Colombo Land
& Development Company PLC

Liberty Square

Annual Report - 2012

More than you expect.

At Colombo Land & Development PLC, we believe that the potential for recreating the skyline of Colombo is limitless and that's what we're doing.

From the restoration and development of the iconic Liberty Plaza shopping center and mall, a project that includes the Liberty Arcade as an extension as well; to the ambitious plans we have for the urban renewal project that would see the Pettah and its environs burst into life... we're offering a lot more than people expect.

Colombo Land and Development Company PLC is a real estate development company, primarily engaged in leasing out investment property under operating leases and the development of investment properties in Sri Lanka. We also work in renting out developed properties and cultivating mahogany trees. The company was incorporated in 1981 and is based in Colombo, Sri Lanka.

Exchange: Colombo
Sector: Real Estate
Industry: Real Estate & Property Development

LIBERTY PLAZA EXTENSION AND RENOVATION . LIBERTY ARCADE . PETTAH COMMERCIAL DEVELOPMENT

More than you expect.

COLOMBO LAND & DEVELOPMENT COMPANY PLC

Annual Report 2012

Contents

Colombo city is one of the most memorable and exciting for visitors and residents alike. The main roads pack cafés and up-market shopping between five star hotels and corporate high rises, while waterways wind their way through leafy parks and the gardens of luxury residences. There's so much to see in the historic heart of Colombo, the Fort and Pettah, many visitors find it hard to leave.

Who we are

Colombo Land & Development Company was formed in 1981 as a joint venture between Clarisssa (Private) Ltd of Singapore and the UDA to undertake urban development activities in Sri Lanka. The original brief was for CLDC to play an active role in the development of some state owned properties which were identified by UDA for urban development during early 1980's.

During early 80's CLDC completed two projects and was assigned with a third. The first project to be completed was the People's Park Phase 1 in Pettah which is a 92,387 square feet shopping complex with 383 shop units. The second project be completed was the Liberty Plaza shopping mall in Colombo 3. Liberty plaza was a project partially completed by UDA at that time and CLDC settled the initial investment made by UDA and completed the project.

The third project assigned to CLDC was the development of a 13 acres and 32.41 perches land in Pettah identified by UDA for a major development project. A key pre-requisite for this project to be implemented was the relocation of a number of government institutes, which were occupying the property identified for the development purposes. Due to the prevailing political uncertainty and the lack of focus on development activities during the 30 year long war, this project could not be implemented until now. However with the dawn of peace the Company is already making plans to launch a major development project in this location which will mark the beginning of a new era transforming Pettah in to a modern cosmopolitan. During the last 30 years the ownership of the Company has gone through significant changes and today CLDC is a truly public listed company with a highly diverse ownership. A professional Board of Directors manages the Company.

Financial Highlights

	2012 Rs'000	2011 Restated Rs'000	Change %	2012 Rs'000	2011 Restated Rs'000	Change %
Revenue	104,912	94,752	10.72	47,762	37,466	27
Profit/(Loss)From Operations	(16,340)	277,273	(106)	(23,749)	291,432	(108)
Net Finance (Cost)/Income	6,655	12,769	(48)	6,655	12,769	(48)
Revenue to Government	8,785	12,873	(32)	3,724	3,428	9
Profit/(Loss) before Tax	(9,685)	290,042	(103)	(17,094)	304,201	(106)
Profit/(Loss) for the Year	(90,561)	335,035	(127)	(91,910)	353,435	(126)
Non Current Assets	3,862,042	3,559,901	8	3,118,736	2,822,873	10
Current Assets	87,187	217,905	(60)	250,234	382,595	(35)
Total Assets	3,949,229	3,777,806	5	3,368,970	3,205,468	5
Shareholders Equity	2,696,077	2,784,208	(3)	2,342,931	2,432,898	(4)
No.of Employees (Persons)	29	26	12	24	21	14
Revenue per Employee	3,618	3,644	(1)	1,990	1,784	12
Profit/(Loss) per Employee	(3,122)	12,885	(125)	(3,829)	16,830	(122)
Per Share						
Earnings/(Loss) per Share (Rs.)	(0.45)	1.69	(126)	(0.46)	1.79	(125)
Net Asset per Share (Rs.)	13.48	14.07	(5)	11.72	11.84	(1)
Dividend per Share (Rs.)	-	-	-	-	-	-
Market Capitalization (Rs.000)	7,095,775	10,973,467	(35)	7,095,775	10,973,467	(35)
Ratios						
Profit/(Loss) for the year on Revenue (%)	(86.32)	357.59	(124)	(192.43)	943.35	(120)
Asset Turnover Ratio(%)	2.65	2.51	6	1.42	1.17	21
Return on Capital Employed (ROCE) (%)	(3.35)	12.03	(127)	(3.92)	14.53	(126)

Chairman's Message

When this company was first established, 70% of its ownership was vested with Singaporean partners while the Urban Development Authority held 30%. Today, we are a majority Sri Lankan owned and managed entity, with 76% of the company owned by Sri Lankans, including 17.5% by the UDA. Our Singaporean partners, who have had a positive influence on the growth trajectory of the company, now hold 24%.

It is with pleasure that I welcome you to the 31st Annual General Meeting of Colombo Land and Development Company PLC.

You would be happy to note that your company has made tangible progress during the year under review, following a change in ownership during the last financial year.

When this company was first established, 70% of its ownership was vested with Singaporean partners while the Urban Development Authority held 30%. Today, we are a majority Sri Lankan owned and managed entity, with 76% of the company owned by Sri Lankans, including 17.5% by the UDA. Our Singaporean partners, who have had a positive influence on the growth trajectory of the company, now hold 24%.

As I set forth last year, the overarching objective of your board is to drive shareholder value by transforming your company into a competitive force that drives the property development segment in Colombo. We have now begun unrolling our strategic plans towards the achievement of this vision.

The refurbishment of Liberty Plaza is now in progress and is expected to be completed by February 2014. The refurbishment will transform Liberty Plaza into an exciting retail space with modern, state of the art design features. In parallel, we are also developing an adjoining property which was acquired during the year to be launched as Liberty Arcade in mid 2013. Liberty Arcade is designed to be a retail space that is attractive to high-end fashion and F&B brands. Your company is also focusing on its next major project, phase 1 of which would be a commercial development titled Liberty Square, on a 819 perch land in Pettah. This development will consists of 66 commercial units and tower with 18th floors. The entire development will bring in approximately 575,000 square feet of commercial space. The phase two of this development will be on the adjacent land of 1154 perch.

Our projects have been aligned with the government's vision to positioning Sri Lanka as the Wonder of Asia; they are strategically designed to complement the modernization and beautification efforts now in progress in Colombo. We look forward to transforming the property development industry and making our mark in the emerging cosmopolitan city.

Appreciations

I extend my gratitude to my colleagues on the Board for their guidance and counsel and I wish to thank the management and employees of the company for their dedication and commitment, and for sharing in the vision of the Board. I would be failing in my duty if I did not thank the regulators as well as the business partners, from both the public and private sector, for their assistance at all times. And finally, I thank you our shareholders, for your faith in the Company and its Board.

Post Balance Sheet

Our plans is to add 70,000 sq.ft to the existing 100,000 sq.ft. at Liberty Plaza. The proposed façade around the building will be having media screens to cater for the digital advertising, and this unique concept would be introduced for the first time in Sri Lanka. This development will also bring in an additional car park deck along with two floors of retail with the state of the art food court which was launched in February 2013.

We also acquired the property adjacent to the southern car park in Duplication Road last year. We are currently converting that in to a retail mall which is being named as Liberty Arcade which will bring in another 30,000 sq.ft additional retail space which will comprise of retail, F&B space. This project will be completed in June this year.

Sgd.
Dr. N. H. Godahewa
Chairman

31st May 2012

Chief Operating Officer's Message

It is pertinent to note that this year marked the beginning of a new era for your company Colombo Land & Development Company PLC. The next three years will be very vital to your Company's growth, as we focus on the launch of two large scale real estate developments.

The key strategic information outlined in the Chairman's message will enable you to foresee the future of our Company.

History

Colombo Land & Development Co. PLC. came into existence in 1982 as a result of a joint venture between the Urban Development Authority of Sri Lanka and Clarissa (Pvt) Ltd. of Singapore. The company completed building Sri Lanka's first ever landmark shopping mall, Liberty Plaza in 1983.

Having seen the capability of the Company, the UDA further entrusted CLDC and Mr. Ng Eng Ghee, then a Director and major shareholder, to develop People's Park in Pettah, also a successful development.

The Board of Directors along with the senior management team is focussed on ensuring that the strategic focus is on our core business whilst exploring growth avenues in related areas.

It is important to recognize Mr. Ng Eng Ghee's contribution to our country's Real Estate industry. The foresight and vision of Mr Ng Eng Ghee, whose family was involved in real estate development for three generations, was instrumental in drafting the initial Condominium Rules and regulations of Sri Lanka.

Future

The Board of Directors along with the senior management team is focussed on ensuring that the strategic focus is on our core business whilst exploring growth avenues in related areas.

Acknowledgement

I would like to thank our stakeholders for the confidence placed in us to support our growth.

I wish to thank the Board of Directors for their constant guidance and expert views.

Sgd.
Mr. D. Jayadeva
Chief Operating Officer

31st May 2013

Board of Directors

Dr. N. H. Godahewa - Chairman

Dr Nalaka Harshijeeva Godahewa is the Chairman of Security Exchange Commission of Sri Lanka and currently serves on the boards of Urban Development Authority, Sri Lanka Handicrafts Board, Lanka Hospitals PLC, Sri Lankan Catering (Pvt) Ltd, Liberty Holdings (Pvt) Ltd and Agrispice (Pvt) Ltd as an independent Director. Dr Godahewa is also the Chairman of Liberty Developers (Pvt) Ltd and Liberty Plaza Management Corporation. Academically qualified in three different disciplines of management, namely; Engineering, Marketing and Finance, Dr Godahewa holds a B.Sc Honours degree in Electronics and Telecommunication Engineering from the University of Moratuwa. He holds an MBA from the University of Sri Jayawardanepura and a PhD in marketing from the University of South Australia. Dr Godahewa is a fellow member of the Chartered Institute of Marketing (UK) and the Institute of Chartered Management Accountants (UK) and a member of the Certified Management Accountants (Australia).

Mr. D. S. Jayaweera

Mr. Dilith Susantha Jayaweera is a leading business personality in Sri Lanka and was named one of LMD's Ten Business People of the Year 2011. Mr Jayaweera began his foray into the Sri Lankan business landscape with the establishment of Triad - a small advertising agency - in 1993. Epitomising the spirit of the new generation of Sri Lankan entrepreneurs, less than two decades later Mr Jayaweera's vision and entrepreneurship have driven Triad to become the largest and most awarded Sri Lankan communication powerhouse, extensively diversified to offer integrated communication solutions and he now sits on the boards of thirty six companies in diversified sectors of the economy. He is the Chairman of George Steuarts Group and is a Board Director of Citrus Leisure PLC and Panasian Power PLC. An attorney at law by profession, Mr. Jayaweera holds an LLB from the Faculty of Law, University of Colombo and an MBA from the University of Wales.

Professor C. K. M. Deheragoda

Professor Chandrakumar Krishan Manohara Deheragoda serves as Professor of Geography, at the University of Sri Jayewardenepura and has previously been the Chairman of Colombo Land and Development Company PLC from 1999 – 2001 as well as its Vice Chairman from 2006 – 2010. Prof. Deheragoda has held the Chairmanship in number of public and corporate sectors including the Urban Development Authority from (2000 – 2002), Ceylon Shipping Corporation, Sustainable Energy Authority, Sri Lanka Ports Authority (Vice Chairman), Onali Holdings (Pvt.) Ltd., Ocean View Development (Pvt.) Ltd., Peliyagoda Warehouse Complex (Pvt.) Ltd., Real Estate Exchange (Pvt.) Limited (REEL) etc. He has served as an advisor to several ministries, including Urban Development & Housing, Transport, and Ports & Shipping. Prof. Deheragoda was a member of over 30 governing and advisory boards in addition to key positions in academia. He has a Ph.D. in Recreational Geography (Bulgaria), M.Sc. in Natural Resource Management (Sofia) and a Post Graduate Diplomas in Urban and Regional Development Planning (Nagoya), Resource Survey and Mapping (Colombo), and is currently the President of Sri Lanka Association of Geographers.

Admiral (Rtd.) W. K. J. Karannagoda

Ambassador Admiral (Rtd) Wasantha Kumara Jayadewa Karannagoda is a decorated Naval officer who was Commander of the Sri Lanka Navy from 2005 to 2009. He currently serves as the Sri Lankan Ambassador to Japan. Admiral Karannagoda is the first ever Commander of the Sri

Board of Directors

Lanka Navy to hold the prestigious four-star admiral rank while in active service, an honour bestowed upon him for his role in formulating the critical naval strategy in the victorious battle against the LTTE. Since July 2009, Admiral Karannagoda has also served as the National Security Advisor and has previously served as the Secretary to the Ministry of Highways. He holds two Masters Degrees - in Business Administration as well as in Defence Studies; furthermore, he is a member of the Royal Institute of Navigation and the Nautical Institute of the United Kingdom. He is a distinguished alumnus of the Asia Pacific Center for Security Studies in Hawaii as well as the Near-East South Asia Center for Strategic Studies at the National Defence University in Washington D.C. He has also graduated with honours from the Royal Naval Staff College, Greenwich, UK in 1987 and the prestigious National Defence College in Islamabad, Pakistan in 1999-2000.

Mr. M. D. S. Goonatilleke

Mr. Goonatilleke is a Finance Professional with over 25 years experience in senior managerial positions in leading public, multinational and private companies. He is an Associate Member of the Institute of Chartered Management Accountants (U.K.), and is a passed finalist of the Institute of Chartered Accountants (Sri Lanka). Mr. Goonatilleke has obtained a Post Graduate Diploma in Management from PIM of University of Sri Jayawardenapura as well. He currently serves as a Group Executive Director of DSL Group of Companies. Mr. Goonatilleke also serves as an independent Non- Executive Director of Pan Asia Bank PLC, Royal Ceramic PLC, Vallibel Finance PLC and Hayleys PLC.

Mr. M U M Ali Sabry

Mr Mohamed Uvaise Mohamed Ali Sabry a president's counsel with an extensive practice in Civil, Commercial, Intellectual Property and Constitutional Law. Mr Sabry serves as a member of the panel of lecturers of the continuous Legal Education Programme (CLE) conducted by the Bar Association of Sri Lanka and the Colombo Law Society, and has twice been elected as the Treasurer of the Bar Association of Sri Lanka. Mr. Sabry was awarded HSBC JCI TOYP 2009 award as one of the ten outstanding young personalities of the year for his achievements in the field of law. Mr. Sabry has served on the Boards of Management of University of Sri Jayewardenepura, University of Vocational Training (UNIVOTEC), Ceylon Petroleum Corporation and National Youth Services Council. Mr. Sabry served as Sri Lankan Consul-General in Jeddah, Saudi Arabia from 1997 to 2000. He currently sits on the Boards of Stone 'N' String (Pvt) Ltd and Amana Takaful PLC.

Mr. Ng Yew Tong

Mr. Ng Yew Tong, a Singaporean Director and graduated with BBA (Hon) from Simon Fraser University (Vancouver, BC, Canada) 1984. He has worked in United Overseas Bank (Singapore) and CT Management Pte Ltd (Singapore). Currently he is Executive Director of Plaza Development (S) Pte Ltd which owns commercial properties in Singapore. He is also a Director of Methodist Schools' Foundation a Singapore registered charity with IPC status.

Mr. Ng Yao Xing

Mr. Ng Yao Xing is a Singaporean Director. He is a graduate from a Canadian University. He comes from a family which has expertise in real estate development over three decades. He also holds several directorships in companies in Singapore and Malaysia.

Operational Review

The Sri Lankan economy grew by 6.4% in 2012, following two consecutive years of 8% growth. The industry sector expanded by 10.3% while the services sector grew at 4.6 per cent in 2012 and the agriculture sector grew by 5.8 per cent. The land and property sector of the economy has seen massive development post-war, with the pace of construction stepped up given the stable and positive economic climate. The construction subsector showed increased activity growing 21.6% year on year while the banking, insurance and real estate subsector grew 6.7%.

During the year, the Company finalized plans for the proposed expansion of Liberty Plaza. The expansion has received Board of Investment approval and is estimated to cost Rs 960 million. Construction work got underway in February 2013 and is slated to be completed within 12 months. The expansion allows Colombo Land to capitalize on the rapid pace of urban development in Colombo and the growth in tourism. It is designed to make Liberty Plaza, Sri Lanka's very first mall, a hallmark of the Government's Colombo Beautification Programme.

The expansion will introduce two additional floors of retail space which will be connected to the existing building. Each floor will be 20,000 square feet each, with provision for parking. A further 20,000 square feet currently utilized as office space will also be converted to retail space.

A key feature of the refurbishment will be a facade with media screens to wrap the building, akin to those found in New York's Times Square. These video walls will provide an exciting new medium for digital advertising.

Following the acquisition of a property adjacent to the southern car park of Liberty Plaza, plans are also being finalized for the proposed Liberty Arcade, a 30,000 square foot mall with retail and food and beverage areas. In the short-term, we have identified growing demand for high quality branded clothing, footwear, jewellery and F&B, and will refurbish the existing building on the property with state of the art facilities to attract international brands. In the long term, the property has been earmarked for a mixed development that includes a City Hotel.

Outlook

External factors that could have an impact on our performance in the coming year include cost escalations in construction, labour and energy as well as the rising interest rate regime; we have taken a prudent approach towards the management of these costs. Despite these challenges however we remain upbeat about the prospects for the economy and our industry. The development activities that continue apace across the country are set to position Sri Lanka as a hub in the region. This, combined with the strong interest shown by international hospitality brands to enter Sri Lanka, bodes well for companies such as ours which benefit from higher spending power, increased business confidence and the growing profile of the country overseas.

Report of the Directors on the State of Affairs of the Company

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company and Group for the year ended 31st December 2012. The details set out herein provided pertinent information required by the Companies Act, No.7 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

Review of the year

The Chairman's Review describes he Company's affairs and mentions important events of the year.

Principal Activity

Property Development continued to be the principal activity of the Company.

Financial Statements

The financial statements of the Company are given in pages 20 to 24.

Auditor's Report

The Auditor's report on the financial statements is given on page 19.

Accounting Policies

The accounting policies adopted in preparation of Financial Statements are given on pages 25 to 35 There were no material changes in the Accounting Policies adopted.

Director's Interest

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 38 to the financial statements.

Directors Remuneration and Other Benefits

Directors remuneration in respect of the Company for the financial year ended 31st December 2012 is given in Note 38 to the financial statements.

Corporate Donations

Donations made by the Company amounted to Rs. 40,000/- (2011 – Rs. 30,000). No donations were made for political purposes.

Directors and their Shareholdings

Directors of the Company and their respective shareholding as at 31st December 2012.

Shareholding	As at **31.12.2012**	As at 31.12.2011
Dr. N.H. Godahewa	**2,345,400**	2,301,000
Prof. C.K. Deheragoda	**Nil**	Nil
Mr. M.D.S. Goonatilleke	**Nil**	Nil
Mr. M.U.M. Ali Sabry	**4,400**	4,400
Mr. D.S. Jayaweera	**2,600**	2,600
Mr. Ng Yew Tong	**6,006,876**	6,006,876
Mr. Ng Yao Xing, Eugene	**Nil**	Nil
Admiral W.K.J. Karannagoda	**Nil**	Nil

In terms of Article 86 and 87 of the Articles of Association of the Company Mr. M.U.M. Ali Sabry and Mr. M.D.S. Goonatilleke retire by rotation and being eligible offer themselves for re-election.

Auditors

The financial statements for the year ended 31st December 2012 have been audited by Messrs PricewaterhouseCoopers, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No.07 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Auditors Messrs PricewaterhouseCoopers were paid Rs. 500,000 (2011 – Rs. 360,000) as audit fees by the Company. In addition they were paid Rs. 80,000 (2011 – Rs. 60,000) by the Company for non-audit related work.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

Dividends

The Directors do not recommend a dividend for the financial year ended 31st December 2012.

Investments

Details of investments held by the Company are disclosed in Notes 19 and 21 to the financial statements.

Property, Plant and Equipment

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 18 to the financial statements.

Capital Commitments

There are no material capital commitments that would require disclosures in the financial statements.

Stated Capital

The Stated Capital of the Company is Rs. 341.602 Million. There was no change in the stated capital of the Company during the year.

Reserves

Total Group reserves as at 31st December 2012 amount to Rs. 2,354.475 Million comprising of retained earnings. Movements are shown in the Statement of Changes in Equity in the Financial Statements.

Employment Policies

The Company is an equal opportunity employer without any discrimination.

Taxation

The tax position of the Company is given in Note 14 to the Financial Statements.

Disclosure as per Colombo Stock Exchange Rule No.7.6

	Shares	
	31.12.2012	31.12.2011
Market price per shares as at 31st December	**35.50**	54.90
Highest share price during the year	**58.00**	73.40
Lowest share price during the year	**28.70**	18.70

Shareholding

The number of registered shareholders of the Company as at 31st December 2012 was 4,258. The distribution and analysis of shareholdings are given on page 73.

Major Shareholders

The twenty largest shareholders of the Company as at 31st December 2012, together with an analysis are given on page 72.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made on time.

Environment, Health and Safety

All the laws and regulations in this regard are strictly adhered to.

Corporate Governance/Internal Control

The Company has put in place systems and procedures to ensure the implementation of sound corporate governance principles. The audit committee report and the remuneration committee report are given in pages 17 to 18.

Report of the Directors on the State of Affairs of the Company

Contingent Liabilities

There were no material contingent liabilities outstandings as at 31st December 2012 other than those disclosed in Note 36 to the financial statements.

Post Balance Sheet Events

Subsequent to the date of the Balance Sheet no circumstances have arisen which would require adjustments to the accounts. Significant post balance sheet events which in the opinion of the Directors require disclosure are described in Note 39 to the financial statements.

Annual General Meeting

The 31st Annual General Meeting of the Company will be held at the Auditorium of Lanka Hospitals Corporation PLC, 10th Floor, No.578, Elvitigala Mawatha, Colombo 5 on Friday, 28th June 2013 at 4.00 p.m.

For and on behalf of the Board of Directors of
COLOMBO LAND AND DEVELOPMENT COMPANY PLC

Sgd.	Sgd.	Sgd.
Director	**Director**	**S S P Corporate Services (Private) Limited, Secretaries**

31st May 2013

Financial Calendar

First Quarter released on 10th May 2012

Second Quarter released on 3rd August 2012

Third Quarter released on 5th November 2012

Fourth Quarter released on 27th February 2013

Annual General Meeting on 28th June 2013

Statement of the Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements of the Company and the Group, is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 [" the Act"], is set out in the Independent auditor's report on page 19.

The financial statements comprise:

- a consolidated statement of comprehensive income, which present a true and fair view of the profits and losses of the Company and the Group for the financial year; and

- a consolidated statement of financial position, which present a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and, which comply with the requirements of the Act.

The Directors have ensured that, in preparing these financial statements:

- appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;

- all applicable Sri Lanka Accounting Standards (SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka, as relevant, have been followed; and

- judgments and estimates have been made which are reasonable and prudent.

The Directors have also ensured that the Company and the Group have adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have as part of their responsibility ensured that the Company and the Group maintain sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and the Group, and the financial statements presented comply with the requirements of the Act.

The Directors have also taken reasonable steps to safeguard the assets of the Company and the Group and in this regard, gave proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Company's and Group's internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company and the Group meets periodically with the internal auditors and the independent auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Directors have prepared the financial statements and provided the independent auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered to be appropriate to enable them to give the independent auditor's opinion.

Compliance report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries at the statement of financial position date have been paid, or where relevant provided for, except as specified in Note 36 to the financial statements covering contingent liabilities.

By order of the Board of Directors of
Colombo Land and Development Company PLC

Sgd.	Sgd.
Director	**Director**

Colombo
31st May 2013

Report of the Board Audit Committee

Composition of the Audit Committee

The Audit Committee, appointed by Board of Directors of Colombo Land & Development Company PLC, comprises of three independent Non-Executive Directors, and is chaired by Mr. M.D.S. Goonatilleke, who is an Associate member of the Institute of Chartered Management Accountants (UK) and a passed finalist of the Institute of Chartered Accountants (Sri Lanka) who was appointed as a director on 1st June 2011.

The members of the Board Audit Committee are;

Mr. M.D.S. Goonatilleke - Chairman (Non Executive Independent)

Prof C.K. Deheragoda - Member (Non Executive Independent)

Mr. M.U.M. Ali Sabry - Member (Non Executive Independent)

The Chief Operating Officer functions as the Secretary to the Audit Committee.

Role of the Audit Committee

The key purpose of the Audit Committee of Colombo Land & Development Company PLC is to assist the Board of Directors in fulfilling its oversight responsibility for;

1. The integrity of financial statements in accordance with Sri Lanka Accounting Standards.
2. The compliance with legal and regulatory requirements.
3. The external Auditor's independence and performance.
4. The performance review of outsourced internal audit function to ensure Company's internal controls and risk management systems is adequate.

Meetings

The Audit Committee met 04 times during the year. The Chief Operating Officer, Group Accountant also attended these meetings by invitation. The other executives and external auditors and outsourced Internal Audit service provider, Ms Ernst & Young, participated as and when required. The minutes of the Audit Committee meetings were tabled at the Board meetings.

The Committee carried out the following activities.

Financial Reporting

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee has reviewed and discussed with the Management,the annual and the quarterly Financial Statements prior to their issuance, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007.

External Audit

The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit. In addition, the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process was also undertaken.

The Committee reviewed the Management Letter issued by the External Auditor together with the management responses thereto.

The Audit Committee has recommended to the Board of Directors that M/s PricewaterhouseCoopers, Chartered Accountants, be reappointed as auditors of the company for the financial year ending 31.12.2013, subject to approval by the shareholders at the Annual General Meeting.

Internal Audit

During the year, the Audit Committee reviewed the quarterly internal audit reports presented by Ms Ernst & Young to whom the internal audit function is outsourced by the management.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safeguard Company's assets and to ensure that the financial position and the results disclosed are free from any material misstatements.

Sgd
Mr. M D S Goonatilleke
Chairman
Audit Committee

31st May 2013

Remuneration Committee Report

Composition

The Remuneration Committee appointed by and responsible to the Board of Directors comprises of one Executive Director and three Non Executive Directors, one of whom is independent.

The members of the Committee are :

Mr. D.S. Jayaweera	-	**Chairman (Non Executive)**
Dr. N.H. Godahewa	-	**Member (Executive)**
Mr. M.U.M. Ali Sabry	-	**Member (Non Executive Independent)**
Mr. Ng Yew Tong	-	**Member (Non Executive)**

Attendance

The Chairman of the Company attends the meetings by invitation whilst the Company Secretaries function as the Secretary of the Committee.

Frequency of Meetings

Meetings shall be held at least twice per year. Other meetings shall be convened on request by a member of the Remuneration Committee.

Minutes

The minutes of meeting of the Remuneration Committee are circulated to all members of the Board.

Role of the Committee

The Committee is responsible for formulation and recommends remuneration polices to the Board of Directors. The Committee also ensures that the level of remuneration is in par with industry in order to attract, retain & motivate the senior management.

Remuneration Policy

The remuneration policy supports a strong performance – oriented culture and ensures that individual rewards and incentives relate directly to the performance of the individual, the operations and functions for which they are responsible and the group as a whole. The remuneration Committee ensures that all the decisions are made after considering the company's performance and shareholders return.

Advisers

The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Sgd
Mr. D.S. Jayaweera
Chairman
Remuneration Committee

31st May 2013

Independent Auditor's Report

pwc

To the members of Colombo Land and Development Company PLC and its Subsidiaries

Report on the Financial Statements

1 We have audited the accompanying financial statements of Colombo Land and Development Company PLC ("the Company"), the consolidated financial statements of the Company and its subsidiaries, which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 20 to 69.

Management's Responsibility for the Financial Statements

2 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 controls 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

3 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 principles 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

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

5 In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2012 and of the results and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Emphasis of Matter

6 Without qualifying our opinion we draw attention to Note 36(a) to the financial statements. The Company is the defendant in a lawsuit in respect of a claim made by a former occupant who has appealed against the order for ejectment and is claiming Rs 105 million as damages together with interest and costs. The Company is contesting the claim. The ultimate outcome of the matter cannot presently be determined and no provision for liability, if any, that may result has been made in the financial statements.

Report on Other Legal and Regulatory Requirements

7 These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act, No. 07 of 2007.

Sgd.
Chartered Accountants

Colombo
31st May 2013

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Consolidated Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)	Notes	Year ended 31 December			
		Group		Company	
		2012	2011	2012	2011
Revenue	8	104,912	94,752	47,762	37,466
Direct expenses		(31,946)	(29,435)	(11,154)	(8,632)
Net rental income		72,966	65,317	36,608	28,834
Net gain from fair value adjustment on investment property	17	5,001	334,503	5,001	335,464
Selling and marketing costs		(2,411)	(32,799)	(2,014)	(29,412)
Administrative expenses		(77,872)	(96,825)	(54,316)	(73,252)
Reversal of provision over turnover tax	31	Nil	Nil	Nil	18,086
Other (losses) / gains - net	9	(16,203)	5,001	(16,203)	5,001
Other income	10	2,179	2,076	7,175	6,711
Operating (loss) / profit	11	(16,340)	277,273	(23,749)	291,432
Finance income	13	7,476	14,210	7,476	14,210
Finance cost	13	(821)	(1,441)	(821)	(1,441)
Finance income - net	13	6,655	12,769	6,655	12,769
(Loss) / profit before income tax		(9,685)	290,042	(17,094)	304,201
Income tax expense	14	(80,876)	44,993	(74,816)	49,234
Net (loss) / profit for the year		(90,561)	335,035	(91,910)	353,435
Other comprehensive income:					
Actuarial gains on retirement benefit obligations	30	2,116	3,494	1,943	3,600
Revaluation surplus of land and buildings	18.1	Nil	7,637	Nil	Nil
Total other comprehensive income for the year		2,116	11,131	1,943	3,600
Total comprehensive (loss) / income for the year		(88,445)	346,166	(89,967)	357,035
(Loss) / profit attributable to:					
- Owners of the parent		(90,345)	335,035	(91,910)	353,435
- Non-controlling interests		(216)	Nil	Nil	Nil
		(90,561)	335,035	(91,910)	353,435
Total comprehensive (loss) / income attributable to:					
- Owners of the parent		(88,229)	346,166	(89,967)	357,035
- Non-controlling interests		(216)	Nil	Nil	Nil
		(88,445)	346,166	(89,967)	357,035
Basic (loss) / earnings per share (Rs)	15	(0.45)	1.69	(0.46)	1.79

The notes on pages 25 to 69 form an integral part of these consolidated financial statements

Report of the independent auditor's on page 19.

Consolidated Statement of Financial Position

(all amounts in Sri Lanka Rupees thousands)		Group			Company		
		31 December		As at 1 January	31 December		As at 1 January
	Notes	2012	2011	2011	2012	2011	2011
Assets							
Non-current assets							
Investment property	17	**3,765,717**	3,468,767	3,097,213	**2,899,356**	2,609,549	2,242,814
Property, plant and equipment	18	**94,080**	84,658	70,691	**13,949**	3,668	1,228
Investment in subsidiary companies	19	**Nil**	Nil	Nil	**200,000**	200,000	200,000
Investment in associate company	21	**Nil**	Nil	Nil	**3,199**	3,199	3,199
Trade and other receivables	24	**2,245**	6,476	10,396	**2,232**	6,457	10,230
		3,862,042	3,559,901	3,178,300	**3,118,736**	2,822,873	2,457,471
Current assets							
Inventories	23	**442**	575	1,270	**Nil**	Nil	Nil
Investment in preference shares held-to-maturity	20	**Nil**	Nil	Nil	**127,570**	127,570	127,570
Financial assets at fair value through profit or loss	22	**22,808**	30,987	1,551	**22,808**	30,987	1,551
Trade and other receivables	24	**36,216**	35,689	98,323	**76,078**	76,009	128,561
Current tax receivables		**Nil**	854	Nil	**Nil**	Nil	Nil
Cash and cash equivalents	26	**27,721**	149,800	94,147	**23,778**	148,029	93,342
		87,187	217,905	195,291	**250,234**	382,595	351,024
Total assets		**3,949,229**	3,777,806	3,373,591	**3,368,970**	3,205,468	2,808,495
Equity and liabilities							
Equity attributable to shareholders of the Company							
Stated capital	33	**341,602**	341,602	193,078	**341,602**	341,602	193,078
Share options	33	**Nil**	Nil	38,817	**Nil**	Nil	38,817
Revaluation reserve	34	**43,018**	43,272	34,723	**Nil**	Nil	Nil
Retained earnings		**2,311,457**	2,399,334	2,058,631	**2,001,329**	2,091,296	1,732,575
		2,696,077	2,784,208	2,325,249	**2,342,931**	2,432,898	1,964,470
Non-controlling interests		**(216)**	Nil	Nil	**Nil**	Nil	Nil
Total equity		**2,695,861**	2,784,208	2,325,249	**2,342,931**	2,432,898	1,964,470
Non-current liabilities							
Borrowings	28	**173,328**	Nil	Nil	**173,328**	Nil	Nil
Deferred income tax liabilities	29	**990,714**	913,983	963,289	**803,771**	730,092	781,615
Retirement benefit obligations	30	**2,441**	3,996	10,087	**2,049**	3,532	9,062
Provision for other liabilities and charges	31	**Nil**	Nil	Nil	**Nil**	Nil	18,086
		1,166,483	917,979	973,376	**979,148**	733,624	808,763
Current liabilities							
Trade and other payables	27	**21,615**	18,331	18,581	**10,150**	9,050	8,659
Current tax liabilities		**1,074**	Nil	3,516	**5,232**	5,094	4,336
Borrowings	28	**27,302**	22,068	19,594	**27,302**	21,852	19,594
Tenant deposits	32	**36,894**	35,220	33,275	**4,207**	2,950	2,673
		86,885	75,619	74,966	**46,891**	38,946	35,262
Total liabilities		**1,253,368**	993,598	1,048,342	**1,026,039**	772,570	844,025
Total equity and liabilities		**3,949,229**	3,777,806	3,373,591	**3,368,970**	3,205,468	2,808,495

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were authorised for issue by Board of Directors on 31st May 2013.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No.07 of 2007.

Sgd.
Director

Sgd.
Director

Sgd.
Chief Operating Officer

Signed on behalf of the board on 31st May 2013.

The notes on pages 25 to 69 form an integral part of these consolidated financial statements

Report of the independent auditor's on page 19.

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)	Notes	Attributable to owners of the Company Stated capital	Share options	Revaluation reserve	Retained earnings	Non-controlling interests	Total
Group							
Balance at 1 January 2011		193,078	38,817	34,723	2,058,631	Nil	2,325,249
Profit for the year		Nil	Nil	Nil	335,035	Nil	335,035
Other comprehensive income for the year		Nil	Nil	7,637	3,494	Nil	11,131
Total comprehensive income		Nil	Nil	7,637	338,529	Nil	346,166
Issue of shares	33	148,524	(37,131)	Nil	Nil	Nil	111,393
Depreciation transfer	34	Nil	Nil	(488)	488	Nil	Nil
Deferred tax impact on depreciation of revalued assets	29.1	Nil	Nil	137	Nil	Nil	137
Deferred tax provision on revaluation loss	29.1	Nil	Nil	1,263	Nil	Nil	1,263
Gain on conversion of share options to shares	33	Nil	(1,686)	Nil	1,686	Nil	Nil
Balance at 31 December 2011		341,602	Nil	43,272	2,339,334	Nil	2,784,208
Balance at 1 January 2012		341,602	Nil	43,272	2,339,334	Nil	2,784,208
Loss for the year		Nil	Nil	Nil	(90,345)	(216)	(90,561)
Other comprehensive income for the year		Nil	Nil	Nil	2,116	Nil	2,116
Total comprehensive loss		Nil	Nil	Nil	(88,229)	(216)	(88,445)
Depreciation transfer	34	Nil	Nil	(352)	352	Nil	Nil
Deferred tax impact on depreciation of revalued assets	29.1	Nil	Nil	98	Nil	Nil	98
Balance at 31 December 2012		341,602	Nil	43,018	2,311,457	(216)	2,695,861

The notes on pages 25 to 69 form an integral part of these consolidated financial statements

Report of the independent auditor's on page 19.

(all amounts in Sri Lanka Rupees thousands)	Notes	Stated capital	Share options	Retained earnings	Total
Company					
Balance at 1 January 2011		193,078	38,817	1,732,575	1,964,470
Profit for the year		Nil	Nil	353,435	353,435
Other comprehensive income for the year		Nil	Nil	3,600	3,600
Total comprehensive income		Nil	Nil	357,035	357,035
Issue of shares	33	148,524	(37,131)	Nil	111,393
Gain on conversion of share options to shares	33	Nil	(1,686)	1,686	Nil
Balance at 31 December 2011		341,602	Nil	2,091,296	2,432,898
Balance at 1 January 2012		341,602	Nil	2,091,296	2,432,898
Loss for the year		Nil	Nil	(91,910)	(91,910)
Other comprehensive income for the year		Nil	Nil	1,943	1,943
Total comprehensive loss		Nil	Nil	(89,967)	(89,967)
Balance at 31 December 2012		341,602	Nil	2,001,329	2,342,931

The notes on pages 25 to 69 form an integral part of these consolidated financial statements

Report of the independent auditor's on page 19.

Consolidated Statement of Cash Flows

(all amounts in Sri Lanka Rupees thousands)	Notes	Year ended 31 December			
		Group		Company	
		2012	2011	2012	2011
Cash flows from operating activities					
Cash (used in) / generated from operations	35	(49)	119,047	(15,654)	(17,352)
Interest paid	13	(6,369)	(1,441)	(6,369)	(1,441)
Interest received		7,476	11,650	6,248	11,650
Income tax paid		(2,118)	(7,282)	(1,000)	(1,530)
Tenant deposits received	32	11,278	7,340	1,257	277
Tenant deposits paid	32	(9,604)	(5,395)	Nil	Nil
Retirement benefit obligations paid	30	(237)	(3,555)	(237)	(2,823)
Net cash generated from / (used in) operating activities		377	120,364	(15,755)	(11,219)
Cash flows from investing activities					
Purchase of investment property	17	(279,258)	Nil	(279,258)	Nil
Subsequent expenditure on investment property	17	(7,143)	(37,051)	Nil	(31,271)
Purchase of property, plant and equipment	18	(12,395)	(11,186)	(11,575)	(3,183)
Purchase of listed shares	22	(48,135)	(111,777)	(48,135)	(111,777)
Proceeds from disposal of property, plant and equipment		228	457	51	156
Proceeds from disposal of listed shares		40,111	87,342	40,111	87,342
Proceeds from notes receivables		5,000	5,000	5,000	5,000
Dividends received	10	574	30	6,532	5,988
Net cash used in investing activities		(301,018)	(67,185)	(287,274)	(47,745)
Cash flows from financing activities					
Proceeds from share issue		Nil	Nil	Nil	111,393
Proceeds from borrowings		200,000	Nil	200,000	Nil
Net cash generated from financing activities		200,000	Nil	200,000	111,393
Net (decrease) / increase in cash and cash equivalents		(100,641)	53,179	(103,029)	52,429
Cash and cash equivalents at the beginning of the year		127,732	74,553	126,177	73,748
Cash and cash equivalents at end of year	26	27,091	127,732	23,148	126,177

Notes to the Consolidated Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

1 General information

Colombo Land and Development Company PLC was incorporated under the Companies Ordinance No. 51 of 1938 on 23rd December 1981 and re-registered on 19 September 2007 under the Companies Act, No. 07 of 2007, that came into effect on 3rd May 2007. The registered office of the Company is situated at No. 250 - 3/8, (3rd Floor) Liberty Plaza, R A De Mel Mawatha, Colombo 3. The Company is a public limited liability company incorporated and domiciled in Sri Lanka, which has its listing on the Colombo Stock Exchange.

The principal business of the Company involves the development and leasing out of investment property under operating leases.

All companies in the Group have a common financial year, which ends on 31 December.

These consolidated financial statements have been approved for issue by the Board of Directors on 31st May 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and adoption of Sri Lanka Financial Reporting Standards

The Group and the Company's prepare its financial statements in accordance with Sri Lanka Accounting Standards - 2011 (SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka. Sri Lanka Accounting Standards (SLASs) were revised to incorporate International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board, which requires all entities to apply these standards effective for years beginning on or after 1 January 2012. These are the Company's first annual financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRSs).

Subject to certain transition elections and exceptions disclosed in Note 5, the Company have consistently applied the accounting policies in the preparation of its opening SLFRSs statement of financial position at 1 December 2011 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to SLFRSs on the Group's reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in the Group's financial statements for the year ended 31 December 2012 prepared under previous Sri Lanka Accounting Standards.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, financial assets and liabilities at fair value. The preparation of financial statements in conformity with SLFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

An explanation of how the transition to SLFRSs has affected the reported financial position and financial performance of the Company and Group is provided in Note 5.2.6.

The Group has elected to present a single statement of comprehensive income and presents its expenses by function.

2.2 Changes in accounting policy and disclosures

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted.

(i) SLFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs.

Notes to the Consolidated Financial Statements

(ii) SLFRS 10, 'Consolidated Financial Statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. No impact on the financial statements is expected as a result of adoption of SLFRS 10.

(iii) SLFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. SLFRS 9 replaces the parts of LKAS 39 that relate to the classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the LKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess SLFRS 9's full impact and intends to adopt SLFRS 9 no later than the accounting period beginning on or after 1 January 2015.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors collectively, who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operates (the 'functional currency'). The consolidated financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within 'finance income/(costs)-net'.

2.5 Consolidation

(a) Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Investments in subsidiaries are accounted at cost as per LKAS 27; Investments in Subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Interests in subsidiaries in the separate financial statements are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

(b) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in statement of comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted in separate financial statements at cost.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit / (loss)' of associates in the statement of comprehensive income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is classified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movement is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Notes to the Consolidated Financial Statements

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs and subsequently measured at fair value if the fair value is considered to be reliably determinable (See Note 2.18).

Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on investment property under construction is only applied if the fair value is considered to be reliably measurable.

Management considers the following factors to determine reliably the fair value of the investment property under construction, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project / property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- The development risk specific to the property;
- Past experience with similar constructions; and
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the statement of comprehensive income. Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain / loss from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of revalued owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of the item at the date of transfer is treated in the same way as a revaluation under LKAS 16; Property, Plant and Equipment. Accordingly, the surplus on revaluation is recognised in the statement of comprehensive income to the extent that it reverses a previous impairment loss. Further, any resulting decrease in the carrying amount of the property is initially charged in the statement of comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. The effect of depreciation on revalued property is also reversed within the statement of comprehensive income.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2.7 Property, plant and equipment (PPE)

(a) Measurement

Property, plant and equipment, other than land and buildings, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings are shown at fair value, based on valuations by qualified valuers, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amounts of the asset, and the net amount is restated to the revalued amount of the asset.

Cost of an item of property, plant and equipment includes its purchase price and any direct attributable costs and excludes the costs of day-to-day servicing of an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

(b) Depreciation

Depreciation, is calculated using the straight-line method to allocate the cost or revalued amount of assets over their estimated useful lives, as follows:

Buildings	50 years
Office equipment	4 - 8 years
Plant and machinery - agricultural	4 years
Fixtures and fittings and flooring for rented units	4 years
Motor vehicles	4 years
Furniture and fittings	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

(c) Disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

2.8 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

2.9 Leases

(a) A group company is the lessee in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases and payments, charged to statement of comprehensive income on a straight-line basis over the period of the lease. Properties leased out under operating leases are included in investment properties. See Note 2.6 for the accounting policy relating to land held on an operating lease and used as investment property.

(b) A group company is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the statement of financial position (Note 17). See Note 2.22 for the recognition of rental income.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. These includes investments in quoted shares. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

"Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position."

(iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(b) Recognition and measurement of financial asset

"Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value."

"Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses) / gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established."

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using effective interest method.

Held-to-maturity financial assets are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Held-to-maturity investments are investment in preference shares.

(c) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Dividend on held-to-maturity investments is included in the statement of comprehensive income and reported as 'dividend income' under other income. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income as 'Net gains/(losses) on investment securities'.

2.11 Financial liabilities

The Group classifies its financial liabilities as financial liabilities at fair value through profit or loss or other financial liabilities, as appropriate. At the reporting date there were no financial liabilities at fair value through profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other financial liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings using the effective interest rate method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, such as tenant deposits, discounting is omitted.

(a) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Inventories

Produce stocks manufactured up to the statement of financial position date and sold since then are valued at since realised price. The balance stocks are valued at estimated selling price. The prices are net of all attributable expenses relating to the public auction.

Nurseries are stated at the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

Inventories other than produce stocks and nurseries are stated at the lower of cost and net realisable value. Cost is determined by the First-In First-Out (FIFO) method.

Notes to the Consolidated Financial Statements

2.13 Trade and other receivables

Trade receivables are rental collections due from tenants in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment [Note 2.10 (b) and 2.10 (c)].

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, shown net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.15 Stated capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity when there is no obligation to transfer cash or other assets.

(b) Dividend to shareholders of the Company

Dividend distribution to the Group shareholders is recognised as a liability in the Group financial statements in the period in which the dividends are approved by the Group shareholders.

2.16 Trade and other payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group capitalises borrowing costs on qualifying investment properties. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax.

(a) Current taxes

Tax is recognised in the statement of comprehensive income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The provision for current income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the tax laws enacted or substantially enacted at the statement of financial position date.

(b) Deferred income taxes

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred income tax. It is probable that the temporary difference will not reverse in the foreseeable future.

The principal temporary differences arise from fair value adjustment of investment property, revaluation and depreciation on property, plant and equipment and retirement benefit obligations.

The carrying value of the investment property is expected to be realised through rental income stream during the period of use and the tax rate applied is that which would apply on profits of the business. The deferred tax then calculated based on the tax consequences arising from recovery through use and resulting temporary differences.

2.20 Employee benefits

(a) Defined benefit plan - Gratuity

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the Gratuity Act, No 12 of 1983.

The liability recognised in the statement of financial position in respect of gratuity is the present value of the defined benefit obligation at the statement of financial position date together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by the Group using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long term government bonds, as there is no deep market on high quality corporate bonds.

(a) Defined benefit plan - Gratuity

Past-service costs are recognised immediately in income statement, unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

"Actuarial gains and losses arising from defined benefit obligation computation are charged or credited to equity in other comprehensive income in the period in which they arise."

The assumptions based on which the results of the actuarial valuation was determined are included in Note 30 to the financial statements.

(b) Defined contribution plans

Defined contribution plan is a plan under which the companies within the Group pay a fixed contribution into a separate entity. All employees of the Group in Sri Lanka are members of the Employees' Provident Fund and Employees' Trust Fund, to which the companies contributes 12% and 3% respectively, of employees' basic or consolidated wage or salary. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(c) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Notes to the Consolidated Financial Statements

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group activities. Revenue is recorded at invoiced value net of brokerage, selling expenses and other levies related to turnover.

(a) Rental income

Rental income includes rental income from properties leased out to tenants under operating leases and income from providing car parking facilities. Rental income from operating leases is recognised on a straight-line basis over the lease term while car park income is recognised on an earned basis.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Revenue in plantation industry

Revenue and profit or loss on sale of timber is recognised in the financial period of harvesting. Revenue is recorded at invoiced value net of brokerage, selling expenses and other levies related to turnover.

(e) 3D designing income

3D design income recognised when the 3D services provided to its customers.

2.23 Expenditure

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property plant and equipment in a state of efficiency is charged against income in arriving at the results for the year.

For the purpose of presentation of the statement of income statement information, expense by function method is used to classify expenses.

2.24 Permanent land development cost

Permanent land development cost relates to cost of developing agricultural land and includes costs incurred in making major infrastructure development and building new access roads.

2.25 Biological assets - immature plantations

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversification, inter - planting and fertilising, etc. incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are carried at cost less accumulated impairment losses as their fair value cannot be readily determined without undue cost or effort. No depreciation is provided to immature plantation.

The cost of areas coming into bearing are transferred to mature plantation and depreciated over the period of useful life.

2.26 Comparatives

- Service charges payable to Liberty Plaza Management Corporation and Peoples' Park Management Corporation previously disclosed under other payables are now shown under trade payables.
- Tenant deposits previously disclosed under other payables are now shown separately under current payable as the amounts are repayable on demand.
- Electricity and telephone bill payables previously disclosed under other receivables are reclassified under other payables.

- Bad debts which were previously disclosed under administrative expenses are reclassified under selling and marketing costs.
- Investment in quoted shares previously shown under other investments are reclassified in under financial assets at fair value through profit or loss.
- Notes receivable from the disposal of an associate previously disclosed under investment in associate are reclassified under current and non-current receivables.

Management believes that the above re-classifications give a fairer presentation.

3 Financial risk management

3.1 Financial risk factors

Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk and liquidity risk. The primary objectives of financial risk management are to establish risk limits, and ensure that exposure to risks stays within these limits.

Risk management is carried out by the finance department under policies approved by the Board of Directors.

(a) 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. The Group's market risks arise from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be accepted, which are monitored on a monthly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group exposure to the risk of changes in market interest rates relates to primarily to the Company's long-term debt obligations with floating rates. The Group manages its interest rate risk by daily monitoring and managing cash flows, keeping borrowings to a minimum, negotiating favorable rates on borrowings and deposits.

Sensitivity analysis

If interest rates had been higher by 10 basis points and all other variables were held constant, the Group loss before tax for the year ended 31 December 2012 would decrease by Rs. 50,190. This is mainly attributable to the Group exposure to interest rates on variable rate of interest.

	2012	
	Interest income (expense)	Group loss before tax
Borrowings	6,655	(9,685)

(ii) Price risk

The Group is exposed to equity securities price risk due to investments held by the Company and classified on the under statement of financial position as 'fair value through profit or loss'. To manage its price risk arising from such securities, the Group diversifies its portfolio.

The investments in equity of other entities that are publicly traded are included in the All Share Price Index (ASPI) and S&P Sri Lanka 20 (S&P SL 20).

The table below summarises the impact of increase / decrease of the equity indices on the Group's profit/ (loss) after tax for the year. The analysis is based on the assumptions that the equity indices had increased / decreased by 5% with all other variables held constant:

	Impact on Group loss after tax 2012
ASPI	1,140,400
S&P SL 20	872,800

Notes to the Consolidated Financial Statements

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents held at banks and trade receivables, including rental receivables from lessees. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Credit risk is managed on a group basis. The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, but the Group does not monitor the credit quality of receivables on an ongoing basis.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	Group 2012	Company 2012
Rent receivables from lessees (Note 24)	9,621	782
Other financial assets	20,309	69,794
Cash and cash equivalents (Note 26)	27,721	23,778
	57,651	94,354

Deposits refundable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

The fair value of cash and cash equivalents at 31 December 2012 approximates the carrying value. There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Group holds accounts in a number of financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group's finance department aims to maintain flexibility in funding by keeping committed credit lines available.

The Group's liquidity position is monitored on a monthly basis by the management and is reviewed quarterly by the Board of Directors. A summary table with maturity of financial liabilities is presented below. The amounts disclosed below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

The maturity analysis of financial liabilities at 31 December 2012:

	Demand and less than 1 month	From 1 to 12 months	From 2 to 5 years	Total
Group				
Liabilities				
Borrowings	Nil	27,302	173,328	200,630
Tenant deposits	Nil	36,894	Nil	36,894
Trade and other payables (excluding statutory liabilities)	Nil	15,894	Nil	15,894
Company				
Liabilities				
Borrowings	Nil	27,302	173,328	200,630
Tenant deposits	Nil	4,207	Nil	4,207
Trade and other payables (excluding statutory liabilities)	Nil	6,354	Nil	6,354

As the amount of contractual undiscounted cash flows related to bank borrowings is based on variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the reporting date- that is, the actual spot interest rate effective as of 31 December 2012 is used for determining the related undiscounted cash flows.

3.2 Fair value estimation

The Group's financial assets and liabilities include trade and other receivables, cash and cash equivalents and trade and other payables. The carrying amounts of these assets and liabilities approximate their fair values. The fair values for both financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

Year ended 31 December 2012	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables (excluding prepayments and statutory receivables)	27,093	27,093	67,727	67,727
Investment in preference shares held-to-maturity (Note 20)	Nil	Nil	127,570	127,570
Financial assets at fair value through profit or loss (Note 22)	22,808	22,808	22,808	22,808
Cash and cash equivalents (excluding bank overdrafts) (Note 26)	27,721	27,721	23,778	23,778
Borrowings (Note 28)	200,630	200,630	200,630	200,630
Tenant deposits (Note 32)	36,894	36,894	4,207	4,207
Trade and other payables (Note 27) (excluding statutory liabilities)	15,894	15,894	6,354	6,354
	331,040	331,040	453,074	453,074

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group represents equity attributable to owner of the Group, comprising issued share capital, revaluation reserves and retained earnings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Group as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at 31 December 2012 was as follows:

	Group 2012	Company 2012
Total borrowings	200,630	200,630
Less: cash and cash equivalents	(27,721)	(23,778)
Net debt	172,909	176,852
Total equity	2,695,861	2,342,931
Total capital employed	**2,868,770**	**2,519,783**
Gearing ratio	**6%**	**7%**

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Consolidated Financial Statements

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Principal assumptions underlying management's estimation of fair value

The valuation on investment property and buildings was determined principally using discounted cash flow projections based on estimates of future cash flows, supported by the terms of any existing lease, and by external evidence such as current (at the statement of financial position date) land sale prices for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The future rental rates were estimated depending on the actual location, type and quality of the properties, and taking into account market data and projections at the valuation date.

In addition investment properties with a carrying value of Rs 279,257,931 were not in use as of 31 December 2012 as they were in the process of construction. The completion date of development may vary depending on, among other factors, timeliness of obtaining approvals and construction delays.

(b) Revaluation of Property, plant and equipment

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at end of the reporting date. Any increase in value, on revaluation, is credited to equity under the "revaluation reserve" unless it offsets a previous decrease in value recognised in the statement of comprehensive income in respect of the same asset. A decrease in value is recognised in the statement of comprehensive income to the extent it exceeds an increase previously recognised in equity in respect of the same asset. The revaluation surplus is utilised by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and credit to retained earnings. Upon disposal of a revalued asset, any related revaluation surplus is transferred from equity to retained earnings and is not taken into account in calculation of the gain or loss on disposal.

(c) Estimated useful lives of property, plant and equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment balance.

(d) Defined benefit plan - Gratuity

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In the absence of a market for high quality corporate bonds, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for gratuity obligations are based in part on current market conditions, additional information is disclosed in Note 30.

5 Explanation of transition to SLFRSs

As noted in Note 2.1 these are the Company's first financial statements prepared in accordance with SLFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2012, together with comparative information for the year ended 31 December 2011 and opening SLFRS statement of financial position as at 1 January 2011, being the transition date of SLFRSs for the Group.

In preparing SLFRS statement of financial position for previously reported financial periods, required adjustments have been made in accordance with respective SLFRSs. The effect of the transition from Sri Lanka Accounting Standards (SLASs) to SLFRSs has been illustrated in the reconciliation statements and accompanying notes to the reconciliations.

5.1 Initial elections upon adoption

Set out below are the applicable exemptions and exceptions under SLFRS 1 applied by the Company in transition of SLASs to SLFRSs.

Exemptions

(a) Exemption for revaluation as deemed cost

The Company has not elected to measure assets at deemed cost as at 1 January 2011.

(b) Exemption for employee benefits

SLFRS 1 provides retrospective relief from applying LKAS 19, 'Employee benefits', for the recognition of actuarial gains and losses. In line with the exemption, the Company elected to recognise all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all its employee benefit plans.

(c) Translation differences (LKAS 21), as SLAS's and the SLFRS's were already aligned as regard to these transactions.

The remaining voluntary exemptions do not apply to the Group

- SLFRS 2 - Share-based payments, as such scheme was not vested as at the date of transition to SLFRSs.
- SLFRS 4 - Insurance contracts, as this is not relevant to the Group operations.
- LKAS 21 - Cumulative translation difference, as the Group do not have any foreign operations as defined in LKAS 21.
- LKAS 32 - Compound financial instruments, as this is not applicable to the Group.
- IFRIC 1 - Decommissioning liabilities included in the cost of property, plant and equipment, as the accounting treatment applied by the Group for changes in existing decommissioning liabilities are aligned with IFRIC 1.
- IFRIC 12 - Service Concession Arrangements, as the Group have not entered into agreement within the scope of IFRIC 12.
- IFRIC 19 - Extinguishing financial liabilities with equity instruments, the Group do not have these types of financial instruments as at the date of transition.
- LKAS 39 - Designation of previously recognised financial instruments, as this is not applicable to the Group.
- IFRIC 18 - Transfers of assets from customers, as the Group have not entered into these types of arrangements at the date of transition.

Exceptions

Set out below are the applicable mandatory exceptions in SLFRS 1 applied in the convergence from SLAS to SLFRS.

Exception for estimates

SLFRS estimates as at 1 January 2011 are consistent with the estimates as at the same date made in conformity with SLASs.

The other compulsory exceptions of SLFRS 1 have not been applied as these are not relevant to the Company and its subsidiaries.

- Derecognition of financial assets and financial liabilities
- Hedge accounting
- Non controlling interests

Notes to the Consolidated Financial Statements

5.2 Reconciliations of SLAS to SLFRSs

Sri Lanka Accounting Standards (SLFRSs) requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Group's and Company's first-time adoption did not have an impact on the total operating, investing or financing cash flows. The Notes 5.2.1 and 5.2.2 represent the reconciliations for Group and Notes 5.2.3 and 5.2.4 represent the Company reconciliations from SLAS to SLFRS for the respective periods noted for equity, earnings and comprehensive income.

In preparing these financial statements in accordance with the SLFRS, all the mandatory exceptions and the optional exemptions from full retrospective application of the SLFRS are not applicable to the Company.

5 Explanation of transition to SLFRSs (Contd)

5.2 Reconciliations of SLAS to SLFRS (Contd)

5.2.1 Reconciliation of shareholders' equity as at 1 January 2011 and 31 December 2011

	Notes	1 January 2011 Under SLAS	Transitional adjustments	Under SLFRS	31 December 2011 Under SLAS	Transitional adjustments	Under SLFRS
Group							
Assets							
Non-current assets							
Investment property	f	2,976,016	121,197	3,097,213	3,339,869	128,898	3,468,767
Property, plant and equipment	g	139,527	(68,836)	70,691	166,786	(82,128)	84,658
Investment in associate company	h	4,985	(4,985)	Nil	Nil	Nil	Nil
Other investments	b	1,551	(1,551)	Nil	30,987	(30,987)	Nil
Deferred tax assets	j	2,065	(2,065)	Nil	2,901	(2,901)	Nil
Trade and other receivables	a	Nil	10,396	10,396	12,500	(6,024)	6,476
		3,124,144	54,156	3,178,300	3,553,043	6,858	3,559,901
Current assets							
Inventories		1,270	Nil	1,270	575	Nil	575
Financial assets at fair value through profit or loss	b	Nil	1,551	1,551	Nil	30,987	30,987
Trade and other receivables	a	92,883	5,440	98,323	31,872	3,817	35,689
Current tax receivables		Nil	Nil	Nil	854	Nil	854
Cash and cash equivalents		94,147	Nil	94,147	149,800	Nil	149,800
		188,300	6,991	195,291	183,101	34,804	217,905
Total assets		3,312,444	61,147	3,373,591	3,736,144	41,662	3,777,806
Equity and liabilities							
Equity attributable to shareholders of the Company							
Stated capital		193,078	Nil	193,078	341,602	Nil	341,602
Share options		38,817	Nil	38,817	Nil	Nil	Nil
Revaluation reserve	i	94,170	(59,447)	34,723	111,510	(68,238)	43,272
Retained earnings	l	2,897,870	(839,239)	2,058,631	3,204,275	(804,941)	2,399,334
		3,223,935	(898,686)	2,325,249	3,657,387	(873,179)	2,784,208
Non-current liabilities							
Deferred tax liabilities	j	Nil	963,289	963,289	Nil	913,983	913,983
Retirement benefit obligations		10,087	Nil	10,087	3,996	Nil	3,996
		10,087	963,289	973,376	3,996	913,983	917,979
Current liabilities							
Trade and other payables	d	55,312	(36,731)	18,581	52,693	(34,362)	18,331
Current tax liabilities		3,516	Nil	3,516	Nil	Nil	Nil
Borrowings		19,594	Nil	19,594	22,068	Nil	22,068
Tenant deposits	d	Nil	33,275	33,275	Nil	35,220	35,220
		78,422	(3,456)	74,966	74,761	858	75,619
Total liabilities		88,509	959,833	1,048,342	78,757	914,841	993,598
Total equity and liabilities		3,312,444	61,147	3,373,591	3,736,144	41,662	3,777,806

Notes to the Consolidated Financial Statements

5 Explanation of transition to SLFRSs (Contd)

5.2 Reconciliations of SLAS to SLFRS (Contd)

5.2.2 Reconciliation of comprehensive income for the year ended 31 December 2011

		Year ended 31 December 2011		
	Notes	Under SLAS	Transitional adjustments	Under SLFRS
Group				
Rental income		94,752	Nil	94,752
Direct expenses	k	(30,925)	1,490	(29,435)
Net rental income	-	63,827	1,490	65,317
Net gain from fair value adjustment on investment property	f	327,260	7,243	334,503
Selling and marketing costs	k	(3,205)	(29,594)	(32,799)
Administrative expenses	b, d,e and k	(125,151)	28,326	(96,825)
Other gains - net	b	Nil	5,001	5,001
Other income	b	32,441	(30,365)	2,076
Operating profit		295,172	(17,899)	277,273
Finance income	a	12,578	1,632	14,210
Finance costs	a	(1,441)	Nil	(1,441)
Finance income - net		11,137	1,632	12,769
Profit before income tax		306,309	(16,267)	290,042
Income tax expense	j	(2,078)	47,071	44,993
Profit for the year		304,231	30,804	335,035
Other comprehensive income:				
Actuarial gains on retirement benefit obligations	e	Nil	3,494	3,494
Surplus on revaluation of land buildings	e	Nil	7,637	7,637
Total other comprehensive income for the year	-	Nil	11,131	11,131
Total comprehensive income for the year		304,231	41,935	346,166
Profit attributable to:				
- Owners of the parent		304,231	30,804	335,035
Total comprehensive income attributable to:				
- Owners of the parent		304,231	41,935	346,166
Basic earnings per share (Rs)		1.54		1.69

5.2.3 Reconciliation of shareholders' equity as at 1 January 2011 and 31 December 2011

	Notes	1 January 2011 Under SLAS	Transitional adjustments	Under SLFRS	31 December 2011 Under SLAS	Transitional adjustments	Under SLFRS
Company							
Assets							
Non-current assets							
Investment property	f	2,121,615	121,199	2,242,814	2,480,648	128,901	2,609,549
Property, plant and equipment	g	70,059	(68,831)	1,228	78,667	(74,999)	3,668
Investment in subsidiary companies	c	327,570	(127,570)	200,000	327,570	(127,570)	200,000
Investment in associate company	h	23,850	(20,651)	3,199	13,385	(10,186)	3,199
Other investments	b	1,551	(1,551)	Nil	30,987	(30,987)	Nil
Deferred tax asset	j	2,065	(2,065)	Nil	2,901	(2,901)	Nil
Trade and other receivables	a	Nil	10,230	10,230	12,500	(6,043)	6,457
		2,546,710	(89,239)	2,457,471	2,946,658	(123,785)	2,822,873
Current assets							
Investment in preference shares held-to-maturity	c	Nil	127,570	127,570	Nil	127,570	127,570
Financial assets at fair value through profit or loss	b	Nil	1,551	1,551	Nil	30,987	30,987
Trade and other receivables	a	120,192	8,369	128,561	72,441	3,568	76,009
Cash and cash equivalents		93,342	Nil	93,342	148,029	Nil	148,029
		213,534	137,490	351,024	220,470	162,125	382,595
Total assets		2,760,244	48,251	2,808,495	3,167,128	38,340	3,205,468
Equity and liabilities							
Equity attributable to shareholders of the Company							
Stated capital		193,078	Nil	193,078	341,602	Nil	341,602
Share options		38,817	Nil	38,817	Nil	Nil	Nil
Revaluation reserve	i	54,800	(54,800)	Nil	60,144	(60,144)	Nil
Other reserve		Nil	Nil	Nil	8,326	(8,326)	`Nil
Retained earnings	l	2,411,142	(678,567)	1,732,575	2,716,012	(624,716)	2,091,296
		2,697,837	(733,367)	1,964,470	3,126,084	(693,186)	2,432,898
Non-current liabilities							
Deferred tax liabilities	j	Nil	781,615	781,615	Nil	730,092	730,092
Retirement benefit obligations		9,062	Nil	9,062	3,532	Nil	3,532
Provisions for other liabilities and charges		18,086	Nil	18,086	Nil	Nil	Nil
		27,148	781,615	808,763	3,532	730,092	733,624
Current liabilities							
Trade and other payables	d	11,329	(2,670)	8,659	10,566	(1,516)	9,050
Current tax liabilities		4,336	Nil	4,336	5,094	Nil	5,094
Borrowings		19,594	Nil	19,594	21,852	Nil	21,852
Tenant deposits	d	Nil	2,673	2,673	Nil	2,950	2,950
		35,259	3	35,262	37,512	1,434	38,946
Total liabilities		62,407	781,618	844,025	41,044	731,526	772,570
Total equity and liabilities		2,760,244	48,251	2,808,495	3,167,128	38,340	3,205,468

Notes to the Consolidated Financial Statements

5 Explanation of transition to SLFRSs (Contd)

5.2 Reconciliations of SLAS to SLFRS (Contd)

5.2.4 Reconciliation of comprehensive income for the year ended 31 December 2011

	Notes	Year ended 31 December 2011 Under SLAS	Transitional adjustments	Under SLFRS
Company				
Rental income		37,466	Nil	37,466
Direct expenses	k	(10,122)	1,490	(8,632)
Net rental income		27,344	Nil	28,834
Net gain from fair value adjustment on investment property	f	328,220	7,244	335,464
Selling and marketing costs	k	(993)	(28,419)	(29,412)
Administrative expenses	b, d, e and k	(102,236)	28,984	(73,252)
Reversal of provision over turnover tax		18,086	Nil	18,086
Other gains - net	b	Nil	5,001	5,001
Share of results of associate	b	(1,831)	1,831	Nil
Other income	n	24,910	(18,199)	6,711
Operating profit		293,500	(3,558)	291,432
Finance income	a	12,578	1,632	14,210
Finance costs	a	(1,441)	Nil	(1,441)
Finance income - net		11,137	1,632	12,769
Profit before income tax		304,637	(1,926)	304,201
Income tax expense	j	(1,453)	50,687	49,234
Profit for the year		303,184	48,761	353,435
Other comprehensive income:				
Actuarial gains on retirement benefit obligations	e	Nil	3,600	3,600
Total other comprehensive income for the year		Nil	3,600	3,600
Total comprehensive income for the year		303,184	52,361	357,035
Profit attributable to:				
- Owners of the parent		303,184	48,761	353,435
Total comprehensive income attributable to:				
- Owners of the parent		303,184	52,361	357,035
Basic earnings per share (Rs)		1.54		1.79

5.2.5 Reconciliation of cash flow statement

The transition from Sri Lanka Accounting Standards (SLAS) to Sri Lanka Financial Reporting Standards (SLFRSs) had no effect on the reported cash flows generated by the Company / Group. The reconciling items between the SLAS presentation and the SLFRS presentation have no net impact on the cash flows generated.

5.2.6 Notes to the reconciliation of SLAS to SLFRS

(i) Transitional adjustments

(a) Trade and other receivables

Promissory note receivables for a previously held and subsequently disposed of investment were recognised as a financial asset and classified as 'loans and receivables'. Note receivables were initially recognised at fair value plus transaction cost by discounting future cash inflows at the market interest rate of a similar loan. Subsequently, the note receivables are recognised at amortised cost using the effective interest rate method. The initial discount on fair valuation is shown under 'finance costs' and effective interest shown under 'finance income' respectively. Note receivables with a maturity greater than 12 months after the statement of financial position date are re-classified as non-current.

The adjustments made including above are as follows:

	Group		Company	
	2011	1 Jan 2011	2011	1 Jan 2011
Non-current portion:				
- Reclassification from investment in associate company	Nil	17,500	Nil	17,500
- Amortisation of promissory note receivables	(1,641)	(7,270)	(1,641)	(7,270)
- Reclassification of non - current promissory note receivables	(4,402)	Nil	(4,402)	Nil
- Reclassification of staff loans	19	166	Nil	Nil
	(6,024)	10,396	(6,043)	10,230
Current portion :				
- Reclassification from investment in associate company	Nil	5,000	Nil	5,000
- Amortisation of promissory note receivables	1,227	3,369	1,227	3,369
- Non-current portion of staff loans transferred	(19)	(166)	Nil	Nil
- Non-current portion of promissory note receivables transferred	4,402	Nil	4,402	Nil
- Reclassification of trade and other payables	(572)	(3,456)	Nil	Nil
- Reversal of impairment on trade receivables	840	693	Nil	Nil
- Balance recoverable from tenants	755	Nil	755	Nil
- Amount net-off against trade payables	(2,816)	Nil	(2,816)	Nil
	3,817	5,440	3,568	8,369

(b) Other investments and financial assets at fair value through profit or loss

Investments in shares listed on the Colombo Stock Exchange previously shown under 'other investments' were re-classified as 'financial assets at fair value through profit or loss' since these investments are held for trading. Consequently, profits / losses on disposal of such investments and provisions for impairment have been re-classified from 'other income' and 'administrative expense', respectively, to 'other losses / gains - net' as fair value gains and losses.

(c) Investment in subsidiary companies and Investment in preference shares held-to-maturity

Investment in preference shares which were classified under, investment in subsidiaries are now re-classified under other financial assets which are due to be redeemed during 2013.

Notes to the Consolidated Financial Statements

5 Explanation of transition to SLFRSs (Contd)

5.2 Reconciliations of SLAS to SLFRS (Contd)

(d) Trade and other payables and tenant deposits

Tenant deposits which were reported under trade and other payables have been recognised as a financial liability and re-classified as a separate line item in the statement of financial position in accordance with LKAS 39. The adjustment related to trade and other payables are as follows:

	Group		Company	
	2011	1 Jan 2011	2011	1 Jan 2011
Transfer to tenant deposits	(35,220)	(33,275)	(2,950)	(2,673)
Amount transferred to trade and other receivables due to reclassification - current	(572)	(3,456)	Nil	Nil
Balance recoverable from tenant	755	Nil	755	Nil
Amount net-off against trade receivables	(2,816)	Nil	(2,816)	Nil
Effect of recognising accrued expenses	3,491	Nil	3,495	3
	(34,362)	(36,731)	(1,516)	(2,670)

(e) Other comprehensive income

Other comprehensive income line items reflect the balances which had been transferred from changes in equity as per the presentation required under LKAS 1.

(ii) Other adjustments

(f) Investment Property (IP)

A car park deck held for the purpose of renting out, previously classified under property, plant and equipment, are now classified as 'investment property under LKAS 16, Accordingly, previously recognised depreciation impact and the revaluation surplus on the assets transferred were also adjusted respectively. Further, a car park deck of Liberty Plaza which was not subject to fair valuation previously was fair valued with adjustments being made retrospectively. The movement in IP is made up as follows.

	Group		Company	
	2011	1 Jan 2011	2011	1 Jan 2011
Net book value of IP transfer from Property, Plant and Equipment (PPE)	71,146	68,830	71,146	68,832
Effect of recognition of fair value gains related to IP transferred from PPE	5,344	Nil	5,344	Nil
Depreciation impact of IP transferred from PPE	367	367	367	367
Fair value gains on fair valuation of IP	53,900	52,000	53,900	52,000
Transfers to prepayments	(1,859)	Nil	(1,859)	Nil
	128,898	121,197	128,898	121,199

(g) Property, Plant and Equipment (PPE)

Apart from the impact of assets transferred to investment properties as stated in Note (f) above, the PPE of the Group and Company was adjusted by Rs 5,638,221 and Rs 1,489,921 respectively as a result of additional depreciation and reclassifications made to immature plantations from PPE as of 31 December 2011.

(h) Investment in associate company

Apart from the re-classification of promissory note receivables stated in Note (a) above, The investment in Agrispice (Private) Limited previously recognised under the equity method of accounting in the Company's books of account have been restated to cost by reversing previously recognised share of results, share of revaluation reserve and negative goodwill to retained earnings and statement of comprehensive income at 1 January 2011 and 31 December 2011, respectively.

(i) Revaluation reserves

The adjustments reflect in the revaluation reserve balance is as follows;

	Group		Company	
	2011	1 Jan 2011	2011	1 Jan 2011
Transfer of revaluation reserve related to IP transferred from PPE	(60,144)	(54,800)	(60,144)	(54,800)
Impact of deferred tax recognised on revaluation reserve of PPE	(3,249)	(4,647)	Nil	Nil
Other adjustments	(4,845)	Nil	Nil	Nil
	(68,238)	(59,447)	(60,144)	(54,800)

(j) Deferred income tax liabilities

Deferred income tax liabilities in respect of investment property fair value gains and revaluation surplus on buildings have been retrospectively recognised. The impact on previously reported figures were as follows:

	Group		Company	
	2011	1 Jan 2011	2011	1 Jan 2011
Deferred tax provision on - IP fair value gains	976,471	1,024,483	732,993	783,680
Deferred tax provision on - PPE revaluation	3,249	4,648	Nil	Nil
Deferred tax assets on - Tax losses	(62,836)	(63,777)	Nil	Nil
	916,884	965,354	732,993	783,680

(k) Comprehensive income

Apart from the impact of adjustments arising on above, the reclassifications between direct expenses, selling and marketing costs and administrative expenses were made for the year ended 31 December 2011.

(l) Retained earnings

Except for the reclassification items, all the adjustments above were recognised against opening retained earnings and the reserves as at 1 January 2011. The impact on previously reported figures were as follows:

	Group		Company	
	2011	1 Jan 2011	2011	1 Jan 2011
Amortisation of promissory note receivables	(2,270)	(3,902)	(2,270)	(3,902)
Depreciation impact of IP transferred from PPE	1,857	367	1,857	367
Transfer of revaluation reserve related to investment property	60,144	54,800	60,144	54,800
Deferred tax provision on investment property fair value gains net of deferred tax assets on tax losses	(913,635)	(960,706)	(732,993)	(783,680)
Recognition of fair value gains on fair valuation of IP	53,900	52,000	53,900	52,000
Reversal of share of results of associate	Nil	Nil	3,681	1,848
Profit on disposal of associates	Nil	17,515	(5,540)	Nil
Effect of recognising accrued expenses	(3,491)	Nil	(3,495)	Nil
Reversal of overprovision of impairment losses on trade receivables	840	687	Nil	Nil
Effect of correction of classification error in immature plantation	(2,240)	Nil	Nil	Nil
Effect of under charge of depreciation on buildings	(46)	Nil	Nil	Nil
	(804,941)	(839,239)	(624,716)	(678,567)

Notes to the Consolidated Financial Statements

6 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors collectively, who make strategic decisions.

The reportable segments derive their revenue primarily from the rental income which consists of "commercial unit income" and "car park income" and from 3D designing income.

Although the 3D designing segment is a separate operating segment, it does not generate a material income to meet the quantitative thresholds required by SLFRS 8.

7 Summarised financial information on subsidiaries

During the year ended 31 December 1994 the Company acquired the entirety of the share capital (with the exception of the two subscriber shares) of Liberty Holdings (Private) Limited. Liberty Holdings (Private) Limited carries on, inter-alia, the leasing of properties developed by the Company. The results, assets and liabilities of Liberty Holdings (Private) Limited, have been included in these financial statements using the purchase method.

Colombo Land and Development PLC and Liberty Holdings (Private) Limited jointly hold 51% and 49% respectively of the share capital of Agrispice (Private) Limited. Agrispice (Private) Limited carries on, inter-alia, the business of cultivating plantations of teak and mahogany trees. The results, assets and liabilities of Agrispice (Private) Limited have been included in the consolidated financial statements of the Group using the purchase method.

On 11 February 2011, the Company transferred shares in two associate companies, Uni Walker Packaging Limited and Uni Walker Packaging Exports (Private) Limited to EDNA group of companies for a total consideration of Rs 22,500,000 payable in installments.

During the year ended 31 December 2012, the fully owned subsidiary LHPL acquired 70% of the share capital of Anantya Global Solutions (Private) Limited which carries on the business of IT solutions, software development and e-marketing The results, assets and liabilities of the Company have been included in the consolidated financial statements using the purchase method.

Set out below are the summarised financial information for each subsidiary.

Summarised statement of financial position:

	Liberty Holdings (Private) Limited		Agrispice (Private) Limited		Anantya Global Solutions (Private) Limited	
	2012	2011	**2012**	2011	**2012**	2011
Current						
Assets	**17,488**	18,484	**906**	1,056	**166**	Nil
Liabilities	**(181,976)**	(185,798)	**(38,747)**	(35,113)	**(888)**	Nil
Total current net assets	**(164,488)**	(167,314)	**(37,841)**	(34,057)	**(722)**	Nil
Non-current						
Assets	**896,940**	891,055	**54,667**	54,273	**Nil**	Nil
Liabilities	**(187,292)**	(184,333)	**(42)**	(21)	**Nil**	Nil
Total non-current net assets	**709,649**	706,722	**54,625**	54,252	**Nil**	Nil
Net assets	**545,161**	539,408	**16,784**	20,195	**(722)**	Nil

Summarised statement of comprehensive income:

	Liberty Holdings (Private) Limited		Agrispice (Private) Limited		Anantya Global Solutions (Private) Limited	
	2012	2011	2012	2011	2012	2011
Revenue	57,688	58,424	Nil	Nil	600	Nil
Profit/(Loss) before income tax	11,542	9,984	(3,410)	(3,812)	(721)	Nil
Income tax expense	(6,060)	(4,241)	Nil	Nil	Nil	Nil
Post-tax profit/(loss) from continuous operations	5,482	6,684	(3,410)	(3,812)	(721)	Nil
Other comprehensive income	173	(4,656)	Nil	41	Nil	Nil
Total comprehensive income	5,655	1,087	(3,410)	(3,771)	(721)	Nil

During the year, Liberty Holdings (Private) Limited contributed Rs 5,654,777 (2011 - Rs 1,087,478) to Group results before tax while Agrispice (Private) Limited and Anantya Global Solutions (Private) Limited incurred losses of Rs 3,410,750 (2011 - Rs 3,770,250) and Rs 721,415 (2011 - Rs Nil) respectively.

8 Revenue

Revenue consists of the following:

	Group		Company	
	2012	2011	2012	2011
Rental income				
- Commercial units	86,565	82,451	22,491	17,846
- Car park	31,784	24,729	31,784	24,729
3D designing income	600	Nil	Nil	Nil
Value Added Tax	(14,037)	(12,428)	(6,513)	(5,109)
Net revenue	104,912	94,752	47,762	37,466

9 Other (losses) / gains - net

	Group		Company	
	2012	2011	2012	2011
- Fair value losses	(22,572)	(9,546)	(22,572)	(9,546)
- Fair value gains	6,369	14,547	6,369	14,547
	(16,203)	5,001	(16,203)	5,001

10 Other income

	Group		Company	
	2012	2011	2012	2011
Dividend income [See Note (a) below]	574	30	6,532	5,988
Sundry income	1,605	2,046	643	723
	2,179	2,076	7,175	6,711

(a) Dividend income of the Company mainly consists of preference share dividends from fully owned subsidiary Liberty Holdings (Private) Limited amounting to Rs 5,957,519 (2011 - Rs 5,957,519) (Note 38).

Notes to the Consolidated Financial Statements

11 Expenses by function

	Group 2012	Group 2011	Company 2012	Company 2011
Director's emoluments	8,783	8,291	8,783	8,264
Auditor's remuneration - external audit	889	763	500	420
Professional fees - internal audit	126	126	126	126
Depreciation on property, plant and equipment (Note 18)	2,626	2,470	1,124	710
Service and management charges	22,690	23,018	2,108	2,215
Repairs and maintenance expenditure	5,103	6,566	2,598	2,811
Provision for / (reversal of) impairment of trade receivables [Note 24 (c)]	275	29,051	(54)	27,876
Loss / (profit) on sale of property, plant and equipment	119	(314)	119	(123)
Operating lease rentals - properties	1,449	2,198	1,449	2,198
Voluntary Retirement Scheme (VRS) costs	Nil	3,017	Nil	3,017
Rates expenses	4,504	4,759	1,199	1,111
Legal fees	8,440	7,419	3,742	6,059
Employee benefit expense (Note 12)	17,481	15,597	15,138	13,079
Other expenses	39,744	56,098	30,652	43,533
Total direct expenses, selling and marketing costs and administrative expenses	112,229	159,059	67,484	111,296

12 Employee benefit expense

	Group 2012	Group 2011	Company 2012	Company 2011
Salaries, wages and other fringe benefits	14,655	12,943	12,599	10,728
Defined contribution plans	2,028	1,696	1,842	1,458
Retirement benefit obligations (Note 30)	798	958	697	893
	17,481	15,597	15,138	13,079
Average monthly number of persons employed by the Group / Company during the year:				
Full time	29	26	24	21

13 Finance income and cost

	Group 2012	Group 2011	Company 2012	Company 2011
Interest expense on bank overdraft	(821)	(1,441)	(821)	(1,441)
Capitalised borrowing costs (Note 17)	(5,548)	Nil	(5,548)	Nil
Total finance costs	(6,369)	(1,441)	(6,369)	(1,441)
Less: Capitalised borrowing costs (Note 17)	5,548	Nil	5,548	Nil
Finance cost	(821)	(1,441)	(821)	(1,441)
Interest income on short term deposits	6,246	12,576	6,246	12,576
Interest income on Treasury Bills	2	2	2	2
Interest income on financial assets measured at fair value	1,228	1,632	1,228	1,632
Finance income	7,476	14,210	7,476	14,210
Finance income - net	6,655	12,769	6,655	12,769

14 Income tax expense

The charge for taxation solely consists of income tax payable on profits from ordinary activities of the Group and the Company.

	Group		Company	
	2012	2011	2012	2011
Current tax	4,047	2,913	1,137	2,289
Deferred tax charge / (release) (Note 29)	76,829	(47,906)	73,679	(51,523)
	80,876	(44,993)	74,816	(49,234)

The tax on the Group and Company's (loss) / profit before tax differs from the theoretical amount that would arise using the tax rate applicable to (loss) / profit of the Group and Company as follows:

	Group		Company	
	2012	2011	2012	2011
(Loss) / profit before tax	(9,685)	290,042	(17,094)	304,201
Tax calculated at a tax rate of 28% (2011 - 28%)	2,712	81,212	4,786	84,644
Income not subject to tax	(4,789)	(8,381)	(3,937)	(7,981)
Expenses not deductible for tax purposes	5,958	22,620	1,688	19,556
Fair value gain recognised during the year	(1,400)	(93,661)	(1,400)	(93,930)
Effect of different tax rates	1,566	1,123	Nil	Nil
Adjustment due to change in estimated deferred tax base in previous years	76,829	(47,906)	73,679	(51,523)
Tax charge	80,876	44,993	74,816	(49,234)

As per the provision of the Inland Revenue Act, No. 38 of 2000 duly amended by the Inland Revenue (Amendment) Act No. 8 of 2005, all limitations on carry forward of losses have been removed. Accordingly, tax losses incurred by the Company and Group could be carried forward indefinitely. However, set off such losses is subject to a maximum limit of 35% of the statutory income from the same source.

The tax losses available for carry forward at 31 December 2012 by the Group subsequent to set-off amounted to Rs. 218,819,569/- (2011 - Rs. 224,415,223).

Deferred tax

Further information about deferred tax is provided in Note 28.

15 (Loss) / earnings per share

Basic (loss) / earnings per share is calculated by dividing the (loss) / profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2012	2011	2012	2011
Net (loss) / profit attributable to equity holders of the Company	(90,345)	335,035	(91,910)	353,435
Weighted average number of ordinary shares in issue (thousands)	199,881	197,846	199,881	197,846
Basic (loss) / earnings per share - (Rs)	(0.45)	1.69	(0.46)	1.79

16 Dividends

The Board of Directors have not paid or declared any dividend for the year ended 31 December 2012 (2011 - Rs Nil).

Notes to the Consolidated Financial Statements

17 Investment property

	Group		Company	
	2012	2011	**2012**	2011
Balance at the beginning of the year	**3,468,767**	3,097,213	**2,609,549**	2,242,814
Additions:				
- Direct acquisitions of investment property [See Note (a) below]	**221,280**	Nil	**221,280**	Nil
- Subsequent expenditure on investment property	**65,121**	37,051	**57,978**	31,271
Capitalised borrowing costs [Note 13 and Note (g) below]	**5,548**	Nil	**5,548**	Nil
Net gain from fair value adjustments on investment property [See Note (e) below].	**5,001**	334,503	**5,001**	335,464
Balance at the end of the year	**3,765,717**	3,468,767	**2,899,356**	2,609,549

(a) Investment property consists of leasehold land and unsold commercial units given on rental in buildings constructed on leasehold land at Pettah and Colpetty obtained from the Urban Development Authority on 99 year leases commencing from 1981. The Company also acquired investment property consisting of land with an extent of 36.88 perches, and building, on R A De Mel Mawatha on 25 October 2012 at valuation of Rs 221,280,000.

(b) The Directors have adopted as its accounting policy the fair value model of accounting for investment property effective at 31 December 2005.

(c) In July 2001 the Company received physical possession of a part of land in Pettah leased to the Company in 1981 by the UDA. The area of the land thus received by the Company amounted to 2A-3R-11P and was formerly occupied by Colombo Gas Company. The Company currently runs a temporary car park on this land and the value of such land had been included as part of cost of investment property at the time of receiving physical possession. The land was most recently revalued during the year ended 31 December 2011.

(d) The Company also has legal possession of the balance land 9A-2R-2P which the Company has no physical possession. The fair value of such land has not been accounted as land held for development under investment property due to the Company's inability to have physical possession of the land for development. The Company intends to recognise the fair value of any part of the land for which alternative land will be provided for development by the Urban Development Authority, as investment property.

(e) In line with the requirements of LKAS 40, Investment Property, Investment property acquired in 2012 and under construction is measured at cost since fair value is not reliably determinable until completion of construction. All the other investment properties were revalued effective 31 December 2011 on the basis of valuation by an independent professionally qualified valuer who holds a recognised relevant professional qualification and recent experience in the locations and categories of the investment properties valued. The Directors are of the opinion that no changes in market conditions have occurred since that date and have therefore, adopted the same valuation for 31 December 2012 except for the valuation of the car park deck of Liberty Plaza, which had not been subject to fair valuation previously, by a professionally qualified valuer with retrospective effect and adjusting the related balances retrospectively. The fair values as of 31 December 2012, 31 December 2011 and 1 January 2011 amounted to Rs 58,900,774, Rs 53,900,000 and Rs 52,000,000 respectively.

(f) Bank borrowings are secured over investment property to the value of Rs 200,000,000 (2011 - Rs Nil) (Note 28).

(g) During the year, the Company and the Group has capitalised borrowing costs amounting to Rs 5,547,671 (2011 - Rs Nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 17%.

18 Property, plant and equipment

	Land	Buildings	Plant and machinery	Office equipment	Motor Vehicles	Furniture and fittings	Tools and utensils	Permanent land & development cost	Immature plantation	Capital work in progress	Total
18.1 Group											
At 1 January 2011											
Cost / valuation	30,500	30,630	58	9,621	124	8,999	67	2,237	9,415	Nil	91,651
Accumulated depreciation	Nil	(4,937)	(50)	(8,359)	(124)	(7,490)	Nil	Nil	Nil	Nil	(20,960)
Net book amount	30,500	25,693	8	1,262	Nil	1,509	67	2,237	9,415	Nil	70,691
Year ended 31 December 2011											
Opening net book amount	30,500	25,693	8	1,262	Nil	1,509	67	2,237	9,415	Nil	70,691
Additions	Nil	4,672	Nil	2,573	166	2,368	17	50	1,340	Nil	11,186
Revaluation gain / (loss) [see Note (c) below]	10,300	(2,663)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	7,637
Correction of classification error	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(2,243)	Nil	(2,243)
Disposals - cost	Nil	Nil	Nil	(3,806)	Nil	(2,805)	Nil	Nil	Nil	Nil	(6,611)
- accumulated depreciation	Nil	Nil	Nil	3,771	Nil	2,697	Nil	Nil	Nil	Nil	6,468
Depreciation charge (Note 11)	Nil	(801)	(4)	(692)	(31)	(942)	Nil	Nil	Nil	Nil	(2,470)
Closing net book amount	40,800	26,901	4	3,108	135	2,827	84	2,287	8,512	Nil	84,658
At 31 December 2011											
Cost / valuation	40,800	32,639	58	8,388	290	8,562	84	2,287	8,512	Nil	101,620
Accumulated depreciation	Nil	(5,738)	(54)	(5,280)	(155)	(5,735)	Nil	Nil	Nil	Nil	(16,962)
Net book amount	40,800	26,901	4	3,108	135	2,827	84	2,287	8,512	Nil	84,658
Year ended 31 December 2012											
Opening net book amount	40,800	26,901	4	3,108	135	2,827	84	2,287	8,512	Nil	84,658
Additions	Nil	226	Nil	1,501	Nil	882	21	Nil	369	9,396	12,395
Disposals - cost	Nil	Nil	Nil	(2,251)	Nil	(48)	Nil	Nil	(177)	Nil	(2,476)
- accumulated depreciation	Nil	Nil	Nil	2,081	Nil	48	Nil	Nil	Nil	Nil	2,129
Depreciation charge (Note 11)	Nil	(650)	(4)	(1,051)	(41)	(880)	Nil	Nil	Nil	Nil	(2,626)
Closing net book amount	40,800	26,477	Nil	3,388	94	2,829	105	2,287	8,704	9,396	94,080
At 31 December 2012											
Cost / valuation	40,800	32,865	58	7,638	290	9,396	105	2,287	8,704	9,396	111,539
Accumulated depreciation	Nil	(6,388)	(58)	(4,250)	(196)	(6,567)	Nil	Nil	Nil	Nil	(17,459)
Net book amount	40,800	26,477	Nil	3,388	94	2,829	105	2,287	8,704	9,396	94,080

Notes to the Consolidated Financial Statements

18 Property, plant and equipment (Contd)

18.2 Company

	Office equipment	Motor vehicles	Furniture and fittings	Capital work in progress	Total
At 1 January 2011					
Cost	8,381	Nil	2,196	Nil	10,577
Accumulated depreciation	(7,298)	Nil	(2,051)	Nil	(9,349)
Net book amount	1,083	Nil	145	Nil	1,228
Year ended 31 December 2011					
Opening net book amount	1,083	Nil	145	Nil	1,228
Additions	1,628	166	1,389	Nil	3,183
Disposals - cost	(3,159)	Nil	(1,312)	Nil	(4,471)
- accumulated depreciation	3,126	Nil	1,312	Nil	4,438
Depreciation charge (Note 11)	(536)	(31)	(143)	Nil	(710)
Closing net book amount	2,142	135	1,391	Nil	3,668
At 31 December 2011					
Cost	6,850	166	2,273	Nil	9,289
Accumulated depreciation	(4,708)	(31)	(882)	Nil	(5,621)
Net book amount	2,142	135	1,391	Nil	3,668
Year ended 31 December 2012					
Opening net book amount	2,142	135	1,391	Nil	3,668
Additions	1,414	Nil	765	9,396	11,575
Disposals - cost	(2,251)	Nil	(48)	Nil	(2,299)
- accumulated depreciation	2,081	Nil	48	Nil	2,129
Depreciation charge (Note 11)	(756)	(41)	(327)	Nil	(1,124)
Closing net book amount	2,630	94	1,829	9,396	13,949
At 31 December 2012					
Cost	6,013	166	2,990	9,396	18,565
Accumulated depreciation	(3,383)	(72)	(1,161)	Nil	(4,616)
Net book amount	2,630	94	1,829	9,396	13,949

18.3

	Group		Company		
	2012	2011	**2012**	2011	1 Jan 2011
The total cost of fully depreciated property, plant and equipment still in use	**9,187**	7,081	**4,380**	3,476	7,850

18.4 Immature plantation

Immature plantation costs are wholly incurred by the subsidiary company, Agrispice (Private) Limited, on land preparation, rehabilitation, new planting, crop diversification and fertilising.

18.5 Other explanatory notes

(a) Depreciation expense of Group Rs 2,626,073 (2011 - Rs 2,469,987), Company Rs 1,124,444 (2011 - Rs 710,036) have been charged in administrative expenses.

(b) Construction work in progress as at 31 December 2012 wholly consists of the costs incurred on new building being constructed in Colpetty.

(c) The Group's land and buildings were revalued on 20 December 2011 by Messers, Ariyathilake & Company, an independent professional firm on a depreciated replacement cost basis and a revaluation surplus of Rs 7,637,360 was transferred to the revaluation reserve.

(d) If land and buildings were stated under historical basis the amounts would be as follows:

	Group	
	2012	2011
Cost	**43,031**	38,359
Accumulated depreciation	**(5,736)**	(4,935)
	37,295	33,424

19 Investment in subsidiary companies

		Company	
	2012	2011	1 Jan 2011
Unlisted ordinary shares			
Opening and closing cost	**200,000**	200,000	200,000

(a) Details of the companies incorporated in Sri Lanka, in which the Group / Company had control as at 31 December 2012 are set out below:

Name of Company	Group Holding	Company Holding	Nature of Business
Liberty Holdings (Private) Limited	100%	100%	Renting out developed property
Agrispice (Private) Limited	100%	49%	Cultivating plantation of Mahogany trees
Anantya Global Solutions (Private) Limited	70%	0%	IT solutions, software development and e-marketing

20 Investment in preference shares held-to-maturity

		Company	
	2012	2011	1 Jan 2011
Opening and closing cost	**127,570**	127,570	127,570

Financial assets wholly comprise of investment in preference shares of Liberty Holdings (Private) Limited which are due to be redeemed during 2013. Preference shares are redeemable and bear an interest rate of 4.67% per annum.

21 Investments in associates company

(a) Investments in associate companies

		Company	
	2012	2011	1 Jan 2011
Opening and closing cost	**3,199**	3,199	3,199

Notes to the Consolidated Financial Statements

21 Investments in associates company (Contd)

(b) Details of the associate incorporated in Sri Lanka are set out below:

Name of the company	No. of shares	Percentage holding	Principle business
Agrispice (Private) Limited	489,999 ordinary shares	49%	Cultivating plantation of Teak and Mahogany trees

(c) Financial information relating to associate company is as follows:

	2012	2011
Revenue	Nil	Nil
(Loss)	(3,410)	(3,770)
Current assets	906	1,056
Non-current assets	54,667	54,273
Current liabilities	38,747	35,113
Non-current liabilities	42	21

22 Financial assets at fair value through profit or loss

	Group		Company	
	2012	2011	2012	2011
Listed securities - held for trading				
At beginning of year	30,987	1,551	30,987	1,551
Additions	48,135	111,777	48,135	111,777
Disposals	(61,490)	(74,806)	(61,490)	(74,806)
Fair value gains / (losses) [see Note (b) below]	5,176	(7,535)	5,176	(7,535)
At end of year	22,808	30,987	22,808	30,987

Group / Company	2012		2011		1 Jan 2011	
	No. of shares	Market value	No. of shares	Market value	No. of shares	Market value
John Keells Holdings PLC	94	21	94	16	71	21
Overseas Realty (Ceylon) PLC	Nil	Nil	Nil	Nil	100,000	1,530
Convenience Foods (Lanka) PLC	Nil	Nil	40,900	12,065	Nil	Nil
Sampath Bank PLC	14,836	2,982	14,500	2,828	Nil	Nil
Aitken Spence Hotel Holdings PLC	198,800	14,453	198,800	13,817	Nil	Nil
Citrus Leisure PLC	2,300	586	23,000	1,061	Nil	Nil
HVA Food PLC	Nil	Nil	31,000	1,200	Nil	Nil
ACME Printing & Packaging PLC	77	1	Nil	Nil	Nil	Nil
Central Investments and Finance PLC	159	1	Nil	Nil	Nil	Nil
Browns Beach Hotels PLC	137,206	2,483	Nil	Nil	Nil	Nil
Pegasus Hotels of Ceylon PLC	45,990	1,840	Nil	Nil	Nil	Nil
City House & Real Estate Company PLC	960	15	Nil	Nil	Nil	Nil
Expolanka Holdings PLC	60,000	426	Nil	Nil	Nil	Nil
	460,422	22,808	308,294	30,987	100,071	1,551

(a) Financial assets at fair value through profit or loss are presented within "operating activities" in the statement of cash flows (Note 35).

(b) Changes in fair value of financial assets at fair value through profit or loss during the year are recorded in 'other (losses) / gains - net' in the statement of comprehensive income (Note 9).

(c) The fair value of all equity securities is based on their current market prices in an active market.

23 Inventories

Inventories of the group wholly consist of consumable items, tea and rubber nurseries held by the subsidiary companies.

24 Trade and other receivables

	Group			Company		
	2012	2011	1 Jan 2011	**2012**	2011	1 Jan 2011
Trade receivables						
- Rent receivable from lessees	**54,343**	57,205	58,064	**33,651**	35,058	37,162
Less: provision for impairment of trade receivables [See Note (c) below]	**(44,722)**	(44,447)	(15,396)	**(32,869)**	(32,923)	(5,047)
Trade receivables - net	**9,621**	12,758	42,668	**782**	2,135	32,115
Receivable from subsidiary [Note 38 (i) (a)]	**Nil**	Nil	Nil	**10,603**	16,752	11,766
Receivable from associate company [Note 38 (i) (b)]	**Nil**	Nil	Nil	**38,413**	34,813	30,228
Receivable from related companies [Note 37 (i) (c)]	**297**	1,810	12,514	**787**	1,803	12,500
Notes receivables	**6,457**	10,230	13,598	**6,457**	10,230	13,598
Prepayments	**6,286**	5,077	2,880	**5,502**	4,627	2,594
Deposits	**1,983**	1,478	723	**1,983**	1,381	626
Staff loans [See Note (f) below]	**4,169**	3,552	2,978	**4,135**	3,512	2,791
Other receivables	**9,648**	7,260	33,358	**9,648**	7,213	32,573
Total trade and other receivables	**38,461**	42,165	108,719	**78,310**	82,466	138,791
Less: non current portion						
Staff loans	**13**	19	166	**Nil**	Nil	Nil
Notes receivables	**2,232**	6,457	10,230	**2,232**	6,457	10,230
Total non current portion	**2,245**	6,476	10,396	**2,232**	6,457	10,230
Current portion	**36,216**	35,689	98,323	**76,078**	76,009	128,561

(a) All non-current receivables are due within five years from the end of the reporting period.

Notes to the Consolidated Financial Statements

24 Trade and other receivables (Contd)

(b) Trade receivables by credit quality:

	Group 2012	Company 2012
Neither past due nor impaired:		
- Receivable from shops and offices	3,641	390
- Receivables from individual tenants	695	Nil
Total neither past due nor impaired	4,336	390
Past due but not impaired:		
- 90 to 180 days overdue	3,695	228
- 180 to 300 days overdue	1,321	164
- over 300 days overdue	269	Nil
Total past due but not impaired	5,285	392
Individually determined to be impaired (gross):		
- 30 to 90 days overdue	2,060	294
- 90 to 180 days overdue	4,491	1,867
- 180 to 300 days overdue	3,256	2,289
- over 300 days overdue	34,915	28,419
Total Individually determined to be impaired (gross):	44,722	32,869
Less: Impairment provision	(44,722)	(32,869)
Total trade receivables, net of provision for impairment	9,621	782

The past due but not impaired balance relates to a number of independent tenants for whom there is no recent history of default.

(c) The individual impaired receivables mainly relate to rent receivable from vacated tenants, net of tenant deposit held. Movement in the provision for impairment losses of trade receivables is as follows;

	Group		Company	
	2012	2011	2012	2011
At 1 January	44,447	15,396	32,923	5,047
Provision for / (reversal of provision) impairment	275	29,051	(54)	27,876
At 31 December	44,722	44,447	32,869	32,923

(d) The creation and release of provision for impaired receivables have been included in 'selling and marketing costs' in the statement of comprehensive income. Amounts charged to the provision for impaired receivables account are generally written off when there is no expectation of recovering additional cash.

(e) The classes within trade and other receivables do not contain impaired assets.

(f) Staff loans are due at the date of statement of financial position represent loans given to staff on fixed repayment terms and are unsecured. These loans are given at a concessionary rate of 5% (2011 - 5%). Fair value of loans given to staff equals their carrying amount, as the impact of discounting is not significant.

(g) The carrying amounts of the trade and other receivables are denominated in Sri Lankan rupees only.

(h) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral security other than tenant deposits.

25 Financial instruments by category

(a) Financial assets

	2012					
		Group			Company	
	Loans and receivables	Assets at fair value through profit or loss	Total	Loans and receivables	Assets at fair value through profit or loss	Total
Financial assets at fair value through profit or loss (Note 22)	Nil	22,808	22,808	Nil	22,808	22,808
Investment in preference shares held-to-maturity (Note 20)	Nil	Nil	Nil	127,570	Nil	127,570
Trade and other receivables excluding prepayments and statutory receivables	27,093	Nil	27,093	67,727	Nil	67,727
Cash and cash equivalents (Note 26)	27,721	Nil	27,721	23,778	Nil	23,778
	54,814	22,808	77,622	219,075	22,808	241,883

(b) Financial liabilities - other financial liabilities at amortised cost

	Group	Company
Tenant deposits (Note 32)	36,894	4,207
Trade and other payables (excluding statutory liabilities)	15,894	6,354
Borrowings (Note 28)	200,630	200,630
	253,418	211,191

(c) Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to historical information.

Cash and cash equivalents excluding cash in hand as of 31 December 2012:

	Group	Company
AAA	3,190	2,368
AA+	24,272	21,332
AA-	216	Nil
	27,678	23,700

26 Cash and cash equivalents

		Group			Company	
	2012	2011	1 Jan 2011	2012	2011	1 Jan 2011
Cash at bank and in hand	6,389	7,624	2,902	2,446	5,853	2,097
Short term deposits	21,332	142,176	91,245	21,332	142,176	91,245
	27,721	149,800	94,147	23,778	148,029	93,342

The weighted average effective interest rate on short term deposit was 14% (2011 - 8.72%).

Notes to the Consolidated Financial Statements

26 Cash and cash equivalents (Contd)

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	Group			Company		
	2012	2011	1 Jan 2011	**2012**	2011	1 Jan 2011
Cash in hand and bank	**27,721**	149,800	94,147	**23,778**	148,029	93,342
Bank overdraft (Note 28)	**(630)**	(22,068)	(19,594)	**(630)**	(21,852)	(19,594)
	27,091	127,732	74,553	**23,148**	126,177	73,748

27 Trade and other payables

	Group			Company		
	2012	2011	1 Jan 2011	**2012**	2011	1 Jan 2011
Other payables	**1,220**	1,460	2,916	**1,207**	431	2,669
Accrued expenses	**6,875**	7,935	5,428	**5,581**	6,827	4,421
Payable to related companies [Note 38 (i) (d)	**8,954**	7,144	8,668	**Nil**	Nil	Nil
Rent received in advance	**4,566**	1,792	1,569	**3,362**	1,792	1,569
	21,615	18,331	18,581	**10,150**	9,050	8,659

28 Borrowings

	Group			Company		
	2012	2011	1 Jan 2011	**2012**	2011	1 Jan 2011
Non-current						
Bank borrowings	**173,328**	Nil	Nil	**173,328**	Nil	Nil
	173,328	Nil	Nil	**173,328**	Nil	Nil
Current						
Bank borrowings	**26,672**	Nil	Nil	**26,672**	Nil	Nil
Bank overdraft (Note 25)	**630**	22,068	19,594	**630**	21,852	19,594
	27,302	22,068	19,594	**27,302**	21,852	19,594
Total borrowings	**200,630**	22,068	19,594	**200,630**	21,852	19,594

(a) Bank overdraft of the Group and Company are unsecured.

(b) The interest rate exposure of the Company at weighted average effective interest rates is as follows:

	2012	2011
Bank overdrafts	**25.5%**	10.72%
Bank borrowings	**17%**	Nil

(c) Bank borrowings mature until 2018 and bear average coupons of 17% annually.

28 Borrowings

(d) The exposure of the Group and Company borrowings to interest rate changes and the contractual repricing date at the end of the reporting period are as follows:

	2012	2011
6 months or less	630	22,068
6 - 12 months	26,672	Nil
1 - 5 years	173,328	Nil
	200,630	22,068

(e) The carrying amount and fair value of the non-current borrowings are as follows:

	Carrying amount	Fair value
Bank borrowings	173,328	175,050

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The fair value is based on the cash flows discounted using a rate based on the borrowing rate of 17% (2011 - Nil).

(f) Bank borrowings are secured over investment property to the value of Rs 200,000,000 [Note 17 (f)].

(g) The carrying amount of the borrowings are denominated in Sri Lankan Rupees only.

29 Deferred income tax liabilities

Deferred taxes are calculated on all temporary differences under the liability method using the tax rate of 28% (2011 - 28%) as at the statement of financial position date.

The gross movement on the deferred tax (assets) / liabilities is as follows:

	Group		Company	
	2012	2011	2012	2011
Balance at the beginning of the year	913,983	963,289	730,092	781,615
Deferred tax impact on depreciation of revalued assets	(98)	(137)	Nil	Nil
Income statement charge / (release) (Note 14)	76,829	(47,906)	73,679	(51,523)
Deferred tax impact on revaluation loss (Note 34)	Nil	(1,263)	Nil	Nil
Balance at the end of the year	990,714	913,983	803,771	730,092

Notes to the Consolidated Financial Statements

29 Deferred income tax liabilities (Contd)

29.1 Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2012	2011	1 Jan 2011
Deferred tax assets			
- Deferred tax assets to be recovered after more than 12 months	**(61,942)**	(63,934)	(67,146)
- Deferred tax assets to be recovered within 12 months	**Nil**	(15)	(73)
	(61,942)	(63,949)	(67,219)
Deferred tax liabilities			
- Deferred tax liabilities to be paid after more than 12 months	**1,052,497**	977,906	1,030,487
- Deferred tax liabilities to be paid within 12 months	**159**	26	21
	1,052,656	977,932	1,030,508
Deferred tax liabilities (net)	**990,714**	913,983	963,289

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances, is as follows:

	Tax losses	Retirement benefit obligations	Total
Deferred tax assets			
As of 1 January 2011	(63,777)	(3,442)	(67,219)
Charged to income statement	941	2,329	3,270
As of 31 December 2011	(62,836)	(1,113)	(63,949)
Charged to income statement	1,566	441	2,007
At end of year	(61,270)	(672)	(61,942)

	Fair value gains on property plant and equipment	Accelerated tax depreciation	Increases in fair value of investment properties	Total
Deferred tax liabilities				
As of 1 January 2011	4,648	1,644	1,024,216	1,030,508
Charged / (credited) to income statement	Nil	1,267	(52,443)	(51,176)
Deferred tax impact on depreciation of revalued assets (Note 34)	(137)	Nil	Nil	(137)
Deferred tax provision on revaluation loss (Note 34)	(1,263)	Nil	Nil	(1,263)
As of 31 December 2011	3,248	2,911	971,773	977,932
Charged to income statement	Nil	2,331	72,491	74,822
Deferred tax impact on depreciation of revalued assets (Note 34)	(98)	Nil	Nil	(98)
At end of year	3,150	5,242	1,044,264	1,052,656

29.2 Company

	2012	2011	1 Jan 2011
Deferred tax assets			
- Deferred tax assets to be recovered after more than 12 months	(574)	(974)	(3,099)
- Deferred tax assets to be recovered within 12 months	Nil	(15)	(73)
	(574)	(989)	(3,172)
Deferred tax liabilities			
- Deferred tax liabilities to be paid after more than 12 months	804,318	731,081	784,787
- Deferred tax liabilities to be paid within 12 months	27	Nil	Nil
	804,345	731,081	784,787
Deferred tax liabilities (net)	803,771	730,092	781,615

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances, is as follows:

	Retirement benefit obligations	Total
Deferred tax assets		
As of 1 January 2011	(3,172)	(3,172)
Charged to income statement	2,183	2,183
As of 31 December 2011	(989)	(989)
Charged to income statement	415	415
At end of year	(574)	(574)

	Accelerated tax depreciation	Increases in fair value of investment properties	Total
Deferred tax liabilities			
As of 1 January 2011	(197)	784,984	784,787
Credited to income statement	86	(53,792)	(53,706)
As of 31 December 2011	(111)	731,192	731,081
Charged to income statement	401	72,863	73,264
At end of year	290	804,055	804,345

30 Retirement benefit obligations

	Group			Company		
	2012	2011	1 Jan 2011	2012	2011	1 Jan 2011
Statement of financial position obligations for:						
Gratuity benefits	2,441	3,996	10,087	2,049	3,532	9,062

Notes to the Consolidated Financial Statements

30 Retirement benefit obligations (Contd)

	Group 2012	Group 2011	Company 2012	Company 2011
Statement of comprehensive income charge:				
Gratuity benefits (Note 12)	798	958	697	893
Other comprehensive income				
Actuarial gains	(2,116)	(3,494)	(1,943)	(3,600)

(a) The movement in the retirement benefit obligations over the year is as follows:

	Group 2012	Group 2011	Company 2012	Company 2011
At 1 January	3,996	10,087	3,532	9,062
Current service cost	345	390	302	360
Interest cost	453	568	395	533
Actuarial gains	(2,116)	(3,494)	(1,943)	(3,600)
Benefits paid	(237)	(3,555)	(237)	(2,823)
At 31 December	2,441	3,996	2,049	3,532

(b) The amounts recognised in the statement of comprehensive income are as follows:

	Group 2012	Group 2011	Company 2012	Company 2011
Current service cost	345	390	302	360
Interest cost	453	568	395	533
Total included in the employee benefit expense (Note 12)	798	958	697	893

(a) As stated in accounting policy 2.20 an actuarial valuation was carried out by the Company using the projected unit credit method at 31 December 2012 as per recommendations made in the LKAS 19; Employee Benefits.

The principal actuarial assumptions used were as follows.

	Group 2012	Group 2011	Company 2012	Company 2011
Discount rate	12%	10%	12%	10%
Rate of future salary increases	6%	14%	6%	14%
Staff turnover factor	17%	10%	17%	10%

The provision is not externally funded.

31 Provision for other liabilities and charges

Turnover Tax on the sale of condominium units was payable as and when proceeds on sales are received up to 31 December 2010. The provision was reversed to the statement of comprehensive income during the year ended 31 December 2011, due to the abolishing of turnover tax with effect from 1 January 2011.

32 Tenant deposits

	Group		Company	
	2012	2011	2012	2011
At 1 January	35,220	33,275	2,950	2,673
Additions	11,278	7,340	1,257	277
Repayments	(9,604)	(5,395)	Nil	Nil
At end of year	36,894	35,220	4,207	2,950

33 Stated capital

Group / Company

	Number of shares in'000's	Total Rs '000's
At 1 January 2011	162,750	193,078
Issue of shares	37,131	148,524
At 31 December 2011	199,881	341,602
At 31 December 2012	199,881	341,602

All issued shares are fully paid.

Share options

Share options were granted to shareholders of the Company, directors who have completed more than three years and to employees of the Company.

	Number of Options (thousands)	
	2012	2011
At beginning of year	Nil	38,817
Issue of shares	Nil	(37,131)
Gain on conversion of share option	Nil	(1,686)
At end of year	Nil	Nil

The share options had been exercised at Rs 4 per share and 37,131,008 options converted.

The Company did not finance the purchase of share options by the directors or by employees nor provided any funding for the purchase of shares by the directors / employees at the time of exchange of share options in to shares.

34 Revaluation reserve

	Group	
	2012	2011
At 1 January	43,272	34,723
Depreciation transfer	(352)	(488)
Revaluation surplus of land and buildings [Note 18.5 (c)]	Nil	7,637
Deferred tax impact on depreciation of revalued assets (Note 29.1)	98	137
Deferred tax provision on revaluation loss (Note 29.1)	Nil	1,263
At end of year	43,018	43,272

Revaluation reserve of Group includes revaluation of land and buildings owned by the subsidiaries, Agrispice (Private) Limited and Liberty Holdings (Private) Limited valued on 20 December 2011 by an independent professional valuer.

Notes to the Consolidated Financial Statements

35 Cash (used in) / generated from operations

	Group 2012	Group 2011	Company 2012	Company 2011
(Loss) / profit before income tax	(9,685)	290,042	(17,094)	304,201
Adjustments for:				
Depreciation of property, plant and equipment (Note 18)	2,626	2,470	1,124	710
Reversal of provision for turnover tax	Nil	Nil	Nil	(18,086)
Net gain from fair value adjustment on investment property (Note 17)	(5,001)	(334,503)	(5,001)	(335,464)
Net fair value losses / (gains) of financial assets at fair value through profit or loss (Note 9)	16,203	(5,001)	16,203	(5,001)
Loss / (profit) on sale of property, plant and equipment (Note 11)	119	(314)	119	(123)
Provision for / (reversal of) doubtful impairment of trade receivables (Note 11)	275	29,051	(54)	27,876
Dividends income (Note 10)	(574)	(30)	(6,532)	(5,988)
Interest income (Note 13)	(7,476)	(14,210)	(7,476)	(14,210)
Interest expense (Note 13)	821	1,441	821	1,441
Changes in working capital:				
- inventories	133	695	Nil	Nil
- trade and other receivables	(2,121)	148,698	(1,661)	25,467
- trade and other payables	3,833	(250)	3,200	932
Retirement benefit obligations (Note 30)	798	958	697	893
Cash (used in) / generated from operations	(49)	119,047	(15,654)	(17,352)

36 Contingencies

(a) No provision has been made in the financial statements for contingent liabilities in respect of legal action and other claims against the Company, estimated at Rs 105 million in respect of a claim made by a former occupant who has appealed against the order for ejectment and is claiming Rs 105 million as damages together with interest and costs. The Company is contesting the claim, having denied liability, and the appeal continues to be pending as hearing had been postponed.

(b) The Company was a defendant together with the Urban Development Authority in an action that had been instituted by a tenant at People's Park for damages caused to the stock in trade in his shop as a result of flooding. The damages claimed amounts to Rs 3,712,768 with further damages at the rate of Rs 7,500 per day from 4 June 1992 till payment of the claimed amount. The Company has denied liability and on the death of the plaintiff the substituted plaintiff has appealed against the order by the court to dismiss the action with costs. The substituted plaintiffs appeal against the order of the court was also dismissed due to the failure to deposit monies in court to meet the cost of the Brief in respect of the demand.

In the opinion of the directors, after taking appropriate legal advice, there are no other legal actions against or instituted by the Company, the outcome of which will give rise to significant losses.

37 Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2012	2011
Investment property	600,000	Nil
Property, plant and equipment	Nil	Nil
	600,000	Nil

37 Commitments (Contd)

Financial commitments

(a) Under the agreement between the Company and the Urban Development Authority, on completion of the development of the People's Park Complex the Company is liable to meet the under mentioned commitments on relocation of Gas Works, Bus Terminal and Electrical Sub-Station.

- A relocation cost amounting to Rs 30 Million to be incurred, provided it does not exceed 50% of the relocation cost of the Gas Works.
- A built-up space of not more than 5,000 Sq.ft. at an estimated cost of Rs 7.018 Million to be provided free of charge by the Company for an electrical sub-station.
- An estimated relocation cost of Rs 20 Million to be incurred for the construction of bus bays for the new Bus Terminal.
- A further sum of Rs 11.5 Million is payable to the Urban Development Authority of Sri Lanka, spread over Phase II of the People's Park (Pettah) Project.

(b) The balance land in Pettah includes a land approximately 2 Acres in extent, occupied by the Colombo Municipal Council. The Company released eighty four perches of this land to the Urban Development Authority upon request to construct a temporary shopping promenade, and operate for six years, on the condition that it will be returned free of encumbrances at the end of this period.

(c) The Company pays a monthly rental and service charge of Rs 204,664 to Liberty Holdings (Private) Limited for the use of two units in the Liberty Plaza.

(d) Under the 99 year operating lease lands, obtained from UDA, the Company will incur lease rentals of Rs 149,832,288 for the remaining lease period.

Operating commitments

There are no material operating commitments that would require disclosures in the financial statements.

38 Directors' interests in contracts with the Company and related party transactions

The Company has interests in contracts in the normal course of business with the following companies, where some of the Directors of the Company are also Directors of the said companies:

Liberty Holdings (Private) Limited is a wholly owned subsidiary of the Company. Agrispice (Private) Limited becomes a wholly owned subsidiary of the Company through 49% direct holding and 51% holding by Liberty Holdings (Private) Limited.

Uni Walker Packaging Limited was a subsidiary of the Company in which 53.5% of the issued stated capital was held by the Company. The Company disposed shares equal to 13.5% of the shareholding as of 1 January 2007 and thus Uni Walker Packaging Limited became an associate of the Company. On 11 February 2011 the Board of Directors resolved to transfer the shares held in Uni Walker Packaging Limited representing 40% to EDNA group.

Uni Walker Packaging Exports (Private) Limited was a subsidiary of the Company through a 47.2% direct holding by the Company due to the restructuring and debt reduction exercise carried out and 6.3% indirect holding by Uni Walker Packaging Limited. The Company disposed shares equal to 13.5% of the direct and in direct share holding as of 1 January 2007 and Uni Walker Packaging Exports (Private) Limited too became an associate of the Company, up to 11 February 2011 when the Board of Directors resolved to transfer the shares to EDNA group.

During the year, Liberty Holdings (Privet) Limited acquired 70% of issued stated capital of Anantya Global Solutions (Private) Limited.

The transactions in which Directors of the Company have interest due to positions held by them in the respective companies during the year are given in the next page.

Notes to the Consolidated Financial Statements

38 Directors' interests in contracts with the Company and related party transactions (Contd)

(i) Outstanding balances arising from sales / purchase of services from related companies:

(a) Receivable from subsidiary:

	Company		
	2012	2011	1 Jan 2011
Liberty Holdings (Private) Limited	**10,603**	16,752	11,766

(b) Receivable from associate company:

	Company		
	2012	2011	1 Jan 2011
Agrispice (Private) Limited	**38,413**	34,813	30,228

(c) Receivable from related companies:

	Group			Company		
	2012	2011	1 Jan 2011	**2012**	2011	1 Jan 2011
Anantya Global Solutions (Private) Limited	**Nil**	Nil	Nil	**690**	Nil	Nil
Liberty Plaza Management Corporation	**297**	1,803	Nil	**97**	1,803	Nil
Uniwalker Packaging Limited	**Nil**	Nil	12,500	**Nil**	Nil	12,500
Peoples' Park Management Corporation	**Nil**	7	14	**Nil**	Nil	Nil
	297	1,810	12,514	**787**	1,803	12,500

(d) Payable to related companies:

	Group		
	2012	2011	1 Jan 2011
Liberty Plaza Management Corporation	**8,943**	7,144	8,668
Peoples' Park Management Corporation	**11**	Nil	Nil
	8,954	7,144	8,668

Key management personnel including directors have been paid Rs 13,318,296 (2011 - Rs 12,447,284) for discharge of their duties in respect of the Group's operations during the year.

The Company incurs common expenses on behalf of the group companies for which no service charge to the subsidiary companies is made.

There were no other related party transactions other than disclosed above.

38 Directors' interests in contracts with the Company and related party transactions

Company	Names of Directors	Position	Nature of transactions	Value of transaction received / (paid) 2012	2011
Liberty Holdings (Private) Limited	Dr N Godahewa (Appointed on 1 June 2011)	Chairman	Preference dividend received	**5,958**	5,958
	Mr D S Jayaweera (Appointed on 1 June 2011)	Director	Office rent and service charge paid	(2,200)	(2,200)
	Mr D Jayadeva (Appointed on 1 June 2011)	Director	Representation at Board of meetings and reimbursement of expenses		
			Director fees paid on behalf	**Nil**	(14)
Agrispice (Private) Limited	Dr N Godahewa (Appointed on 1 June 2011) Mr D S Jayaweera (Appointed on 1 June 2011) Mr D Jayadeva (Appointed on 1 June 2011)	Chairman Director	Representation at Board of meetings and reimbursement of expenses	**Nil**	(14)
Anantya Global Solutions (Private) Limited	Dr N Godahewa (Appointed on 1 June 2011) Mr D S Jayaweera (Appointed on 1 June 2011) Mr D Jayadeva (Appointed on 1 June 2011) Prof. C K M Deheragoda	Director	Start up expense	**690**	Nil
George Steuart Finance PLC	Mr D S Jayaweera	Director	Investment in fixed deposit	**20,000**	80,886
Triad (Private) Limited	Mr D S Jayaweera	Director	Imagine expenses for innovation	**(465)**	(171)

39 Events after the end of reporting period

No events have occurred since the date of statement of financial position which would require adjustments to, or disclosure in the financial statements.

Ten Year Summary

	2004 Rs.'000	2005 Rs.'000	2006 Rs.'000	2007 Rs.'000	2008 Rs.'000	2009 Rs.'000	2010 Rs.'000	2011 Rs.'000	2011 Restate	2012 Rs.'000
Trading Results										
Turnover	693,460	687,636	728,166	87,041	92,403	90,408	88,863	94,752	94,752	104,912
Operating Income	120,068	130,178	140,814	61,376	64,483	58,960	57,553	63,827	65,317	72,966
Operating Expenses	(105,234)	(117,181)	(201,888)	(58,948)	(57,309)	(71,143)	(78,937)	(128,356)	(129,624)	(80,283)
Operating Profit/(Loss)	14,834	16,808	185,185	3,967	8,468	(11,504)	(16,838)	(32,088)	277,273	(16,340)
Non Operating Income	9,013	3,811	246,259	1,539	1,294	679	4,546	32,441	2,076	2,179
Net Finance Income/(Cost)	(27,934)	(34,472)	(62,508)	1,734	17,509	13,975	7,887	11,137	12,769	6,655
Share results of associates	(4,545)	300	-	(8,518)	(17,348)	(16,710)	-	-	-	-
Profit/(Loss)before Tax	(8,632)	(17,364)	122,677	82,711	8,629	166	491,363	306,309	290,042	(9,685)
Income Tax	(12,548)	(14,018)	(6,099)	(7,252)	(3,553)	(2,507)	(5,931)	(2,078)	44,993	(80,876)
Profit(Loss)after Tax	(21,180)	(31,382)	116,578	75,459	5,076	(2,341)	485,432	304,231	335,035	(90,561)
Minority Interest	2,754	-	5,240	-	-	-	-	-	-	(216)
Profit /(Loss) of the Year	(18,426)	(31,382)	121,818	75,459	5,076	(2,341)	485,432	304,231	335,035	(90,345)

Glossary of Financial Terms

Earnings per Share
Profit attribute to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.

Net Asset
Total Asset minus Liabilities

Net Asset per Share
Net Asset divided by number of shares

Dividend per Share
Total dividend divided by number of shares

Market Capitalisation
Number of ordinary shares in issue multiplied by market value per share

Asset Turnover Ratio
Total revenue divided by Total Assets

Capital Employed
Stated capital plus Reserves

Return on Capital Employed
Profit for the year divided by Capital Employed

Investor Information

List of 20 major shareholders based on their shareholding as at 31st December 2012

No.	Name	No. of Shares	Percentage %
1	Mr. Ng Eng Ghee / Mrs. Ng Siew Luan	47,600,000	23.81
2	Kalpitiya Beach Resort Limited	40,413,200	20.22
3	Urban Development Authority of Sri Lanka	34,872,675	17.45
4	Mr. Ng Yew Tong	6,006,876	3.01
5	Mr. Ng Yew Soon	4,945,716	2.47
6	Mr. Mg Yew Chuan	4,715,502	2.36
7	Seylan Bank PLC/ Dr N.H. Godahewa	2,301,000	1.15
8	Mr. Kang Poay Hong	2,251,625	1.13
9	Mr. Ng Yew Hui	1,920,000	0.96
10	Pan Asia Banking Corporation PLC/ Dream Lagoon (Private) Limited	1,833,202	0.92
11	Pan Asia Banking Corporation PLC/ Nawaloka Construction Company (Private) Limited	1,810,460	0.91
12	Mr. Ng Yew Khim Dennis	1,655,600	0.83
13	Bank of Ceylon A/C Ceybank Unit Trust	1,510,708	0.76
14	Est of Late Radhakrishnan (Deceased)	1,500,000	0.75
15	Pan Asia Banking Corporation/ U.H.Dharmadasa	1,430,047	0.72
16	Mr. C.H.Samarathunga/ Mrs. W.M Botheju	1,409,781	0.71
17	Waldock Mackenzie Ltd/ Hi-Line Trading (Pvt) Ltd	1,137,551	0.57
18	NWS Financial Services (Pvt) Ltd/ C.N. Samaratunga	1,055,800	0.53
19	Mr. Amirally Lukmanjee	1,026,440	0.51
20	Mr. Teruaki Ono	996,640	0.50

Public Holding - Shares 34.34%

Analysis of shareholders according to the number of shares as at 31st December 2012.

Shareholdings	RESIDENT			NON RESIDENT			TOTAL		
	Number of Shareholders	No of Shares	Percentage %	Number of Shareholders	No of Shares	Percentage %	Number of Shareholders	No of Shares	Percentage %
1 to 1,000 shares	2,204	908,759	0.45	18	9,270	0.01	2,222	918,029	0.46
1,001 to 10,000 shares	1,404	5,537,563	2.77	26	105,250	0.05	1,430	5,642,813	2.82
10,001 to 100,000 shares	482	14,608,817	7.31	25	836,823	0.42	507	15,445,640	7.73
100,001 to 1000,000 shares	73	16,536,560	8.27	7	2,641,783	1.32	80	19,178,343	9.59
Over 1000,001 shares	12	90,300,864	45.18	7	68,395,319	34.22	19	158,696,183	79.40
	4,175	127,892,563	63.98	83	71,988,445	36.02	4,258	199,881,008	100.00

Categories of Shareholders	Number of Shareholders	No of Shares
Individual	4,004	100,970,499
Institutional	254	98,910,509
	4,258	199,881,008

Notice of Meeting

NOTICE is hereby given that the Thirty First Annual General Meeting of Colombo Land and Development Company PLC will be held at the Auditorium of Lanka Hospitals Corporation PLC, 10th Floor, No.578, Elvitigala Mawatha, Colombo 05 on Friday, 28th June 2013 at 4.00 p.m.

AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the State of Affairs of the Company and the Consolidated Financial Statements for the year ended 31st December 2012 with the Report of the Auditors thereon.

2. To re-elect Mr. M.U.M. Ali Sabry who retires by rotation in terms of Article 86 and 87 of the Articles of Association of the Company.

3. To re-elect Mr. M.D.S. Goonetilake who retires by rotation in terms of Article 86 and 87 of the Articles of Association of the Company.

4. To re-appoint M/s. PricewaterhouseCoopers, Chartered Accountants as Auditors to the Company and authorise the Directors to determine their remuneration.

5. To authorise the Directors to determine donations for the year 2013.

By Order of the Board of Directors of
Colombo Land and Development Company PLC
S S P Corporate Services (Private) Limited
Secretaries

Colombo
31st May 2013

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her. Such Proxy need not be a member of the Company.

2. A Form of Proxy accompanies this notice.

3. The completed Form of Proxy should be deposited at the Registered Office of the Company, 250/3/8, Liberty Plaza, R A De Mel Mawatha, Colombo 3 not later than 48 hours before the time appointed for the meeting.

4. Shareholders attending the meeting are kindly requested to bring with them their National Identity Card or other similar form of identification for production at the reception desk.

Form of Proxy

I/We*...(NIC No...)

....being a member/*members of Colombo Land and Development Company PLC hereby appoint

Dr. Nalaka Harshijeewa Godahewa	of Colombo or failing him
Prof. Chandrakumar Krishan Deheragoda	of Colombo or failing him
Mr. Dilith Susantha Jayaweera	of Colombo or failing him
Mr. Mohamed Uvaise Mohamed Ali Sabry	of Colombo or failing him
Mr. Mestiyage Don Saddhamangala Goonatilleke	of Colombo or failing him
Admiral Wasantha Kumara Jayadewa Karannagoda	of Colombo or failing him
Mr. Ng Yew Tong	of Singapore or failing him
Mr. Ng Yao Xing	of Singapore or failing him

Mr/Ms..(NIC No..)

of.. as my/*our Proxy to represent me/*us and to vote as indicated below on my/*our behalf at the Annual General Meeting of the Company to be held on Friday 28th June 2013 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

		FOR	AGAINST
1.	To receive and consider the Annual Report of the Board of Directors on the State of Affairs of the Company and the Consolidated Financial Statements for the year ended 31st December 2012 with the Report of the Auditors thereon.	☐	☐
2.	To re-elect Mr. M.U.M. Ali Sabry who retires by rotation in terms of Article 86 and 87 of the Articles of Association of the Company.	☐	☐
3.	To re-elect Mr. M.D.S. Goonatilleke who retires by rotation in terms of Article 86 and 87 of the Articles of Association of the Company.	☐	☐
4.	To re-appoint M/s. PricewaterhouseCoopers, Chartered Accountants as Auditors to the Company and authorise the Directors to determine their remuneration.	☐	☐
5.	To authorise the Directors to determine donations for the year 2013.	☐	☐

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

Signature ....

Note:

Instructions as to completion appear on the reverse hereto. Please delete the inappropriate words, and mark ‘X’ in the appropriate cages to indicate your instructions as to voting.

A proxy need not be a member of the Company.

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.

2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. Ifno indication is given the Proxy in his/her discretion may vote as he/she thinks fit.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company, 250/3/8, Liberty Plaza, R A De Mel Mawatha Colombo 3 not less than 48 hours before the time appointed for holding the meeting.

4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration. If such power of attorney has not already been registered with the Company.

Note:

If the shareholder is a Company or body corporate, Section 138 of the Companies Act No. 07 of 2007 applies to shareholders of Colombo Land and Development Company PLC and Section 138 provides for representation of Companies at meeting of other Companies. A corporation, whether a Company within the meaning of this Act or not, may where it is a member of another corporation, being a company within the meaning or this, Act by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represents as that Corporation could exercise if it were an Individual shareholder of that other Company.

Corporate Information

Name of the Company
Colombo Land and Development Company PLC

Registered Office
3rd Floor, Liberty Plaza,
250, R. A. De Mel Mawatha,
Colombo 3.
Tel No. 2575935-7 Fax: 2573111
E-mail: info@colomboland.com

Board of Directors
Dr. N.H. Godahewa
Prof. C.K.M. Deheragoda
Mr. M.D.S. Goonatilleke
Mr. M.U.M. Ali Sabry
Mr. D.S. Jayaweera
Mr. Ng Yew Tong
Mr. Ng Yao Xing
Admiral W.K.J. Karannagoda

Secretaries
S S P Corporate Services (Private) Limited
101, Inner Flower Road,
Colombo - 3.
Telephone: 2573894, 2576871

Lawyers
Nithya Partners
97A,
Galle Road,
Colombo 3.

Julius & Creasy
Attorney-at-Law & Notaries Public
41, Janadhipathi Mawatha, Colombo 1.

Auditors
PricewaterhouseCoopers
Chartered Accountants
100, Braybrooke Place, Colombo 2.

Bankers
People's Bank
Nations Trust Bank PLC
Sampath Bank PLC
The Hongkong and Shanghai
Banking Corporation
Commercial Bank of Ceylon PLC

Subsidiary Companies
Liberty Holdings (Private) Limited
Agrispice (Private) Limited
Anantya Global Solutions (Private) Limited

Designed & Produced by emagewise
Digital Plates Imageline (Pvt) Ltd
Printed by Printage (Pvt) Ltd

Colombo Land & Development Company PLC

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