                   |
|--|------------------------|-------------------|------------------------|-------------------|
|  | Carrying Amount<br>Rs. | Fair Value<br>Rs. | Carrying Amount<br>Rs. | Fair Value<br>Rs. |
| <b>Assets carried at amortized cost</b>      |                        |                   |                        |                   |
| Cash at bank                                 | 330,856                | 330,856           | 558,425                | 558,425           |
| Other Receivables                            | 746,020                | 746,020           | 670,557                | 670,557           |
| Short term Investment                        | 9,709,858              | 9,709,858         | 7,847,873              | 7,847,873         |
|  | <b>10,786,734</b>      | <b>10,786,734</b> | 9,076,855              | 9,076,855         |
| <b>Liabilities carried at amortized cost</b> |                        |                   |                        |                   |
| Other payables                               | 442,750                | 442,750           | 479,000                | 479,000           |
| Dividend payable                             | 531,605                | 531,605           | 453,800                | 453,800           |
| Bank over draft                              | 157,936                | 157,936           | 224,540                | 224,540           |
|  | <b>1,132,291</b>       | <b>1,132,291</b>  | 1,157,340              | 1,157,340         |

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

(a) Cash and cash equivalents and bank overdraft – The fair value of cash and cash equivalents and bank overdraft approximate their carrying amount due to the relatively short maturity of the financial instruments.

(b) Other receivables and payables – The fair value of other receivables and payables approximate their carrying amount due to the relatively short maturity of the financial instruments.

(c) Short term investments – The fair value of short term investments approximate their carrying amount due to the relatively short maturity of the financial instruments.

### 20. FINANCIAL RISK MANAGEMENT

#### 20.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

1. Credit Risk
2. Liquidity Risk
3. Market Risk
4. Operational Risk

#### Introduction and overview

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this financial statement.

## Notes to the Financial Statements

### 20.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

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

### 20.3 Credit Risk

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

#### 20.3.1 Exposure to Credit Risk

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

As at 31st March

|                       | 2014<br>Rs. | 2013<br>Rs. |
|-----------------------|-------------|-------------|
| Short term investment | 9,709,858   | 7,847,873   |
| Other Receivables     | 112,964     | -           |
| Cash at bank          | 330,856     | 558,425     |

### 20.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### Contractual Undiscounted Cash Flows

|                         | Carrying amount | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|-------------------------|-----------------|------------------|-------------|-----------|-----------|-------------------|
| Non current assets      | 251,160,000     | -                | -           | -         | -         | 251,160,000       |
| Current assets          | 10,786,734      | 10,786,734       | -           | -         | -         | -                 |
| Equity                  | 236,917,937     | -                | -           | -         | -         | 236,917,937       |
| Non Current Liabilities | 23,184,000      | -                | -           | -         | -         | 23,184,000        |
| Current Liabilities     | 1,844,797       | 1,844,797        | -           | -         | -         | -                 |

#### Management of Liquidity Risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's policy is to hold cash and undrawn overdraft facilities at a level sufficient to ensure that the Company has available funds to meet its liabilities.

## Notes to the Financial Statements

### **20.5 Market Risk**

'Market risk' is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

#### **20.5.1. Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As protection against exchange rate fluctuations, the Company backs its commitments in local currency. The Company has not invested nor borrowed in foreign currencies. The Company does not use any derivative financial instruments to hedge the risk. The currency risk attached to financial instruments is minimal as it represents local currency.

#### **20.5.2 Interest Rate Risk**

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates.

The interest rate risk attached to financial instruments is minimal as it represents the Company does not have any interest bearing borrowings as at the reporting date.

### **20.6 Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of directors. This responsibility is supported by the development of overall Company standards for the management of operational risk.

### **21. CAPITAL COMMITMENTS**

The Company does not have any significant Capital Commitments outstanding as at the reporting date which require adjustments or disclosure in the financial statements.

### **22. CONTINGENT LIABILITIES**

The Company does not have any significant Contingent Liabilities outstanding as at the reporting date which require disclosure in the Financial Statements.

### **23. LITIGATION AND CLAIMS**

There were no litigations and claims as at the reporting date.

### **24. COMPARATIVE FIGURES**

Where necessary information has been restated to conform to the current year's presentation and classification.

### **25. EVENTS OCCURRING AFTER THE REPORTING DATE**

Directors have recommended the payment of a final dividend of Rs.25/- per share for the year ended 31st March 2014, which require the approval of the shareholders at the Annual General Meeting to be held on 5th September 2014.

The Board of Directors confirm 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.

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

## Notes to the Financial Statements

**26. 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.

|                          | <b>2014</b><br>Rs. | 2013<br>Rs. |
|--------------------------|--------------------|-------------|
| Less than one year       | <b>100</b>         | 100         |
| Between one & five years | <b>500</b>         | 500         |
| More than five years     | <b>6,100</b>       | 6,200       |

**27. DIRECTOR'S RESPONSIBILITY**

The Board of Directors acknowledge the responsibility for true and fair presentation of these financial statements in accordance with the Sri lank Accounting Standards and the requirements of the Companies' Act No. 07 of 2007.

## 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 | 31.03.2014         |               |                   | 31.03.2013         |               |                   |
|-------------------|--------------------|---------------|-------------------|--------------------|---------------|-------------------|
|                   | No of Shareholders | Total Holding | % of Total Shares | No of Shareholders | Total Holding | % of Total Shares |
| Upto 1,000        | 245                | 14,918        | 4.14              | 241                | 14,918        | 4.14              |
| 1,001 5,000       | 6                  | 12,623        | 3.51              | 6                  | 12,623        | 3.51              |
| 5,001 10,000      | 0                  | 0             | 0.00              | 0                  | 0             | 0.00              |
| 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             |
|                   | 257                | 360,000       | 100.00            | 253                | 360,000       | 100.00            |

### SHARE TRADING

|                      | 31st March, 2014<br>Rs. | 31st March 2013<br>Rs. |
|----------------------|-------------------------|------------------------|
| Highest Traded Price | 1,848.90 (03.06.2013)   | 3,000.00 (11.09.2012)  |
| Lowest Trade Price   | 780.10 (24.03.2014)     | 1,105.00 (06.03.2013)  |
| Last Traded Price    | 999.00 (28.03.2014)     | 1,572.00 (25.03.2013)  |

### PUBLIC HOLDING

7.58% of the issued shares were held by the public as at 31st March, 2014. (2013 - 7.58%)

As at 31st March, 2014, the public holding of the Company was 7.58% of its total number of shares and the market capitalization of the Company was Rs.360,000,000/-.

However, as per the new Listing Rules of the Colombo Stock Exchange the Company is required to maintain:

- I. a minimum public holding of 20% of its total Ordinary voting Shares in the hands of a minimum of 750 public shareholders; or
- II. a market capitalization of Rs.500,000,000/- of its public holding in the hands of a minimum number of 500 public shareholders whilst maintaining a minimum public holding of 10%.

As stipulated in the said Listing Rules the Company is also required to have 15% of its total Ordinary voting Shares in the hands of a minimum number of 500 public shareholders on or before 31st December, 2015 and bring the public holding to 20% on or before 31st December, 2016.

The Company is in the process of determining the best course of action to be adopted in order to comply with the aforesaid requirement.

### DIVIDEND

A Final Dividend of Rs.25/- share has been proposed for payment on 5th September, 2014. (2013 - Rs.25/-)

## Investor Information

The twenty major shareholders as at 31st March, 2014 with comparative figures for 2013 were as follows:

| 20 Major Shareholders                   | 31.03.2014 |        | 20 Major Shareholders                   | 31.03.2013 |        |
|---|------------|--------|---|------------|--------|
|   | Shares     | %      |   | Shares     | %      |
| Gee Gees Properties (Pvt) Ltd.          | 76,735     | 21.32  | Aviva NDB Insurance PLC                 | 80,768     | 22.43  |
| Gitanjali Gajaluckshmi (Pvt) Ltd.       | 76,697     | 21.30  | Gee Gees Properties (Pvt) Ltd.          | 76,735     | 21.32  |
| Gitanjali Group (Pvt) Ltd.              | 67,992     | 18.89  | Gitanjali Gajaluckshmi (Pvt) Ltd.       | 76,697     | 21.30  |
| AIA Insurance Lanka PLC A/C No.2        | 55,054     | 15.29  | Gitanjali Group (Pvt) Ltd.              | 67,992     | 18.89  |
| Dr (Mrs) V. Sivaprakasapillai           | 30,267     | 8.41   | Dr (Mrs) V. Sivaprakasapillai           | 30,267     | 8.41   |
| AIA Insurance Lanka PLC A/C No.3        | 25,714     | 7.14   | 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                        | 2,200      | 0.61   | Mr. A. Saverimuttu                      | 1,900      | 0.53   |
| Mr. A. Saverimuttu                      | 1,900      | 0.53   | Ossman Associates (Pvt) Ltd.            | 1,779      | 0.49   |
| Ossman Associates (Pvt) Ltd.            | 1,779      | 0.49   | Ms. N. Gunatileke                       | 1,499      | 0.42   |
| Ms. N. Gunatileke                       | 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            | 555        | 0.15   | Mr. A.L. Weerasinghe                    | 534        | 0.15   |
| Mr. A.L. Weerasinghe                    | 534        | 0.15   | Mrs. A.N. De Mel                        | 534        | 0.15   |
| Mrs. A.N. De Mel                        | 534        | 0.15   | Mrs. E. Shinya                          | 514        | 0.14   |
| Mrs. E. Shinya                          | 514        | 0.14   | Mr. B.G.S. De Silva                     | 514        | 0.14   |
| Mr. B.G.S. De Silva                     | 514        | 0.14   | Mr. C.L. Iddamalgoda                    | 507        | 0.14   |
| Mr. C.L. Iddamalgoda                    | 507        | 0.14   | Mrs. M.T. Fernando                      | 485        | 0.13   |
|   | 349,632    | 97.12  |   | 350,117    | 97.25  |
| Shares held by the balance Shareholders | 10,368     | 2.88   | Shares held by the balance Shareholders | 9883       | 2.75   |
|   | 360,000    | 100.00 |   | 360,000    | 100.00 |

## Company Performance - Five Year Summary

| Year ended 31st March                 | 2014<br>Rs. | 2013<br>Rs. | 2012<br>Rs. | 2011<br>Rs. | 2010<br>Rs. |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Trading Results</b>                |             |             |             |             |             |
| Rental Income                         | 13,140,000  | 13,005,000  | 11,520,000  | 11,520,000  | 11,520,000  |
| Total Revenue                         | 13,140,000  | 13,005,000  | 11,520,000  | 11,520,000  | 11,520,000  |
| Direct Cost                           | (844,074)   | (844,074)   | (833,198)   | (724,196)   | (716,492)   |
| Gross Profit                          | 12,295,926  | 12,160,926  | 10,686,802  | 10,795,804  | 10,803,508  |
| Fair Value Gain                       | -           | -           | 17,777,834  | -           | -           |
| Total Operating Expenses              | (1,988,367) | (1,767,752) | (1,485,120) | (1,430,168) | (1,360,328) |
| Profit from Operating Activities      | 10,307,559  | 10,393,174  | 26,979,516  | 9,365,637   | 9,443,180   |
| Net Finance (Exp)/Income              | 1,116,294   | 591,621     | 222,441     | 212,279     | 391,360     |
| Net profit before Tax                 | 11,423,853  | 10,984,795  | 27,201,957  | 9,577,916   | 9,834,539   |
| Income Tax                            | (1,362,422) | (1,375,222) | 7,373,531   | (3,485,367) | (3,463,582) |
| Net profit after Tax                  | 10,061,431  | 9,609,573   | 34,575,488  | 6,092,549   | 6,370,958   |
| <b>Balance Sheet</b>                  |             |             |             |             |             |
| <b>Assets</b>                         |             |             |             |             |             |
| Investment Property                   | 251,160,000 | 251,160,000 | 251,160,000 | 231,270,000 | 231,270,000 |
| <b>Current Assets</b>                 |             |             |             |             |             |
| Short term investment                 | 9,709,858   | 6,813,059   | 2,967,018   | 2,058,605   | -           |
| Trade and Other Receivables           | 746,020     | 670,557     | 1,711,586   | 1,694,290   | 30,976      |
| Cash and Cash Equivalents             | 330,856     | 1,593,240   | 1,933,314   | 1,968,685   | 4,934,762   |
|                                       | 10,786,734  | 9,076,856   | 6,611,918   | 5,721,580   | 4,965,738   |
| <b>Total Assets</b>                   | 261,946,734 | 260,236,856 | 257,771,918 | 236,991,580 | 236,235,738 |
| <b>Equity and Liabilities</b>         |             |             |             |             |             |
| Stated Capital                        | 36,000,000  | 36,000,000  | 36,000,000  | 36,000,000  | 36,000,000  |
| Accumulated Profit/(Loss)             | 200,917,937 | 199,854,378 | 197,444,804 | 168,269,316 | 167,576,957 |
| <b>Total Equity</b>                   | 236,917,937 | 235,854,378 | 233,444,804 | 204,269,316 | 203,576,957 |
| <b>Non Current Liabilities</b>        |             |             |             |             |             |
| Deferred tax Liability                | 23,184,000  | 23,184,000  | 23,184,000  | 31,500,000  | 31,500,000  |
| <b>Total Non Current Liabilities</b>  | 23,184,000  | 23,184,000  | 23,184,000  | 31,500,000  | 31,500,000  |
| <b>Current Liabilities</b>            |             |             |             |             |             |
| Trade & Other Payables                | 600,686     | 703,540     | 689,332     | 428,944     | 366,081     |
| Tax Payable                           | 712,506     | 41,138      | -           | 398,771     | 435,886     |
| Dividend Payable                      | 531,605     | 453,800     | 453,782     | 394,549     | 356,814     |
| <b>Total Current Liabilities</b>      | 1,844,797   | 1,198,478   | 1,143,114   | 1,222,264   | 1,158,781   |
| <b>Total Equity &amp; Liabilities</b> | 261,946,734 | 260,236,856 | 257,771,918 | 236,991,580 | 236,235,738 |
| Earnings per Share                    | 27.95       | 26.69       | 96.04       | 16.92       | 17.70       |
| Dividend per Share                    | 25.00       | 25.00       | 20.00       | 15.00       | 15.00       |
| Dividend pay out ratio (%)            | 89.45       | 93.67       | 20.83       | 88.65       | 84.75       |
| Net Assets Value per share            | 658.11      | 655.15      | 648.46      | 567.42      | 565.49      |
| Share Value (High)                    | 1,848.90    | 3,000.00    | 2,500.00    | 600.00      | 505.00      |
| Share Value (Low)                     | 780.10      | 1,105.00    | 1,250.00    | 600.00      | 240.00      |
| Current Ratio                         | 5.85        | 7.57        | 5.78        | 4.68        | 4.29        |
| Return on Equity (%)                  | 4.25        | 4.07        | 14.81       | 2.98        | 3.13        |
| 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 SEGA NAGENDRA, Chairman whom failing Dr (Ms) Y. Ponnambalam, whom failing Mr. G.G. Ponnambalam, whom failing, Dr. (Ms) M. Ponnambalam, 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 Third Annual General Meeting of the Company to be held on 5th September, 2014 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 2014, together with the Report of the Auditors thereon.                                     | <input type="checkbox"/> | <input type="checkbox"/> |
| 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="checkbox"/> | <input type="checkbox"/> |
| II. To pass the Ordinary Resolution numbered 2(ii) set out in the Notice convening the Annual General Meeting  | <input type="checkbox"/> | <input type="checkbox"/> |
| III. To pass the Ordinary Resolution numbered 2 (iii) set out in the Notice of Meeting of the Annual General Meeting   | <input type="checkbox"/> | <input type="checkbox"/> |
| IV. To pass the Ordinary Resolution numbered 2 (iv) set out in the Notice of Meeting of the Annual General Meeting   | <input type="checkbox"/> | <input type="checkbox"/> |
| V. To pass the Ordinary Resolution numbered 2 (v) set out in the Notice of Meeting of the Annual General Meeting   | <input type="checkbox"/> | <input type="checkbox"/> |
| VI. To pass the Ordinary Resolution numbered 2 (vi) set out in the Notice of Meeting of the Annual General Meeting   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To declare Rs.25/- per share as a Final Dividend for the year ended 31st March, 2014 as recommended by the Directors.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 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 authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |

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

.....  
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.

## Form of Proxy

### **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, Sri Lanka.