



**Colombo Land**  
& Development Company PLC

# ACHIEVING EXCELLENCE

**Colombo Land & Development Company PLC**  
Annual Report 2018

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*"Excellence is never an accident. It is always the result of high intention, sincere effort, and intelligent execution..."* – Aristotle

At Colombo Land & Development Company PLC, we believe in striving towards perfection. Over the years our visionary strategy and our unwavering dedication have held us in good stead – enabling us to achieve the loyalty and trust of the people, and be recognised and rewarded for our efforts towards stability, sound governance and consistent performance. We are delivering exceptional value and investing in the growth of a nation – achieving excellence in all we do.



HUAWEI



HUAWEI NOVA 3i NOVA 3e  
SAME FOUR AI CAMERAS

HUAWEI

SAMSUNG

SUHD TV SAMSUNG

GET READY FOR A WHOLE  
NEW VIEWING EXPERIENCE

VIVO

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# Leadership and Achievements

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# FINANCIAL HIGHLIGHTS

		Group			Company		
		2018	2017	Change	2018	2017	Change
Financial Capital							
<b>Financial Performance - Highlights and Ratios</b>							
Revenue	Rs'000	481,952	445,909	8.08%	152,085	134,542	13%
Results from operating activities	Rs'000	726,069	4,096,403	-82%	502,525	3,230,537	-84%
Fair value gain from investment properties	Rs'000	424,461	3,862,524	-89%	462,382	3,202,430	-86%
Fair value gain from biological assets	Rs'000	43,620	-	100%	-	-	-
Net Finance Cost	Rs'000	(215,061)	(243,367)	-12%	(4,874)	(76)	6313%
Profit before tax	Rs'000	511,008	3,853,036	-87%	497,650	3,230,461	-85%
Profit after tax	Rs'000	328,334	2,742,393	-88%	369,033	2,331,763	-84%
Earnings per share (basic)	Rs.	1.65	13.72	-88%	1.85	11.67	-84%
Returns on Assets (ROA)	%	2.53	22.14	-89%	3.50	1.34	161%
Returns on Capital Employed (ROCE)	%	4.27%	37.44	-100%	5.61	37.56	-85%
<b>Financial position - Highlights and Ratios</b>							
Total Assets	Rs'000	12,995,712	12,384,383	5%	10,540,725	10,017,236	5%
Equity	Rs'000	7,687,030	7,324,971	5%	6,576,876	6,208,054	6%
Stated Capital	Rs'000	341,602	341,602	0%	341,602	341,602	0%
Net Assets per share	Rs.	38.47	36.65	5%	32.90	31.06	6%
Current ratio	No.of times	0.21	0.22	-7%	4.81	5.39	-11%
No of shares in issue	000	199,881	199,881	0%	199,881	199,881	0%
Debt	Rs'000	1,631,141	1,647,256	0%	1,610,811	1,639,256	-2%
Debt / Equity ratio	%	21%	22%	-6%	24%	26%	-7%
<b>Market/ Shareholder Information</b>							
Dividend per share		-	-	-	-	-	-
Market Capitalization	Rs'000	2,998,215	3,957,644	-24%	2,998,215	3,957,644	-24%
Price Earning ratio	No.of times	9.09	1.44	530%	8.12	1.70	379%
Net Assets per share	Rs.	38.47	36.65	5%	32.90	31.06	6%
<b>Share Prices</b>							
Highest during the year	Rs.	23.00	29.90	-33%	23.00	29.90	-15%
Lowest during the year	Rs.	14.20	18.00	-21%	14.20	18.00	-21%
Last Traded price	Rs.	15.00	19.80	-24%	15.00	19.80	-24%
<b>Others</b>							
Economic Value Generated	Rs'000	833,336	4,197,453	-80%	575,291	3,297,675	-83%
Economic Value Distributed	Rs'000	833,336	4,197,453	-80%	575,291	3,297,675	-83%
Government	Rs'000	224,169	1,145,326	-80%	151,870	916,606	-83%
Employees	Rs'000	56,854	56,590	0%	49,514	49,229	1%
Borrowers	Rs'000	215,061	243,367	-12%	4,874	77	6230%
Expansion and growth	Rs'000	337,250	2,752,170	-88%	369,033	2,331,763	-84%
Number of Employees	Number	27	26	4%	22	20	10%
Average revenue per employee	Rs'000	17,850	17,150	4%	6,913	6,727	3%
<b>Manufactured Capital</b>							
Investment property	Rs'000	12,631,490	12,105,014	4%	8,020,426	7,485,530	7%
Biological assets	Rs'000	54,600	-	100%	-	-	-
Property, plant and equipment	Rs'000	169,251	132,821	27%	1,112	5,113	-78%

482Mn  
Revenue



Revenue Growth



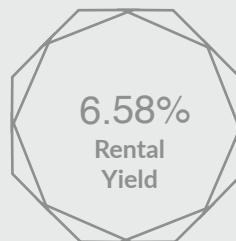
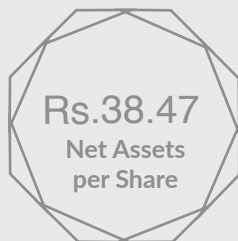
Gross Profit



PBT  
(Excl. FV Gain)

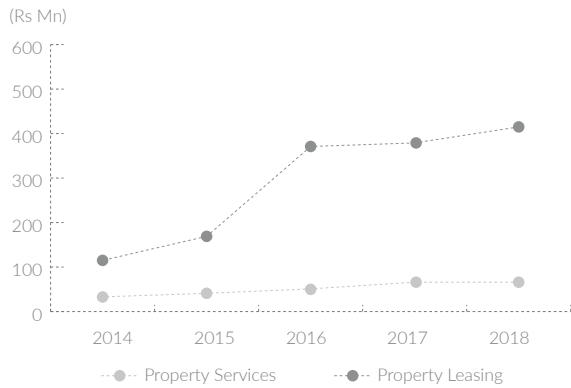


Total Assets

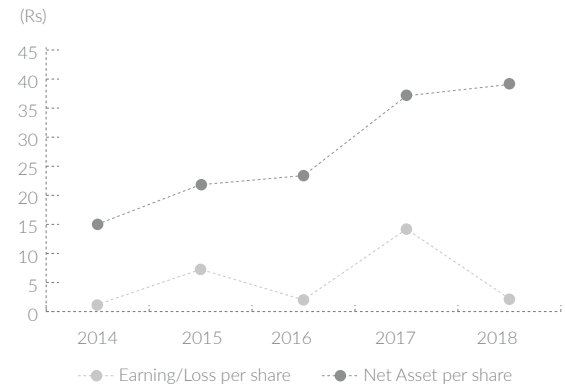


# GROUP AT A GLANCE

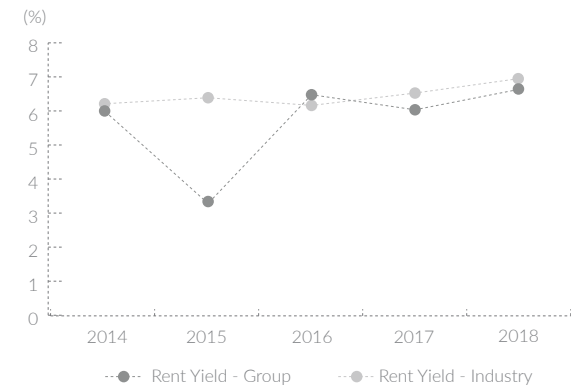
Revenue



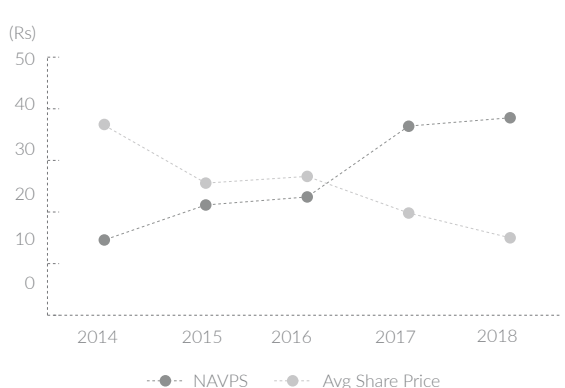
Earnings Per Share



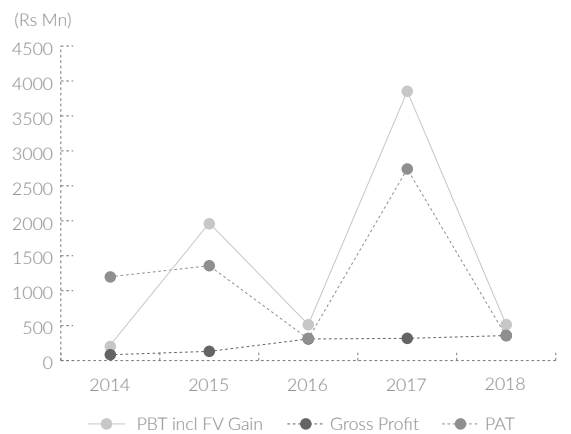
Rental Yield



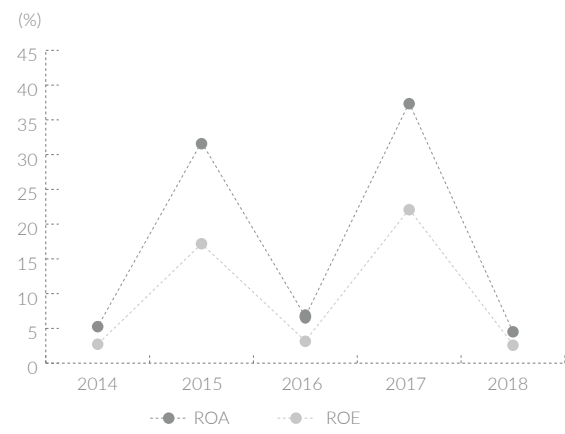
NAVPS vs Avg Share Price



Profitability

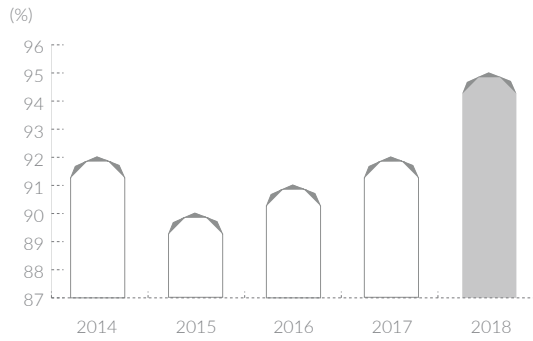


ROA & ROE

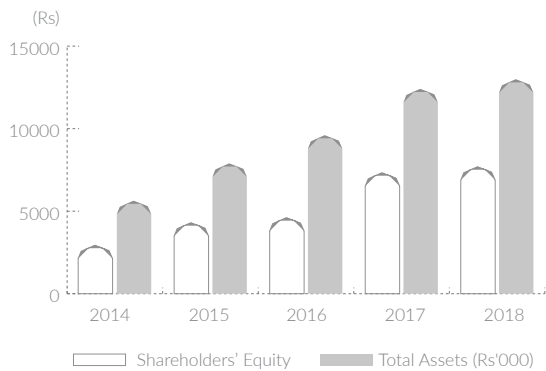




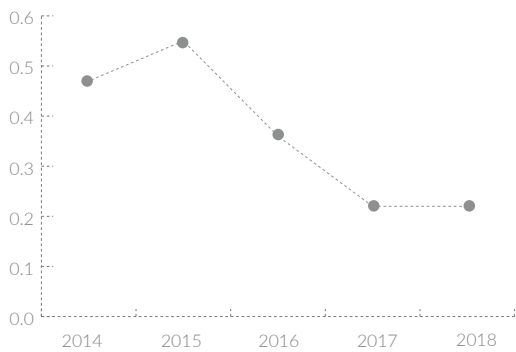
### Group Occupancy



### Shareholders' Equity & Total Assets



### Debt to Equity Ratio



Over 150,000 rentable square feet at a prime business district.



A mixed plantation of Mahogany, Rubber and Alstonia, consist of over 10,500 trees



Three storied car park with ample parking spaces and multiple access.

## CHAIRMAN'S REVIEW



I am pleased to welcome our valued shareholders to the 37th Annual General Meeting of Colombo Land & Development Company PLC and in placing before you the Annual Report and Financial Statements for the year 2018. We can be pleased with the many successes the Company has achieved during recent past, and be confident that the organization has the resilience, capacity to grow and being sustainable in the upcoming years.

We are happy to note that, despite the slow growth in the real estate market witnessed in Sri Lanka due to unstable political conditions led fragile economy throughout the corresponding financial year; CLDC has been able to sustain its commercial operations, while absorbing all the negative shocks in our business sector. We are proud to report that the Liberty Plaza, New Retail Podium and the Liberty Arcade are continuing to be one of the most vibrant and versatile shopping spaces in the City that offer unbeatable shopping experience to our valued consumers.

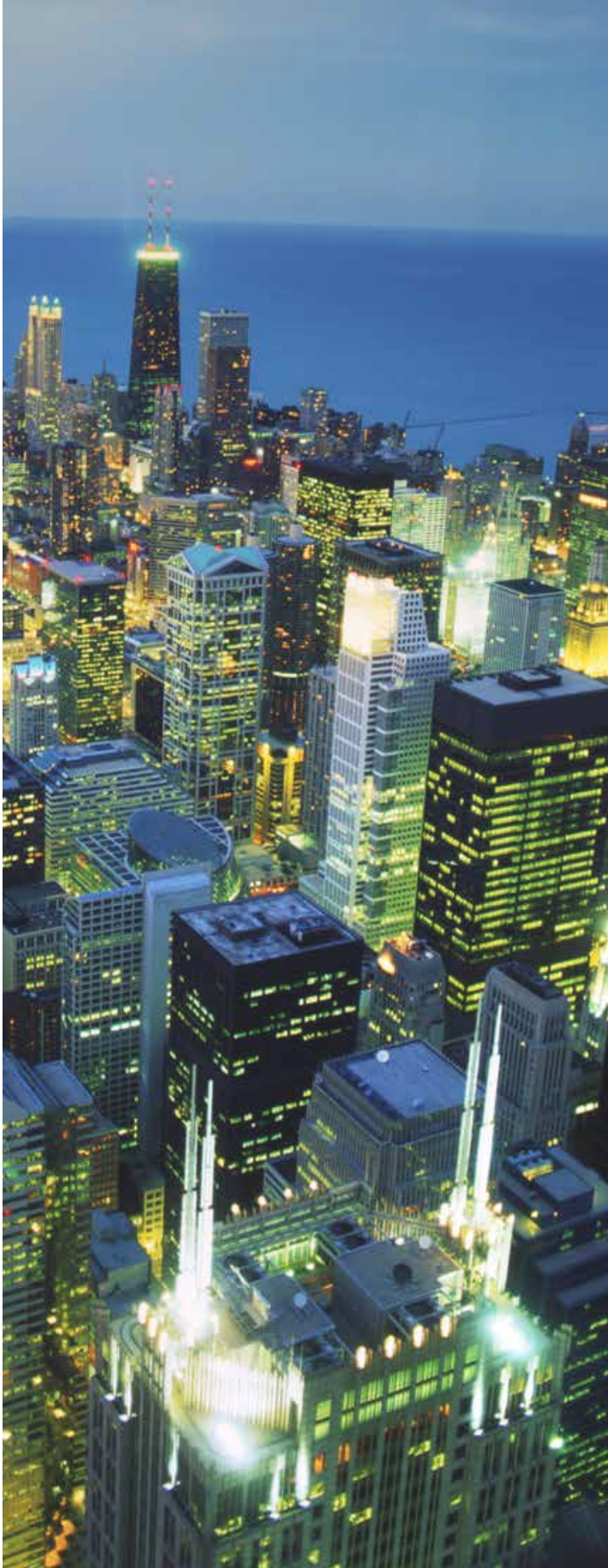
We are yet to receive the approval from the UDA to launch the development of our prime 3-acre land parcel in

Pettah. The Western Region Megapolis Development Project of the UDA has not yet finalized the land use zonation plan for the proposed Transportation Hub for that area. The progress of this complex process is painfully slow, but we are waiting with anticipation while extending all our assistance to UDA. As we have already informed you, we are ready with the structural designs and plans for a mixed development project and ready to adjust it, if necessary, to comply with the changing requirements of the proposed Transportation Hub to be implemented by the UDA. Our contribution to Pettah landscape will certainly transform the commercial and urban profile of Pettah, along with the upcoming Colombo Port City, while ensuring a positive impact on the net asset value of the shareholdings of the CLDC.

My appreciation goes to fellow directors on the Board and need to be commended for their unstinted support and the management inputs. I thank dedicated people across our organization for their sustained effort and contribution, and shareholders for their continued support and the confidence placed in us.

Thank You.

Sgd.  
**C. Krishan M. Deheragoda**  
*Chairman*  
30th May 2019



“We are ready with the structural designs and plans for a mixed development project and ready to adjust it, if necessary, to comply with the changing requirements of the proposed Transportation Hub to be implemented by the UDA. Our contribution to Pettah landscape will certainly transform the commercial and urban profile of Pettah, along with the upcoming Colombo Port City, while ensuring a positive impact on the net asset value of the shareholdings of the CLDC.”

## CEO'S REVIEW



### Performance

Our belief in our products and services is rock solid as the property evolves and transforms along with the city of Colpetty reflecting her new paradigms and providing exciting and unique shopping experiences across our retail space. The absolutely strategic location of Liberty Plaza in the heart of Colombo's residential and commercial core makes it the premier retail choice for local and international brands, the near 100% occupancy rate of units under management reflects the confidence of the retailers in Liberty Plaza.

Leveraging on this, the company was able to undertake a rent review which boosted our overall rental income growth for the year as well, with total revenue increasing by 8.08% YoY to reach Rs. 481.9 Mn. At the same time, Group Gross Profit rose to Rs. 360 Mn, 13.20% higher than the previous year due mainly higher occupancy and rent reviews. Prudent financial management, successful cost cutting measures, increased profit margins, higher rentals, prominent tenants and higher footfalls all combined to deliver an exceptional year for the company.

### Delivering Experiences

During the year under review, we followed through on our promise to refurbish new retail development of Liberty Plaza coupled with revamping the residential part as well. The structure is now transformed with a modern facade and ambience and mirrors the optimism

of the local populace to serve as a magnet for guests from new five-star and city hotels coming up in the immediate vicinity.

We are well aware that several upscale malls were inaugurated during the year under review and more are expected in the new financial year, however, we believe we are more than well positioned to continue as the leading mall in Colpetty. Liberty Plaza has succeeded in attracting high profile of shoppers and an increased footfall since the addition of the new retail podium and inclusion of the 75,000 square foot department store styled Uptown Kandy, up market brands such as Pep Jeans, Avirate, Shirtworks and Coffee Bean.

The track record and familiar Liberty Plaza brand will continue to endure, supported by the agile response from the company to refurbish and renew it to remain competitive.

### Investing in tomorrow

As the only company with claim to a 14-acre block of land in the heart of Colombo, in Pettah, CLDC is eagerly awaiting final approvals from the Urban Development Authority to proceed with the development of this vast space as planned. While we continue to lobby with the authorities, for the handing over of the larger block not yet in possession, we increasingly see this as a real possibility, with improvements in Colombo's transport infrastructure and the realization of the envisioned Transport Hub under the Magapolis Plan currently underway.

### Future Outlook

We firmly believe that Real Estate sector will continue to lead all other sectors in our expanding economy as Sri Lanka takes its place as a regional logistical and services hub facilitating and participating

in the growth of the two Asian giants, India and China, both countries with which Sri Lanka enjoys strong economic ties.

Sri Lanka is poised to attract investment and as one of the oldest real estate companies, CLDC, with its prominent and experienced Singaporean partners, are ideally poised to assist in raising the nation's real estate profile by providing high quality real estate and logistics spaces. The future for the city's real estate sector is exciting and we see a prominent role for CLDC in it.

**Appreciation**

I wish to place on record my gratitude to the Chairman and Directors on the Board for their unwavering confidence and support in the abilities of my staff and me to take the company to the next phase of growth. All other stakeholders in our business also need to be thanked for their support and patronage at all times.

Thank You.

Sgd.  
**Vasula Premawardhana**  
*Director/Chief Executive Officer*  
30th May 2019

## BOARD OF DIRECTORS





## DIRECTORS' PROFILE



**Professor Krishan Deheragoda**  
**Chairman (Non-Executive  
 Independent Director)**

Emeritus Professor C. Krishan M. Deheragoda has been appointed Chairman Colombo Land & Development Company PLC (CLDC) since September 2013. He has previously been the Chairman of CLDC from 1999 - 2002 and Vice Chairman from 2006 - 2010. He is an Emeritus Professor at the Department of Geography at the University of Sri Jayewardenepura and a Visiting Fellow at Centre for GIS & Spatial Analysis at University of Illinois, Urbana Champaign - USA.

Prof. Deheragoda has served as an Advisor to several Ministries including Ports & Aviation (2006-2007); Transport (2004-2006); Media & Information (2004-2006); Urban Development & Housing (2002-2004); Founder National Advisor to the Samurdhi Movement (1994-1995) etc. He was also a Consultant to the Western Region Megapolis Project (2015-2016), Expert Consultant to the Ministry of Hill Country New Villages Infrastructure and Community Development (2016 to 2017) and the Lead Consultant to the Ministry of Disaster Management for Preparation of National Disaster Management Plan -2018-2030 (2017-2018).

He has held the Chairmanship in number of public and corporate sector institutions including the Sri Lanka Sustainable Energy Authority (2008-2010), Ceylon Shipping Corporation (2005-2007), Real Estate Exchange (Pvt.) Limited (REEL, 1999-2005), Urban Development Authority (1999 - 2002), Onali Holdings Ltd. (1999-2002), Ocean View Development (Pvt.) Ltd. (1999-2002), Peliyagoda Warehouse Complex (Pvt.) Ltd. (1999-2002), Vice Chairman - Sri Lanka Ports Authority (2003-2006), Founder Project Director Sustainable Township Programme, Founder Project Director of the Special Projects Unit of Ministry of Finance and Planning (2006-2008) etc.. Prof. Deheragoda has served as a member in over 30 Governing and Advisory Boards of both State and Private sector statutory and corporate institutions. He has held over 20 Senior Academic positions during his 30 yearlong academic and research carrier and was the Consultant to the "Higher Education for Twenty First Century Project" of the Ministry of Higher Education (2012-2013) and currently serving as the Consultant to the Research Council of University of Sri Jayewardenepura.

He attended as member in number of State Delegations to International Conventions and Forums such as UN Habitat General Assembly-NY-2001. Prof. Deheragoda had delivered a dozens of Key Note Addresses in several national and international scientific and professional gatherings.

Prof. Deheragoda holds a Ph.D. in Recreational Geography (Bulgaria), M.Sc. in Natural Resource Management (Sofia) and Post Graduate Diplomas in Urban and Regional Development Planning (Nagoya) and Resource Survey and Mapping (Colombo). A Number of research and scientific works are to the credit of Prof. Deheragoda. He is a member of the International Association of Scientific Experts in Tourism, St. Galen (Since 1994 to date) and formally the President of Sri Lanka Association of Geographers and was the President of the Sri Lankan Alumni & Professionals Association (SLAPA) from 2013 to 2016.



**Mr. Dilith Jayaweera (Executive Director)**

Mr. Dilith Susantha Jayaweera is a leading entrepreneur in Sri Lanka with interests in several key economic sectors. In 1993, Mr. Jayaweera founded Triad (Pvt) Ltd, which has grown from a small advertising agency to Sri Lanka's largest and most awarded communications powerhouse, extensively diversified to offer integrated communications solutions.

Mr. Jayaweera is Group Chairman of George Steuart & Co. Ltd., Sri Lanka's oldest mercantile establishment, and a Board of Director of Citrus Leisure PLC. He is also the Chairman of Powerhouse (Pvt) Ltd., the holding company of Sri Lanka's premium entertainment offering, Derana. An attorney at Law, Mr. Jayaweera holds an LLB from the University of Colombo and an MBA from the University of Wales.



**Mr. Vasula Premawardhana**  
**(Director/Chief Executive Officer)**

Mr. Premawardhana was appointed to the Board of Colombo Land and Development Company PLC on 24th March 2016. He is an accomplished professional with over 15 years of comprehensive management experience comprising local and international hands-on experience in the fields of Capital Markets and Risk Management. He holds an MA in Financial Economics from the University of Colombo and BSc in Computer Science from the University of Southern California - USA





**MR. Sunil Perera**  
Mr. W D A S Perera holds a BSc (Business Administration) special with second class upper division from the University of Sri Jayawardenapura.

He is also a Fellow member of Institute of Chartered Accountants of Sri Lanka, Fellow member of Chartered Institute of Management Accountants-U.K.CGMA, Fellow member of Association of Accounting Technicians. Mr. Perera also holds a Post graduate Diploma in Business and Financial Administration-ICASL and a Diploma in Import and Exports.

Mr. Perera is currently the Financial Consultant - Ministry of Megapolice and Western Development - Sri Lanka Land Reclamation and Development Corporation and the Acting General Manager Lanka Land Reclamation Company Ltd (REDECO)

He presently serves as a Board member of the Urban Development Authority, Urban Investment and Development Company, Urban Investment and Hotel Development Company, LRDC (Services) Ltd - a subsidiary of the Sri Lanka Land Reclamation and Development Corporation. He is also the Chairman of the Audit and Management Committee of the Urban Development Authority and a Member of the Audit and Management Committee-LRDC (Services) Ltd

Mr. Perera previously served as the Chief Financial Officer of the Lanka Electricity Company (Pvt) Ltd during the period 2011-2016, the Finance Manager of the Ceylon Electricity Board -2008-2011 and the Additional Finance Manager (Distribution) of the Ceylon Electricity Board 1999-2008.



**Mr Chaminda Welegama**  
(Non-Executive Director)

Mr Welegama has worked in the Plantation Industry state and the private sector in Senior Managerial capacity. He started carrier as a planter Trainee in 1989 and held senior position in the Industry. He has served as a Board Director at Sri Lanka State Plantation Corporation.

Mr. Welegama currently serves as the Joint Managing Director of Cimbalanka Holdings (Pvt) Ltd. involved in trading petroleum products and the Country Director of Hyrax oil Malaysia.



**Mr. Mangala Goonatilleke**  
(Non-Executive Independent Director)

Mr. Goonatilleke is a Financial Professional with over 30 years post qualification experience. He has held senior managerial positions in leading public, multinational and private companies during his career.

He is an Associate Member of the Institute of Chartered Management Accountants (U.K.), since 1987. He 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 Non-Executive Director of DSL Group of Companies and as the Chairman of Summit Finance PLC.



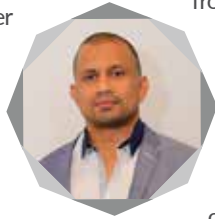
**Mr. Ng Yao Xing, Eugene**  
(Non-Executive Director)

Mr. Ng Yao Xing, Eugene is a director from the Singapore. He is a graduate of Singapore Management University. He holds several Directorships in property development and management companies in Singapore and Malaysia. In addition, he oversees several technical and IT related start up's in Singapore.



**Mr. Ng Heng Chye Clement**  
(Alternate Director to Mr. NG Yao Xing, Eugene)

Mr. Clement NG has over 20 years of management experience in Multi-National Companies in senior executive roles. He has an MBA with a double major in Finance and Marketing from the University of Western Australia.



**Mr. Sarva Ameresekere**  
(Alternate Director to Mr.M D S Goonetilleke)

Sarva, Director/CEO of Triad is responsible for the day to day operations and management of one of Sri Lanka's leading advertisement agencies. Under his purview, Triad together with its group of Companies in the communication industry offer clients a comprehensive integrated business solution. Sarva is also involved in the macro management and strategic planning of a diversified portfolio of strategic investments across many sectors. Qualified in both Business and Engineering, Sarva brings on board extensive local and foreign exposure including business, fund management, operations, research and analysis. Sarva holds a Masters in Engineering Management from the University of Southern California, Los Angeles and a Degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.





# Performance and Value Creation

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# Our Value Creation Model

Colombo Land Development Company PLC's value creation model graphically illustrate inter-relationships among different types of capital which are input to the Company's value creation process, its business activities and the outcomes.

We have sought to embed our strategy of differentiation in the areas of tenants' relationship management, responsible behavior, and advantage of prime commercial location, to deliver a higher return to our stakeholders.



## Financial Capital

Shareholders' Funds Rs. 7,689 Mn  
Long term borrowings Rs. 1,631 Mn

## Manufactured Capital

Investment Property Rs. 12,631 Mn  
Commercial, Corporate spaces and Apartments  
Biological assets Rs. 54 Mn  
Property, Plant & Equipment Rs. 169 Mn

## Human Capital

Multi skilled and experienced employee base  
Customer-centred culture  
Strong compliance culture  
27 Employees.

## Social & Relationship Capital

Government & Regulators  
Long standing relationship with tenants, Suppliers, industry networks and business partners.

## Intellectual Capital

Liberty Plaza Brand  
Our Organizational values  
Tacit knowledge and innovation capacity,  
Policies, Procedures and Standards.

## Natural Capital

Energy 2,155,772kWh, Water 21,619m3  
Ongoing efforts to improve energy efficiency through use of inverter air conditioners, LED lighting and employee engagement.

# Value Creation

Vision & Mission

Strategies & Governance

Marketing Channels

Resource Allocation

Providing Commercial, Corporate, Residential Accommodations & Allied Services

# Value Delivered to

**Shareholders**  
 Revenue Growth - 8.08%  
 PAT - Rs. 328 Mn  
 EPS - Rs. 1.65 per share

**Employees**  
 Staff cost - Rs. 56.85 Mn  
 Investment in training & development - Rs. 89,595

**Tenants/Customers**  
 Rental Revenue over Rs. 415 Mn  
 Property Services Income Rs. 66 Mn

**Suppliers**  
 Premises & Maintenance value created - Rs. 113.76 Mn

**Community**  
 Contribution for CSR - Rs. 750,000  
 Beneficiaries - Two temples and their devotees

**Government**  
 Taxes - over Rs. 35 Mn

## STAKEHOLDER ENGAGEMENT

Stakeholders are the key providers of critical capital to the Organization that enable the generation of competitive sustainable value in the short, medium and long term. Feedback from stakeholders helps us to understand their views and to develop effective strategies for value creation. Their expectations and needs, which emerge from the engagement process, help us to refine our services, and deliver value to them.

Engagement is facilitated through both formal and informal mechanisms and supported by an extensive network of stakeholder contact points. When selecting stakeholders to engage with, we prioritize those who could potentially have the most significant impact on our ability to create value.

### Our Stakeholders & their Expectations:

The Company identifies its key stakeholders as tenants, employees, investors, suppliers, government, legal & regulatory bodies and society as a whole. We have clearly identified the different stakeholder expectations and have formulated our responses accordingly. This varies from effective management that delivers sustainable wealth, product innovation, performance linked remuneration, transparent procurement policies, effective and efficient use of resources etc.

### Recognizing Stakeholders:

Stakeholder engagement is important for an organization to further align business practices to achieve long term sustainability. We maintain a high level of engagement with stakeholders who directly impact our business and are directly affected by our actions to ensure that our business model recognizes the need to deliver value to them. We apply a conceptual approach in analyzing each of the social, environmental, and economic factors, thereby enhancing our capabilities through incremental improvements. We also track our progress through a structured process of stakeholder engagement and through the measurement

of our impacts. We listen to our stakeholders and welcome their constructive suggestions through proper communication channels.

### Materiality Assessment:

Our goal for this report is to address the issues of our stakeholders such as investors, customers, employees, suppliers, community, environment and business partners, who we care about most and to inform anyone looking for information about our progress as a responsible company in a clear, comprehensive and accessible way. Issues that we consider material are those that have a direct or indirect impact on our stakeholders' decisions to do business with us. In this context, it

reflects the company's significant economic, environmental and social impacts that would substantively influence the assessment and decisions of its stakeholders.

### Stakeholder categorization and engagement at Colombo Land:

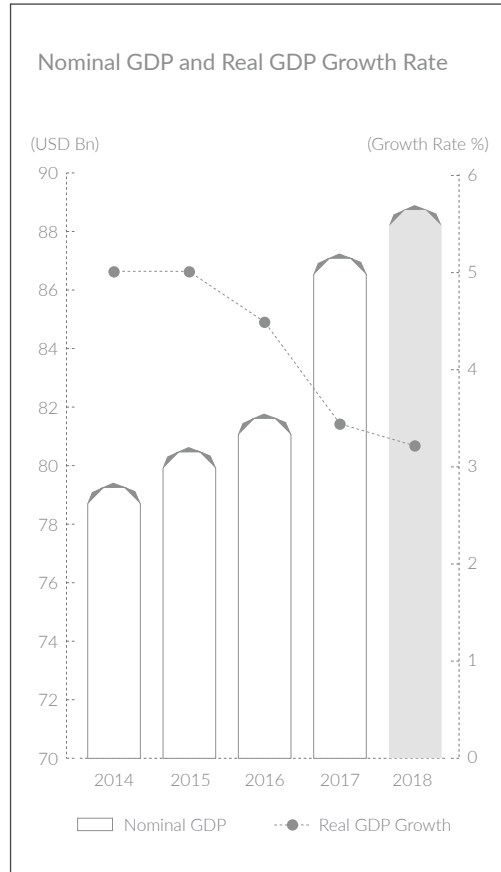
It is a key input to our strategic planning process as it enables evaluation of our strengths and weaknesses in a systematic manner using feedback from our key stakeholders. Table below summarizes our engagement mechanisms and stakeholder concerns identified through the same.

Stakeholder	Key topics and concerns raised	How we respond to such topics and concerns	Why they are our key stakeholders and the importance of engaging with them	Current level of engagement
Investors / Shareholders	<ul style="list-style-type: none"> <li>• ROI</li> <li>• Liquidity</li> <li>• Good governance Practices</li> <li>• Risk management controls</li> <li>• Transparency</li> <li>• Shareholder confidence.</li> </ul>	<ul style="list-style-type: none"> <li>• We maintain transparent and ongoing engagement with all our shareholders and ensure that our material information is communicated in a timely and accurate manner.</li> <li>• Manage the business effectively and efficiently to deliver sustainable growth.</li> <li>• Implement effective risk management policies and adequate internal controls</li> <li>• Ensure regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Providers of financial capital and owners of the Company</li> <li>• Increasing Shareholder wealth</li> <li>• Business Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting.</li> <li>• Annual Reports</li> <li>• Interim Financial Statements</li> <li>• Web updating/ CSE announcements</li> </ul>
Customers (Tenants - Individual and Corporate)	<ul style="list-style-type: none"> <li>• Service quality and standards</li> <li>• Affordable competitive prices</li> <li>• Facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Provisioning of modern, commercially attractive space with highest standards at competitive prices.</li> <li>• Availability of round the clock security, maintenance and customer service at doorstep with minimum down time.</li> </ul>	<ul style="list-style-type: none"> <li>• Tenants are our key stakeholders and they are the very reason we exist.</li> <li>• Cordial relationships with them maximize our service excellence.</li> </ul>	<ul style="list-style-type: none"> <li>• One to one meetings</li> <li>• Discussion forums</li> <li>• Customer feed back</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Price fluctuations</li> <li>• Delays in delivery.</li> <li>• Quality of goods and services</li> </ul>	<ul style="list-style-type: none"> <li>• Proper procurement policies</li> <li>• Better negotiations</li> <li>• Proper inventory management systems</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers are a critical link in our chain and a part of our relationship capital.</li> <li>• Effective supply chain provides opportunities in attending to service needs on time.</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier registration</li> <li>• Supplier evaluation</li> <li>• Tender invitation</li> <li>• Visits and meetings</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Employee Development</li> <li>• Health &amp; Safety requirement.</li> <li>• Organizational ethics</li> <li>• Work force diversity</li> </ul>	<ul style="list-style-type: none"> <li>• Merit based recruitment &amp; selection.</li> <li>• Employee Welfare, Insurance, Staff Loans and Medical</li> <li>• Performance linked rewards</li> </ul>	<ul style="list-style-type: none"> <li>• The employees are the pillars of the organization</li> </ul>	<ul style="list-style-type: none"> <li>• Direct reporting</li> <li>• Open door policy</li> <li>• Staff meetings</li> </ul>
Government, Legal & Regulatory Bodies	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Loss of reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Implementations of regulatory monitoring</li> <li>• Conduct compliance reviews at various levels</li> <li>• Good Code of ethics.</li> <li>• External consultations</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance to legal and regulatory requirements are important to the wellbeing of the society and noncompliance is subject to penalties</li> </ul>	<ul style="list-style-type: none"> <li>• Representation through associations</li> <li>• Acts and circulars</li> </ul>
Society / Pressure groups / Media	<ul style="list-style-type: none"> <li>• Waste disposal</li> <li>• Energy efficiency</li> <li>• Potential for future growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing environmental impacts</li> <li>• Colombo Land promotes initiatives such as paper recycling, energy saving lighting (LED), equipment such as air conditioners etc.</li> <li>• Effective maintenance of AC system, Generators, water supply etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Extend assistance for Sustainable developments</li> <li>• Green concepts in reducing carbon footprint.</li> </ul>	<ul style="list-style-type: none"> <li>• Correspondence</li> <li>• Discussions, Media coverage.</li> </ul>

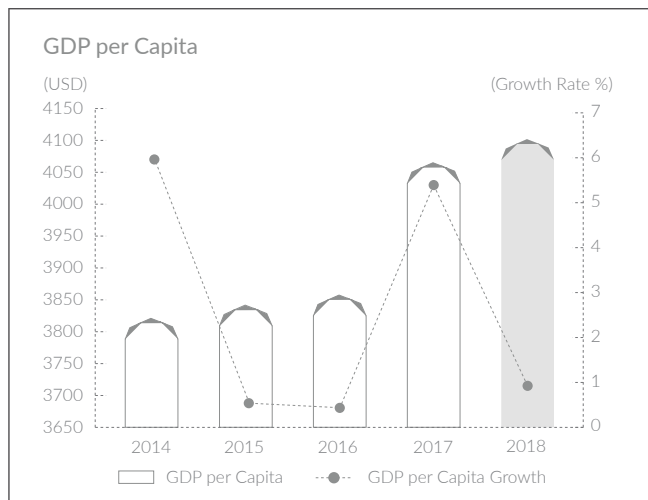
# MANAGEMENT DISCUSSION AND ANALYSIS

## Sri Lankan Economy

The year 2018 was a challenging year for Sri Lankan Economy due to the turbulent influence of local developments and global economic factors. The Economy grew by 3.2% for the calendar year 2018 compared to the 3.4% GDP growth recorded in 2017, much lower than envisaged level of 4.5% by the Central Bank of Sri Lanka. Agriculture, Industry and Services, the major components of the economy have contributed their share to the GDP growth by 3.3%, 1.9% and 3.9% respectively. Real Estate activity has contributed to the GDP growth by 2.2%. The per capita GDP increased to USD 4,102 in 2018 from USD 4,065 a year ago.



Annual Report 2018, Central Bank of Sri Lanka



Annual Report 2018, Central Bank of Sri Lanka

The reasons for the subdued economic performance in Sri Lanka are primarily as a result of weak domestic demand, continued tightening in monetary condition as well as Government consumption spending, stagnant fixed investment, and lower net exports. The recovery experienced in the agricultural and services sector was stymied by political instability towards the end of the year. Due to widening trade deficit, investment outflows, tightening US market condition, the effect of speculation in the domestic market coupled with downgraded credit rating, depreciated Sri Lankan rupee to historic lows by around 16% against the US\$ during 2018, relative to a 2% depreciation reported in 2017.

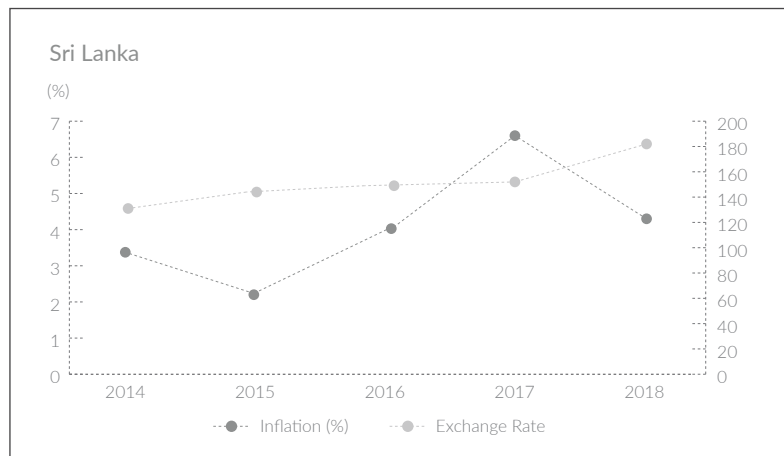


Although South Asia is still the fastest growing region in the world with an estimated 6.9% economic growth in 2018, Sri Lanka's economic performance in 2018 is not satisfactory relative to its regional peers, countries in South Asia and Southeast Asia. Almost all these countries recorded over 5% growth in 2018. Philippines, Vietnam, Cambodia and India managed to continue their robust growth performance in 2018 as well.

Sri Lankan economy is expected to grow by 4.5% and 4.3% in 2019 according to the ADB and IMF's forecasts respectively. In order to achieve this level of growth the Central Bank of Sri Lanka is planning to introduce growth enhancing structural reforms within a coherent and transparent framework as per CBSL's vision towards acceleration of economic growth. It is reported that Sri Lanka will have \$4.2 Bn in debt service payments in 2019, \$3.7 Bn in 2020, \$3.3 Bn in 2021

and \$3.7 Bn in 2022, adding up to a total of \$14.9 Bn during the four years. Refinancing large volumes of foreign debt settlements could cause government's debt refinancing costs to increase due to poor credit ratings and associated political risks. Further US monetary policy becomes tighter and dollar strengthens emerging economies like Sri Lanka will be badly affected in 2019 as well. Consequently, the funds outflow from the domestic financial market increase the

pressure on the exchange rate and foreign exchange reserves. In this scenario, further depreciation in currency can be expected in 2019 at a moderate level because the CBSL has limited capacity to intervene the market as it has limited reserves. The impact of currency depreciation (around 16%) in last year is yet to emerge in 2019. Not only the Sri Lankan Rupee, but many currencies in emerging economies depreciated due to the impact of the Fed rate hike and strengthening US Dollar.



Annual Report 2018, Central Bank of Sri Lanka



### Real Estate Market

Being accustomed to a service-oriented economy, Sri Lanka, as a country has grown reasonably over the past 5 years or so, with impressive contributions from real estate sector. On an ambitious journey towards an upper-middle income country with economic growth and transformation, the Colombo City seems to be the most transformative of all, with the residential, commercial and retail spaces expanding alike, becoming conditioned to the anticipated demand in the future. Particularly, it was encouraging to see the strong growth momentum demonstrated in the high-end residential market over the recent years from the local and international investors. As per KPMG Real Estate Research Report over 6,000 luxury condominium units will be added by 2020. This is in addition to Colombo Port City adding 5.65 Mn square meters on completion to the market.

Western Region Mega polis Plan (WRMPP) would add more glamour to the real-estate forefront, expected to complement by the development in the transportation network in the country. Looking at the long term time horizon, the much discussed Port City project could certainly be a well-embraced key landmark in the real estate arena of Sri Lanka as well as the South Asian region. It is undeniable that the Port city project will add considerable excitement to the property market in the vicinity. At the same time, it is also interesting to see the impact it will bring about on its neighboring properties located in and around the Fort region.

**“As per KPMG Real Estate Research Report over 6,000 luxury condominium units will be added by 2020. This is in addition to Colombo Port City adding 5.65 Mn square meters on completion to the market.”**

Further, in terms of achieving holistic development and being competitive as a country in the real estate landscape, Colombo Stock Exchange is considering to introduce Real Estate Investment Trusts (REITs) which encourage investments at the domestic level, in real estate where many citizens can benefit from the growth story of Sri Lanka's real estate market. Sophisticated and long-term mortgage based products such as this and the availability of a variety of concessions to encourage investments are vital in developing Sri Lanka's real estate sector.

Within an environment of scarce space in Colombo, prime office space category appears to be the most sought after in the short to medium term. However, the demand dynamics centered on the commercial property market space would possibly ease off in the long term, due to the numerous mega-scale mixed developments with office space steadily shaping the Colombo city and suburbs.

However, Sri Lanka's fledgling real estate market remains susceptible to external influences, largely due to geo-political sensitivities associated with the island's strategic location along the maritime component of China's One Belt, One Road initiative, and vulnerable to a lack of direction and leadership at ministerial level, due to issues including a lack of transparency and an inconsistent policy framework. 2019 looks set to be as patchy as 2018 proved to be, with certain sectors 'out of sync', being at different stages of their respective cycles and others enjoying more capacity to respond to changing circumstances; but with game changers such as Port City looming on the near horizon, and long-awaited infrastructure finally being delivered, successful real estate outcomes will be dependent upon sound strategy. It's a good opportunity to see how the real estate market is likely to change in the coming years. While the primary functions of real estate remain the same - i.e. buying, leasing and selling, how it's done

and what people are transacting are changing.



**“Colombo Stock Exchange is considering to introduce Real Estate Investment Trusts (REITs) which encourage investments at the domestic level, in real estate where many citizens can benefit from the growth story of Sri Lanka’s real estate market.”**



**Mall Operations**

During the past few years, Mall operations are coming into greater prominence in the country, in fact few super-malls were launched few months ago. This sector is now attracting more investment and resources. Change in life styles, increased purchasing power, availability of branded goods have all begun to fuel the growth of this sector. The offering of a wide choice of goods and services under one roof has been embraced by customers. Additionally, the growth of the tourism sector also offers spin off benefits to Mall operators. We see the growth trend in this sector being sustained in the foreseeable future. Some developers are turning malls into experience centers where the family can enjoy with movies, activities and restaurants and others are converting them into office spaces. Then there are some developers who are planning to build an entire community around the malls, which are in the suburbs and out of town. They are building residential blocks, office spaces and even schools and medical centers - all components of a small town built around the mall. Therefore, the future mall may not be a collection of department stores and shops but experience centers where shopping, eating, watching movies and activities all happen in equal measure and more of them being built as mixed-use developments with residential, commercial, retail and hospitality all included.

Liberty Plaza is one of the Sri Lanka's first iconic shopping complex and well-known landmark situated in the heart of Colombo and recognized as the premier shopping complex in the country. The location offers ease of access from public transport as well as private vehicles with its own ample parking space in three-floor car park. The Mall offers a wide choice in retail, fashion ware, food and entertainment including prestigious international brands. Due to these factors this location has been an attraction with the tourists and local customers. The mall sustained an occupancy exceeding 95% during the year, which is an indication of the continuous demand for space in this mall. Further we enjoy very cordial relations with most of our tenants and many have operated from Liberty Plaza since its inception. We are confident that our tenants would continue to remain at Liberty Plaza and together we would reap the rewards of long lasting relationships.

**“The Liberty Plaza sustained an occupancy exceeding 95% during the year, which is an indication of the continuous demand for space in this mall.”**



## Future Outlook

The immediate future the Company is expected to bring about change and important milestone in its growth with the start of revenue generation by 24,951 sqft of Liberty Plaza shopping complex. This will increase the revenue base of the Company and will ensure a better management in the provision of services and maintenance in the future. The Company has already commenced exploring minor structural changes with a view of expanding rentable areas and quick access to different floors in the building to accommodate increased activities. **Interior upgrades are also planned from 4 to 8th floor which will increase the property values while improving the esthetics.** Major improvements are also planned for the two car parks located in Colombo 11 which will enhance the parking capacity and increase long term revenue. We are ready with the structural

designs and plans for a mixed development project in compliance with the Western Region Mega polis Development Plan in our prime three acre land parcel in possession at Pettah. We remain hopeful that the Urban Development Authority will accord the necessary approvals. This will not only truly enhance and transform the profile of Pettah, along with the upcoming Colombo Port City; but also, will have a positive impact on the net asset value of the shareholdings of the Colombo Land.

Another interesting area with growth opportunities that the company is looking at is the office co-working or shared space or hot-desking which has taken off in recent years and has mainly been associated with startups. The flexibility with short term contracts, no high upfront costs such as advances or buying furniture, not having to worry about cleaners or paying bills and generally having

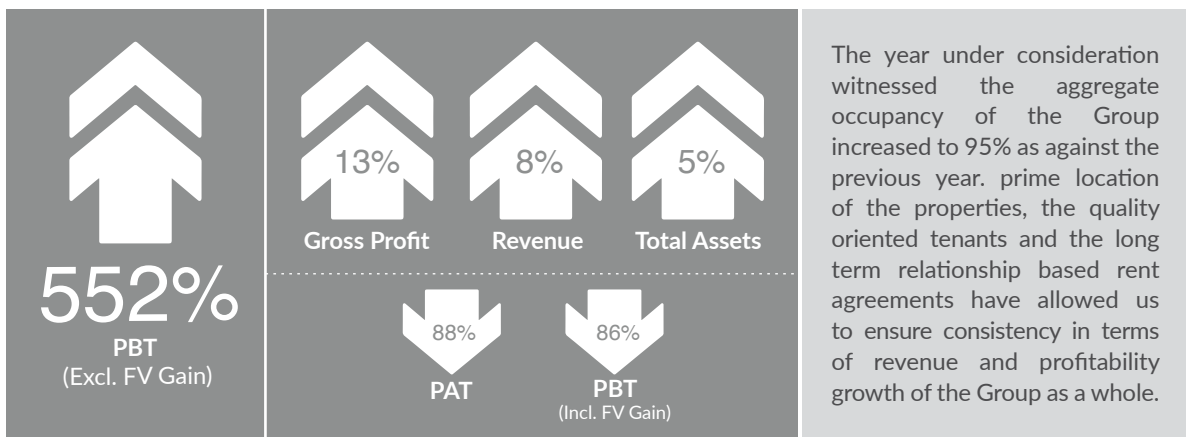
a lively and startup friendly community environment has made it a popular choice with startups and small companies in recent years. Liberty Plaza being located in the heart of the Colombo city sees growth opportunities in this arena by providing spaces at competitive rates otherwise unfeasible. The location offers everything that this type of ventures are looking for such as prestigious mailing address, ultra-modern infrastructure facilities, friendly working environment etc.

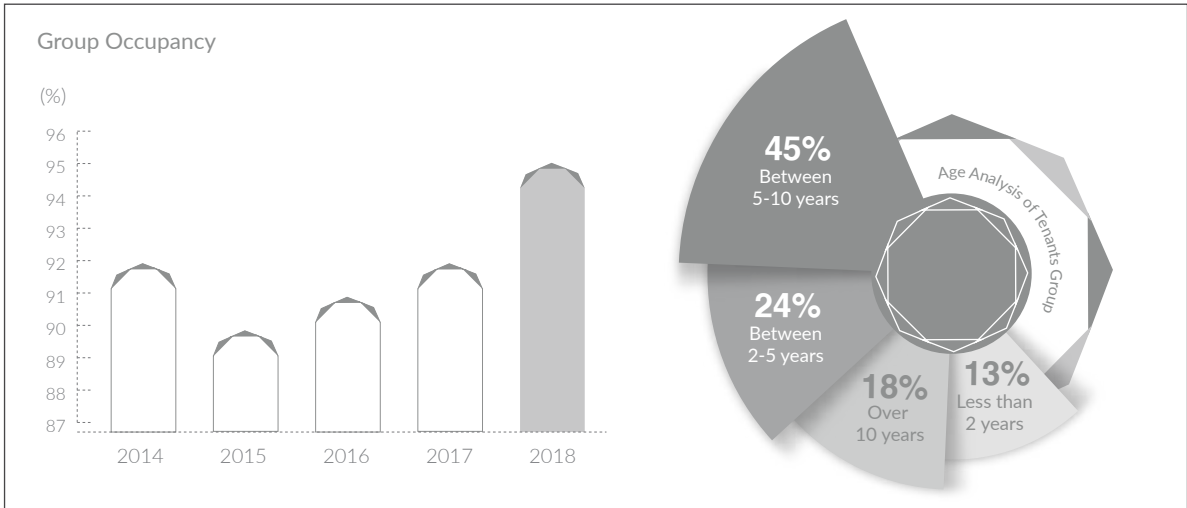
In the present competitive market for renting shops, apartments and office space, the Company plans to improve the quality of services and facilities provided to its tenants, at the same time managing efficiently the maintenance cost, with a view to improve the revenue, there by enhance shareholders' value.



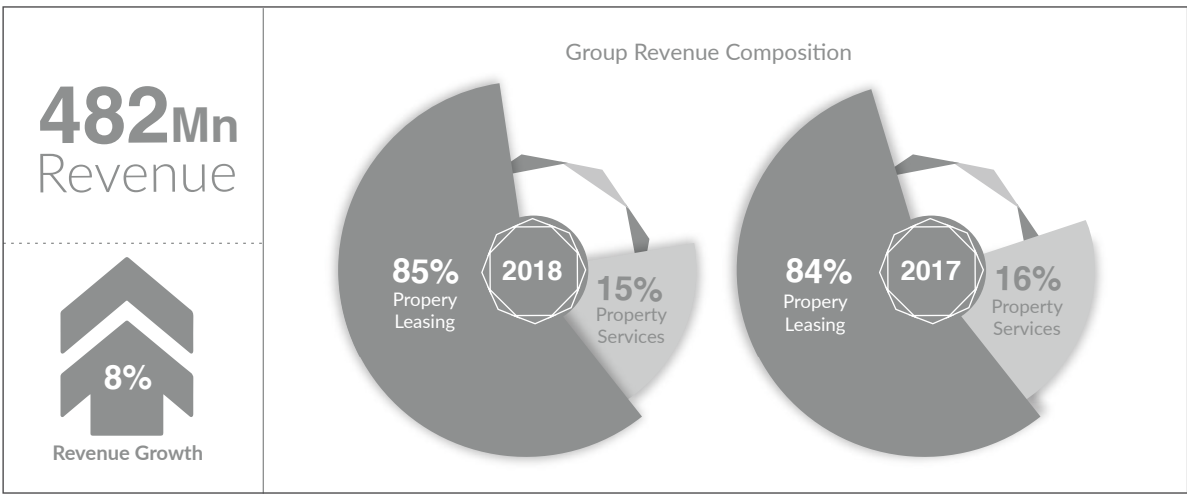
## Financial Review

The property development industry was forced to operate in a very challenging environment in the year under review as a result of tough macro economic conditions which stymied economic growth. In spite of this fact and other inflationary pressures and upward movement on interest rates, the Group recorded a worthy performance during the period under consideration.





### Revenue



The increase in occupancy and the rent reviews facilitated the rental income growth for the year under consideration, where the total revenue increased by 8.08% Y-o-Y to reach Rs. 481.9 Mn for the Group.

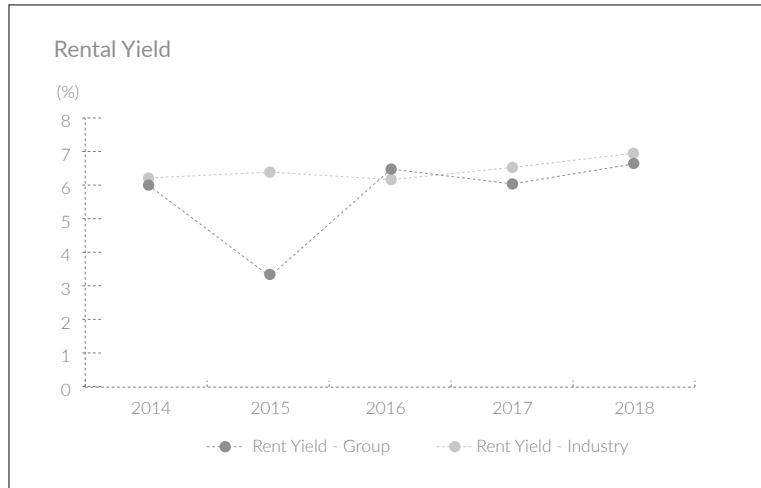


Rental Yield provides a valuable insight into the quality of investment properties owned by the group and their growth over the time.



**Rental Yield**

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Rental Yield provides a valuable insight into the quality of investment properties owned by the Group and their growth over the time. In general, high yield presents strong interest from renters/tenants. This is calculated as gross rental income divided by value of investments properties. The Group's rental yield is in line with the industry averages since 2016 with minor variations. This shows that the Group's investment properties are generating sufficient returns consistently. A KPMG Real Estate report predicts that investors entering the primary market would continue to generate average rental yields of 9%. Those investors entering secondary market would be able to generate average rental yield of 5-7% per annum.

The group operating profit (Excl. FV Gain) of Rs 258 Mn. was 10% higher than last year with higher revenue recorded during the year.

**Operating Expenses**

Direct costs marginally declined by 4.7% YoY to reach Rs. 121.4 Mn. due to relatively low repair and maintenance expenditure incurred during the year. Administrative and other operating expenditure increased by 6.15% compared to the previous year, due to higher

professional services cost and bond expenses. Selling and marketing expenses remained at the same level as last year.

**Gross Profit**

Group Gross Profit of Rs. 360 Mn. was 13% higher than previous year due mainly higher occupancy and rent reviews.

**Changes in fair value of Investment Properties**

During the year, a valuation exercise was carried out to determine the fair value of investment properties of the Group in line with the current market conditions, as required by the Accounting Standards. In the said

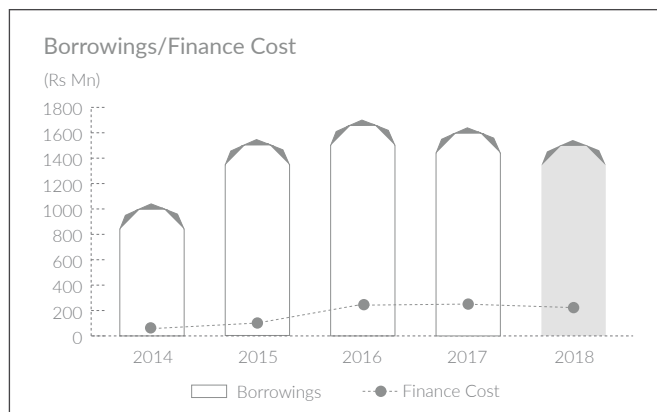
valuations the investment properties of the Group were valued at Rs. 12,627 Mn resulting in a net gain on change in fair value of investment properties amounting to Rs. 424 Mn. being recorded during the year in the Statement of Profit or Loss.

**Operating Profit**

The group operating profit (excluding fair value gain) of Rs 258 Mn. was 10% higher than last year with higher revenue recorded during the year. Further the operating profit margin (excluding fair value gain) slightly increased from 52% to 54%.

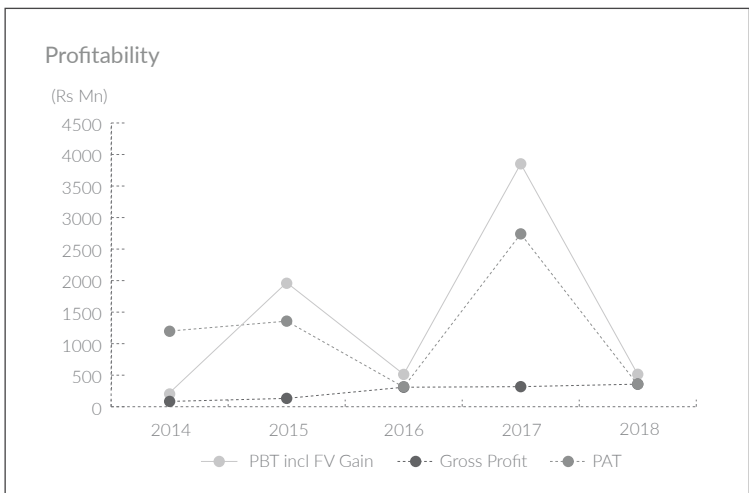
**Finance Costs**

The group financing costs decreased by 11.6% mainly due to payment of loan installments on time, avoiding overdue interest. However, during the year increase in cost of funds was experienced due to the rise of Average Weighted Prime Rate. Further, during the year company borrowed an additional Rs. 65 Mn. towards working capital requirements and the cost of these borrowings also contributed to the finance costs.



### Profit Before Tax (PBT)

The profit before tax of the Group, decreased by a significant 87% during the year, reaching Rs. 511.9 Mn. in comparison to Rs. 3,853.03 Mn. recorded during the previous financial year. Mainly due to higher revaluation gain on investment properties recorded in last year. The profit before tax without the impact of the fair valuation gain increased by a significant 552% relative to the previous year to reach Rs. 42.92 Mn. Operational performance was enhanced due to the increase in occupancy and rent revisions as mentioned earlier and reductions in direct cost and finance expenses.



### Taxation

The income tax expense of the Group and the Company for 2018 were Rs 182.67 Mn. (2017 - Rs. 1,110.64 Mn.) and Rs. 128.61 Mn. (2017 - Rs. 898.69 Mn.) respectively. The decrease of the income tax expense was mainly due to the high gain recorded on changes of fair value of investment properties in previous year and deferred tax there on. Deferred tax liability on Company's Investment Property is calculated considering possible tax liability that could arise at the time of sale as per the provisions of the Inland Revenue Act No. 24 of 2017

which is effective from 1st April 2018 onwards, by applying the applicable tax rate of 28%.

Group has accumulated tax losses of Rs. 1.2 Bn. Which can be utilized against future taxable income of the group. Current year taxable income of the company could be fully recovered against carry forward losses as per section 19 of the Inland Revenue Act No. 24 of 2017. Current year taxation expense shown in income statement entirely consist of tax liability arising out of investment property revaluation.

### Cash and Borrowings

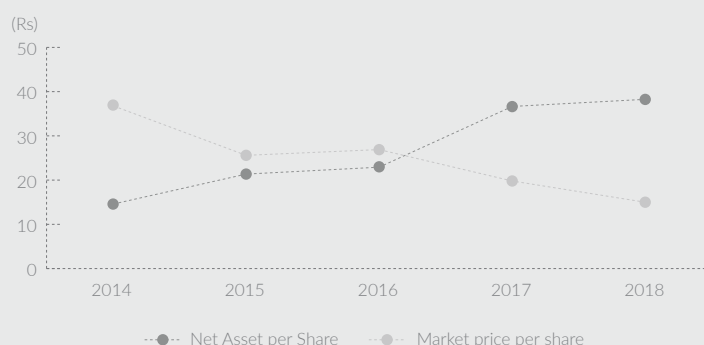
The Group's cash balance as at 31st December 2018 stood at Rs 7.77 Mn. (2017 - Rs 21.63 Mn) which was a decrease of 64.08% over the previous year.

The Group's total borrowing was Rs 1631.14 Mn. (2017 - Rs 1647.25 Mn.), which mainly includes Rs 1,700 Mn loans obtained from Peoples' Bank to fund the construction of New Retail Podium by Liberty Developers (Pvt) Ltd.

### Net Assets

The Group Net Asset value per share as at 31st December 2018 stood at Rs 38.47 (2017 - Rs 36.65).

### Net Assets Per Share & Market Price Per Share



### Earnings per Share

The Group earnings per share for the year 2018 decreased to Rs 1.65 per ordinary share (2017 - Rs 13.72) mainly due to high gain recorded on revaluation of investment properties in the previous year.

**Price Earnings Ratio**

The Price Earnings ratio of the Company as at 31st December 2018 was 9 times (2017 - 1.44 times).

**Return on Equity (ROE)**

The Group Return on Equity (ROE) was 4.28% for the year 2018 (2017 - 37.43%). The decrease in ROE is mainly due to high gain arising out of revaluation of investment properties in 2017.

**Assets**

The total Group asset base increased from Rs 12,384 Mn. to Rs 12,995 Mn. in 2018. The increase was mainly derived from Investment Property fair valuation.

**Liabilities**

Total Liabilities as at 31 December 2018 increased to Rs 5,308 Mn. compared to Rs 5,059 Mn. in the previous year mainly due to increases in defined benefit

obligations, deferred tax liabilities, trade and other payables and tenants deposits.

**Total Equity**

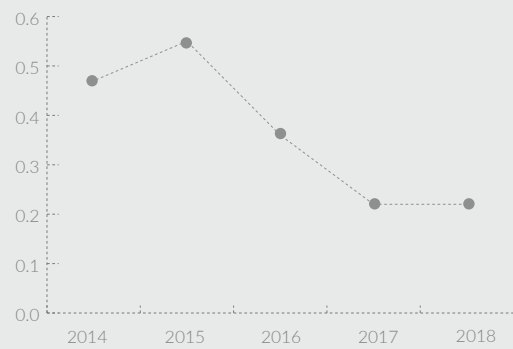
Total Equity of the Group Increased by Rs 328 Mn. to Rs. 7,689 Mn. (2016 - Rs 7,326 Mn.) mainly due to profit after tax of Rs. 328 Mn. which is mainly consist of revaluation gain recorded for the year.

**Debt to Equity Ratio (Gearing)**

Group's debt consists of Rs. 1,700 Mn obtained on behalf of Liberty Developers Pvt Ltd for the development of New Retail Podium. The Group has requested the People's Bank to reschedule the loans as we are struggling to meet original repayment periods with the increased cost of borrowings and tightened cash flows. Our calculations show that a duration of 10-12 years would be ideal for repayment of debt.

**Accounting Policies**

The Financial Statements contained in this report are prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) the requirements of the Colombo Stock Exchange and the Companies Act No 07 of 2007.

**Debt to Equity Ratio**

# SUSTAINABILITY AT COLOMBO LAND

**“We are living on this planet as if we had another one to go to”**

**Terry Swearingen**

In essence, sustainability is about five key principles: quality of life; fairness and equity; participation and partnership; care for our environment and respect for ecological constraints - recognizing there are 'environmental limits'; and thought for the future and the precautionary principle". Thus, it requires natural, social and economic resources. Sustainability is not just about environmentalism. As a corporate entity, our business conduct should ensure that our

decisions, actions and impacts are sustainable in all aspects and positive at all times.

The United Nations (UN), in its intervention in this arena, sets out Sustainable Development Goals (SDGs) to eradicate poverty, promote prosperity and protect the environment. Governments, the private sector and communities play a vital role in achieving these goals, and as an organization, we

are exploring how we can contribute most effectively.

This Report presents the group's performance in the wider context of sustainability, providing an insight into the group's contribution towards the enhancement of economic, environmental and social conditions within which it operates. The report has been developed within the context of the overall business strategy.

## The Report Parameters

This sustainability report is established on the Global Reporting Initiative (GRI) guidelines which define the contents, quality and the boundaries outlined in the GRI reporting principles. The report covers the period from 01st January 2018 to 31st December 2018. We have evaluated the operational and financial activities of the group and provide detailed information on the performance during the year.

## Group Sustainability Strategy

Growing a sustainable business is our core strategy and corporate responsibility has long been a philosophy at Colombo Land Development PLC. It has been a way to connect with the societies in which we operate, a way to positively contribute to the global fight against global warming and, most importantly, a way to enrich the lives of our stakeholders. Our efforts towards that end have primarily been motivated by our need to become more sustainable in all aspects of the business.

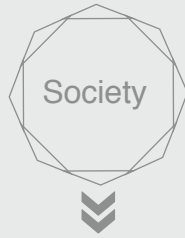
As a corporate entity during past years from the date of commencement of our business operations, we have ensured that our decisions, actions and impacts are sustainable and positive at all times. We are pleased that as a corporate body involved in property development & management business, we have operated our business in a sustainable manner, while making our stakeholders part of our journey of progress.

## Our Sustainability Framework

As depicted in our value creation model on page 18, our sustainability policy and principles evolve in creating value to our stakeholders. The Integrated Reporting Framework followed presents the concept six "capitals" which reflect its ability to create value over time. These capitals represent critical inputs in to the Colombo Land and Development Company PLC business model. Hence, we have chosen to follow the Integrated Reporting Framework Capitals that are linked to different elements of our Sustainability Framework.









## Sustainability Framework



## Organization

Integrated Reporting Framework Capitals

 <p><b>Capital Contributed</b></p> <p>Assets that are available to the organization from capital contribution for use in provision of services.</p>	 <p><b>Intellectual Capital</b></p> <p>Organizational, Knowledgebase intangibles associated with the reputation that the organization has developed.</p>	 <p><b>Financial Capital</b></p> <p>The pool of funds that is available to the organization for use in the provision of services obtained through contribution from shareholders and retained profits.</p>	 <p><b>Human Capital</b></p> <p>To improve people's competencies, capabilities and experience with a view to motivate them.</p>	 <p><b>Social and Relationship Capital</b></p> <p>The relationships established with group of stakeholders, tenants, suppliers and customers to enhance individual and collective wellbeing.</p>	 <p><b>Natural Capital</b></p> <p>All environmental resources that provide goods or services that support the past, current or future prosperity of the organization.</p>
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## The Link Sustainability Framework

<p>Company owns and operates flagship Liberty Plaza, Liberty Arcade, New Retail Podium and engages in Property Development &amp; Management.</p>	<p><b>Economy:</b></p> <p>Improve satisfactory service and care of the tenants, pursue steady and sustainable growth.</p>	<p><b>Staff:</b></p> <p>Provide a fair, equitable and transparent work environment valuing work performance and encourage leadership development.</p>	<p><b>Community:</b></p> <p>Enhance, enrich, and support local communities.</p> <p><b>Tenants:</b></p> <p>Establish long term relationships with our tenants to enhance and support their operations.</p>	<p><b>Environment:</b></p> <p>Minimize negative environmental impact by the group and strive to encourage community to follow.</p>
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**Our Commitment to Sustainability Development Goals**



We have provided direct and indirect employment to many people among our projects, allowing them to generate a secure source of income.



During the year, we introduced a number of initiatives to reduce our energy consumption such as use of inverter air conditioners, LED lighting through employee engagement in all our properties.



We are a major contributor to the development of sustainable cities and Communities through our landmark developments of Liberty Plaza, Liberty Arcade and New Retail Podium.



We always promote good health and well-being of our employees and their families and strive to maintain healthy hygiene conditions in Liberty Plaza, New Retail Podium, Liberty Arcade and all other facilities that we manage.



We provide a rewarding and dynamic work environment to all our employees and invest in their training and development and career progression.



We provide access to quality food for our employees, tenants and visitors in our developments through various food outlets and further we provide refreshments for employees who are assigned for night duty.



We are equal opportunity employer and our overall female representation rate amounted to 22% in 2018.



Multiple measures for the efficient use of energy and water in our main mall and other buildings were implemented.



We ensure clean water and sanitation for all employees, tenants and visitors who step in to our properties and facilities.

**Sustainability Principles at Colombo Land**

Our business objective is to provide commercial space with unmatched built quality, facilities, services in an impressive landmark located in the central business district, which extends towards initiatives across the sector to create a balanced, modern and harmonized built environment.

The group has also diversified into commercial plantation through its fully-owned subsidiary, Agri Spice (Pvt) Ltd, which operates the 102-acre Mahogany, Rubber and Alstoniya plantation at Avissawella, this is evidence of the group's commitment to sustainable development by reducing its carbon footprint through investments in environment-friendly sectors.

We operate in a competitive market environment. In principle, we always take proactive measures to minimize the effects at any given time. This has driven us to achieve enhanced business growth, ensuring that we remain within compliance benchmarks in the industry.

**Our Sustainability Policy**

Our prime responsibility is to improve living standards of our tenants, customers, building users, shareholders and our employees. Secondly, we consider it our duty to safeguard our environment and contribute to saving of natural resources, conserving energy while minimizing the carbon footprint in creating a better future for the next generation.



We take every effort to improve our asset value continuously and reasonably within changing market conditions. We also comply with all applicable laws and regulations of the country and statutory principles with best Corporate Governance practices. Our employees, with their diverse skills are the strength behind our success. Therefore, we encourage a knowledge culture at our work-place where they are exposed to modern technological advancements.

The group's responsibility efforts are not limited to promoting operational efficiency. The group believes that

sustainability leadership also requires an understanding of how environmental, social, and governance issues impact both its customers and the organization's future growth prospects. Therefore, the Group continues to strategically

integrate sustainable practices across every aspect of its operation, by adopting best practices in economic, environmental and social governance, in order to give a better life to all the stakeholders and society.

	Challenges	Opportunities	Risks	Our Strategies
Economic	Market Competition.  Price fluctuations on supplies and labor.	Investment Opportunities.  Well-known Brand name as Liberty Plaza	Loss of key customers.  Undesirable Capital expenditure.	Constant Improvements in services & facilities.  Enhance Research & Development
Environmental	Emerging high rise multi-purpose developments.  Out dated systems and Procedures.	Pro-active measures are taken on system improvements.  Enhanced Energy & Waste management.	Threats of environmental pollution due to waste emissions.  Increase in the carbon footprint.	Effective Building Management Systems.  Energy audit & monitoring.
Social	Aging work population.  Lack of skilled blue collar workers in the market.  High labour turnover.	Developing Multi skilled workers.  Structured Training Programs.  Participating in community development programs.	Possibilities for higher employee retention within a competitive labor market.  Cost reduction and strained employee relationships.	Performance Incentives.  Industry based training.  Active CSR participation.

The group ensures that sustainable development is featured at all strategic levels, supported by the Board of Directors and committed to by staff at all levels. The responsibilities are cascaded down the organizational structure on par with the adopted strategies.

A detailed discussion on these 3 pillars of sustainability will be given in Capitals Management on pages 35 to 39 of this Annual Report.

**Management approach and Performance Indicators**

It has been a deep-rooted policy of the Group to minimize both direct & indirect negative impacts on our environment. In achieving this, we follow safe management practices complying with all statutory and other regulatory requirements.

The management understands its priorities towards national initiatives as a service provider. The launching of the energy efficiency awareness program was a measure to reduce the impact on the national grid. This year, in strengthening the efforts, it was communicated to our tenants and customers in managing electricity,

water and also in reducing the paper consumption in minimizing the carbon footprint. Therefore, the key performance indicators of the group will be customer satisfaction levels, improved living conditions, energy efficiency, employee satisfaction, economic growth, increased market share, environmental consciousness etc.

**Economic Performance**

Economic Sustainability Initiatives Our economic sustainability initiatives are superior long term financial returns, sustainable developments, compliance with regulatory requirements and recognition and acceptance in the trade.

This goes hand in hand with both environmental and social parameters in the global context in understanding current and changing needs of stakeholders.

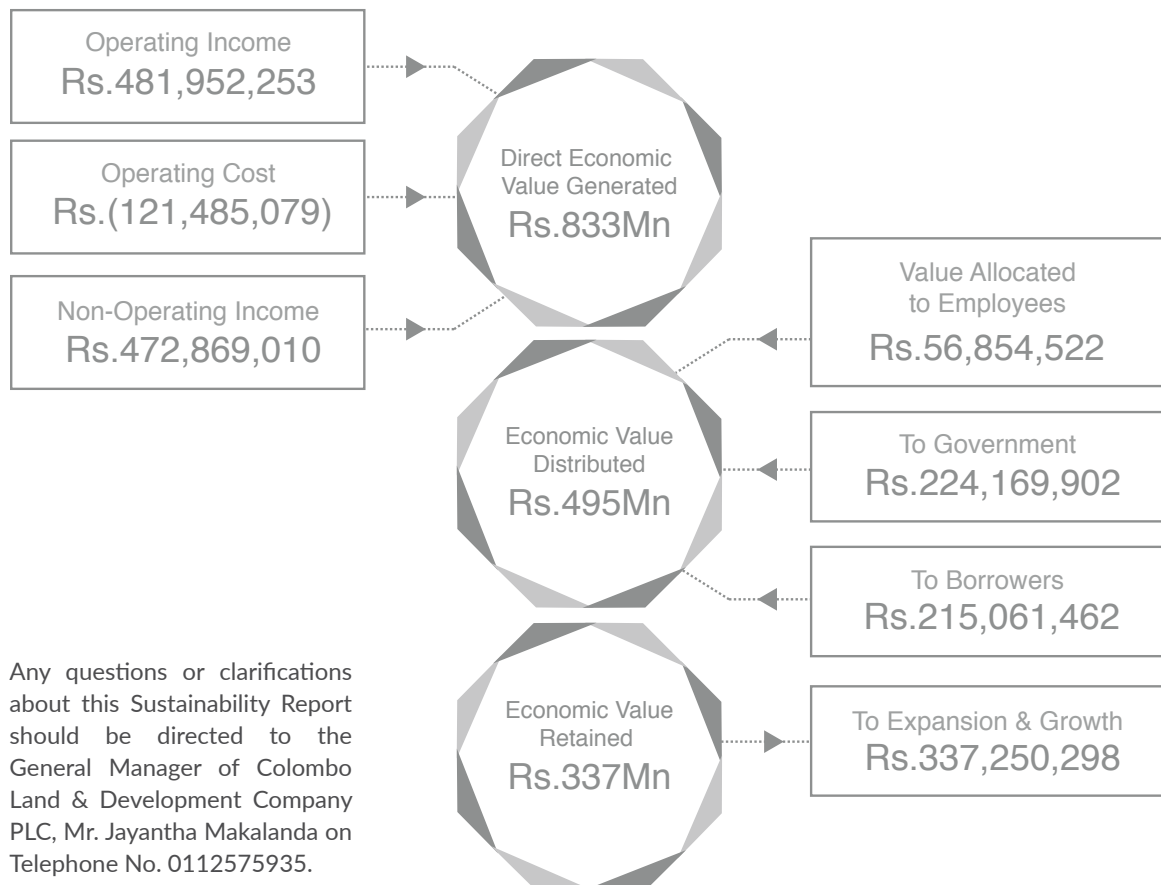
Economic Performance Indicators Economic impacts of our activities across key stakeholder segments are as follows;

**Value Addition**

The value statement depicts the generation of wealth and its distribution among the stakeholders by acting responsibly in all of our businesses and social activities throughout the group.

Value Added Statement	2018	2017
Operating Income	481,952,253	445,908,604
Cost of Services	(121,485,079)	(127,606,741)
Value Added Services provided by the group	360,467,174	318,301,863
Non operating Income	472,869,010	3,877,234,240
	<b>833,336,184</b>	<b>4,195,536,103</b>

		2018		2017
<b>Value Allocated to Employees</b>				
Salaries, Wages & Other Benefits		56,854,522		49,229,662
<b>To Government</b>				
Income Tax & Deferred Tax	182,673,460		1,110,642,834	
VAT & NBT	41,49,442	224,169,902	40,126,387	1,150,769,221
<b>To Borrowers</b>				
Interest		215,061,462		243,367,048
<b>To Expansion &amp; Growth</b>				
Surplus/ (Deficit)	328,334,715		2,742,393,037	
Depreciation	8,915,583	337,250,298	9,777,135	2,752,170,172
		<b>833,336,184</b>		<b>4,195,536,103</b>



# MANAGEMENT OF CAPITALS

As depicted in our value creation model in pages 18 and 19, value creation for all stakeholders is the primary purpose of our operations. Capitals are the sources of value creation. The quality, availability and affordability of these capitals have a significant impact on our ability to create value for stakeholders. The effective and careful management of these capitals is a prerequisite for the Company's success and sustenance.

The chapter describe how the company manages its capitals, which are divided into six major areas; financial, manufactured, human, social relationship, intellectual and natural as well as the strategic focus with regard to each of them.



## Financial Capital

Effective management of Financial Capital is vital in managing daily operations and for growing the business towards strategic directions. The Company's Financial Capital comprises shareholders' funds, internally generated funds, borrowings and is nurtured through prudent cost management and profit generation.

The financial statements and financial highlights appearing in pages 86 to 94 and 4 provide information on the role of financial capital in value creation and the ways in which the capital has been utilized to generate results achieved.

Financial Capital	Amount
Shareholders funds (Rs.Mn)	7,689
Borrowings	1,631
Cash generated from operations (Rs.Mn)	326
Earnings per share (Rs.)	1.65
Net Asset value per share (Rs.)	38.47
Share price - Closing (Rs.)	15.00
Company market capitalization (Rs. Mn)	2,998



## Manufactured Capital

The Company is in the process of upgrading premises and other facilities such as car parks coming under its operations with the intention of providing a better service to customers and to meet growing competition in the market.

Manufacturing Capital is represented by the physical infrastructure which facilitates our value creation. Our Manufactured Capital enables us to facilitate our customers in a satisfactory manner while maintaining longstanding relationships with them. It ensures we deliver high quality service efficiently and responsibly and continue to invest in maintaining and upgrading these assets for optimal performance.

Manufactured Capital is about 98% of total assets of the Company. The Company emphasizes on importance of effective management of the assets. Furthermore, the

Company continuously invests in upgrading commercial spaces, offices, residential apartments and other facilities to meet growing competition in market. Our Manufactured Capital and Human Capital combine to drive our business objectives in today's competitive market environment.

Manufactured Capital	Amount (Rs.Mn)
Liberty Plaza	2,574
Liberty Arcade	775
New Retail Podium	2,858
People's Park	109
Gas Land	6,314
Property Plant & Equipment	169
Biological Assets	54
Total	12,853



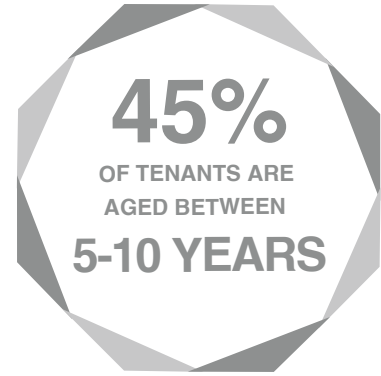
**Intellectual Capital**

Liberty Plaza brand, our organizational values, collective tacit knowledge, improved systems and processes, governance and risk management play a key role in aligning our team, culture and operations to our strategic aspirations of sustainable growth and enhancing stakeholder's confidence.

At Colombo Land, we take pride in owning one of the most iconic and celebrated brand names in the

real estate domain in Sri Lanka - The Liberty Plaza. It is the first and the oldest shopping complex in Sri Lanka dating back to 1980s and still remains the country's most sought-after shopping destination.

For a group which provides commercial spaces and residential accommodation, tenants' confidence is a pre-requisite for growth. Our intellectual capital plays a key role in inspiring tenants' confidence and sound policies of corporate governance, risk management frameworks, business ethics and



safety standards are the foundation for sustaining tenants' confidence in today's competitive environment.



**Human Capital**

We seek to attract, develop and retain a dynamic and diverse workforce by defining a strong corporate identity, creating a culture of excellence and helping

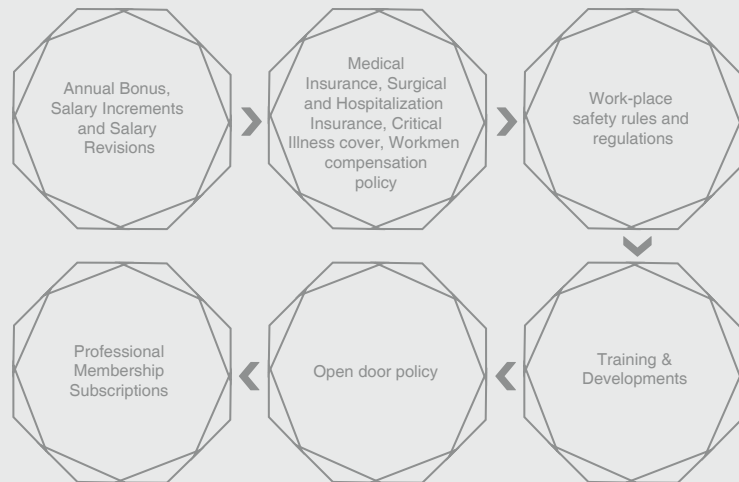
employees create their best place to work.

Our well experienced and skilled employee base will continue to improve the facilities and services in our properties while enhancing

customers' experiences to maintain our reputation. We believe that, our employees' contribution drives our success and healthy relationship with customers is important in today's environment.



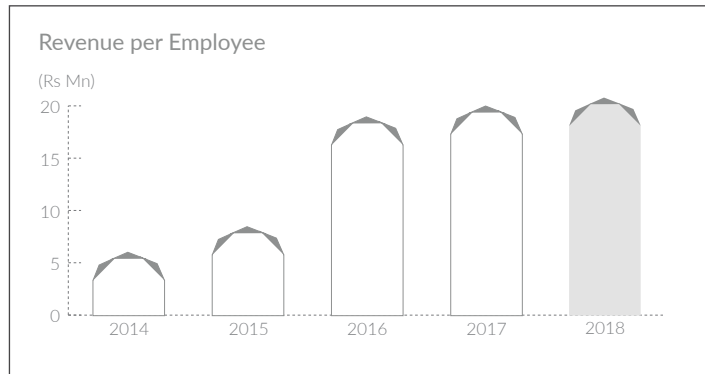
Within the activities of Company, we promote a culture of honesty, respect for each other and fair dealing among employees. We observe ethical business practices at all times. The company is also an equal opportunity employer and our policies are designed to employ, remunerate and evaluate employees based on their skills, experience and performance irrespective of gender, age or religion. Further, we have initiated policies to ensure that the highest level of ethical behavior is practiced across the Company.



The Company offers a competitive remuneration package including benefits designed to retain and attract the most suited talents.

### Employee Productivity

Employee productivity records show how effectively staff has contributed to the Company's performance over period of time. The Company's revenue per employee shows a continuous improvement which reflects the way the staff had maintained the relationship with our customers to satisfy their requirements by offering quality services.



### Employee Communication

We believe in maintaining cordial relations with our employees based on strong foundation of mutual understanding and continuous interaction and dialogue.

We work towards maintaining two-way communications which enable and encourage employees to express themselves openly and to discuss their work-related problems face-to-face with their immediate superiors.

### Defined Contribution Plans-Employees' Provident Fund and Employees' Trust Fund

The Company & the Group provide a retirement plan for its workforce by using general resources to pay the obligations to retired employees. According to the terms of Employees' Provident Fund (EPF) Act No. 15 of 1958 and its subsequent amendments and Employees' Trust Fund (ETF) Act No. 46 of 1980 and its subsequent amendments, employees are eligible for EPF and ETF contributions. The Group contributes the relevant percentages of the eligible gross emoluments of employees to the respective provident funds and to the Trust Fund respectively. In relation to the rules of the provident fund, to which such contributions are made, the company contributes 14 percent as the employers' contribution which is 2 percent higher than what is required by the law. Also the employees contribute 8 percent to their respective provident funds managed by the Central Bank of Sri Lanka. Further, the company also contributes 3 percent to the Employees' Trust Fund.

	2018 (Rs)	2017 (Rs)
Employer contribution to the Trust Fund	609,915	611,554
Employer contribution to the Provident Fund	2,846,270	2,853,922

### Defined Benefit Plan- Gratuity

Employees are entitled to gratuity payment under the Gratuity Act No. 12 of 1983 and its subsequent amendments as No.41 of 1990. The Company has duly carried out an actuarial valuation on retirement benefit obligations as at the year-end and the actuary has used the projected unit credit method as prescribed in Sri Lanka Accounting Standards.

**Total workforce by employment type, employment contract, gender, ethnicity and age.**

### Category of Employment

Category	No. of Employees	Percentage (%)
Permanent	22	81%
Contract	05	19%
Total	27	100%

**Breakdown of Employees per Category according to Gender**

Gender	Supervisory/ Technical	Clerical & Allied	Executive	Total
Male	06	08	07	21
Female	01	02	03	06
<b>Total</b>	<b>07</b>	<b>10</b>	<b>10</b>	<b>27</b>



**Social and Relationship Capital**




Collaborative relationships with customers, business partners, communities and other-stake holders underpin our social license to operate. The company nurtures these relationships through unique value propositions, sound governance practices and integration of

identified needs into corporate strategy to create long-term value and support individual and collective growth.

Colombo Land recognizes that the quality of today’s relationships may significantly influence our ability to sustain the generation of monetized value in the future.

We recognize that the viability of our enterprise depends on our ability to sustain strong relationships with customers and with the wider community for whom we also create value. These cooperative relationships shape crucial perceptions of the Company & the group.

**Our investments to develop Social and Relationship Capital**

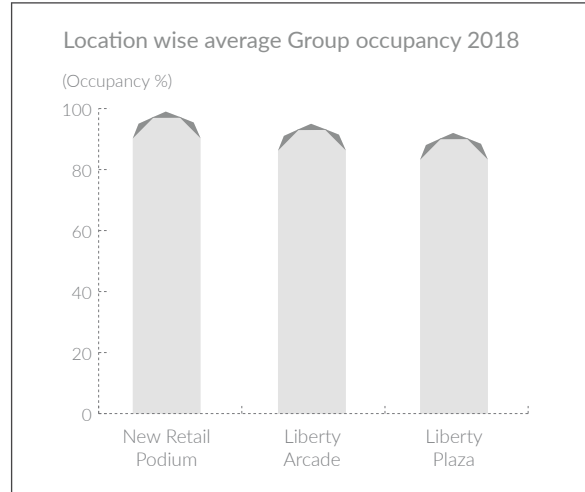
 <p><b>Long term stakeholder relationships</b></p>	 <p><b>Socio-economic development</b></p>	 <p><b>Country’s well-being</b></p>
<p><b>Customer Satisfaction</b></p> <ul style="list-style-type: none"> <li>• Maintain close relationship with tenants</li> <li>• Transparency and Collaboration</li> <li>• Timely disclosures in CSE website</li> <li>• Ongoing dialogues with stakeholders</li> <li>• Supplier relations</li> </ul>	<p><b>Competitiveness</b></p> <ul style="list-style-type: none"> <li>• Providing commercial spaces at competitive prices</li> <li>• Providing spaces at a landmark location</li> <li>• Continuous renovations and refurbishments to meet with emerging competition</li> </ul>	<p><b>Social Inclusion</b></p> <ul style="list-style-type: none"> <li>• Providing commercial spaces to small and medium enterprises and start ups</li> <li>• CSR engagements</li> </ul>



**Customers**

Building strong customer relationships entails proactive strategies to create value. At Colombo Land, we practice a range of management activities that are designed to ensure positive customer experiences, enhanced customer trust and loyalty, and responsible behaviour.

We are continuing our dialogue and interactions with tenants especially through regular visits and communication with LPMC (Liberty Plaza Management Corporation) that provide opportunities to gather feedback, understand unattended needs and create customized solutions. This helps to improve our decisions while reducing costs and response times.



**Natural Capital**

Our approach to sustainability is based on business principles to achieve long term value for shareholders and broader stakeholder groups without compromising the ability of future generations to meet their own needs.

We ensure that all our processes and systems function within specified environmental parameters. The Company has taken initiatives to reduce energy demand by raising awareness among its tenants and employees and implementing Energy Efficiency Measures.

**Energy Management**

The Group has been implementing several energy efficient initiatives over the last few years, thereby significantly reducing the single-largest cost component in the operating cost structure-”electricity cost”. It is important to sustain the benefits of the initiatives via efficient and consistent plant operations.

The Group understands its priorities towards national initiatives as a service provider in a key location. Towards this, installation of high efficient air handling units for air-conditioning and replacement of fluorescent lights with energy efficient LED lightings were implemented to improve the energy efficiency to align with our long-term sustainable goal of reducing the carbon foot-print of our operations.

In addition, the Company is continuously investing in refurbishment of commercial and other spaces, replacing appliances with advance technology to improve the quality standards and to meet the emerging competition as well as to improve the energy efficiency.

**Waste Management**

Our strategy for managing waste, is to re-use, re-cycle and replenish wherever possible. A waste segregation system enables the Company to dispose waste responsibly. Such type of waste

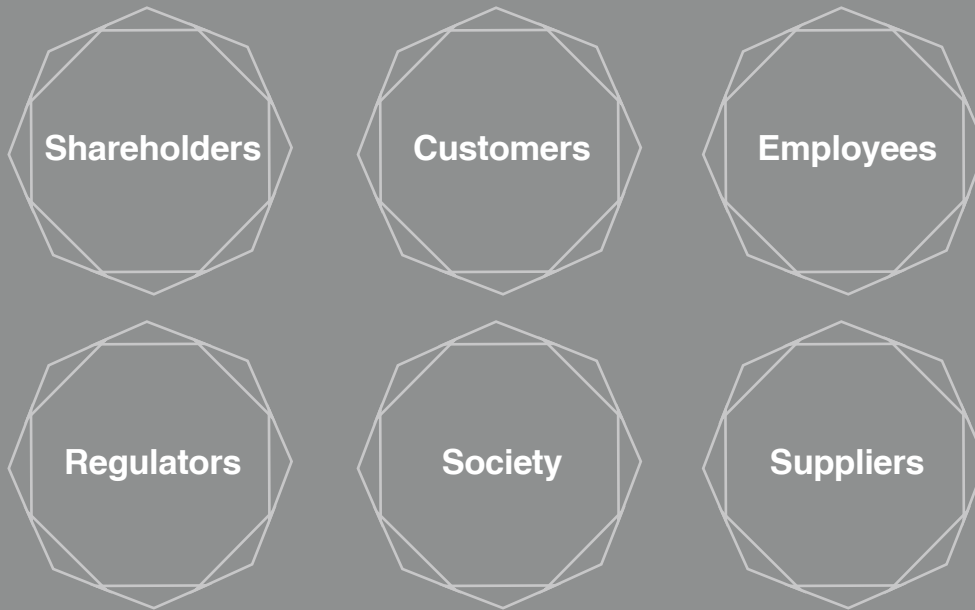
are either reused or recycled. A segregation system with colour coded bins is maintained for waste as paper, glass, scrapped iron, polythene and organic. Food-waste is handed over to a third party for use as animal feed. We have fully cooperated with Colombo Municipal Council collection process of segregated garbage. We are happy to say that necessary steps have been taken in contributing to minimize the carbon foot-print in the immediate environment.

**Noise Management**

Noise Emissions are strictly monitored to ensure the comfort and safety of persons in the vicinity. We have also taken steps to sound-proof all Air Handling Unit rooms within the premises.

# Our Business Model

## Stakeholders



### Key Activities

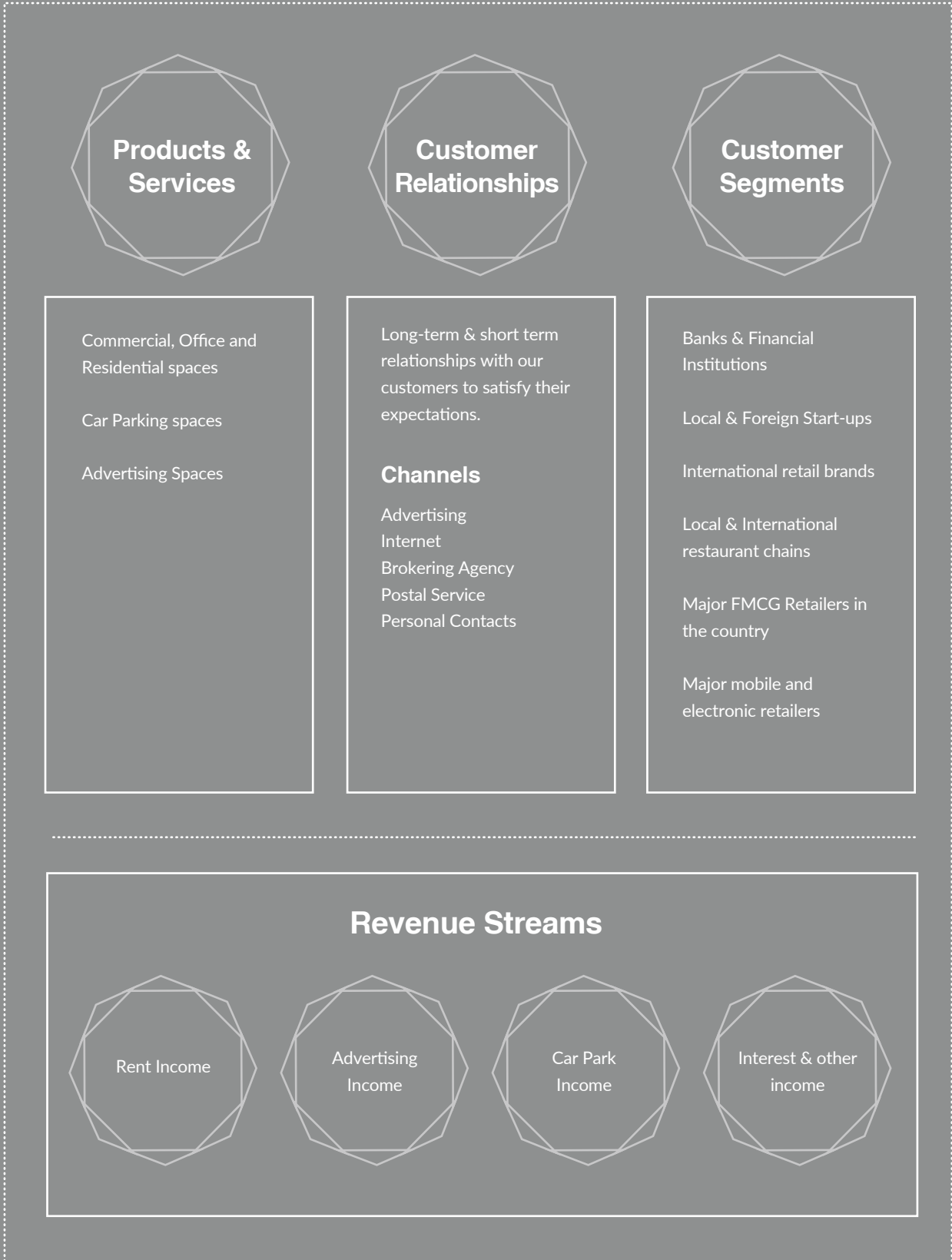
Property development,  
Management,  
Maintenance and  
Car Park Operations

### Key Resources

Equity 7.6Bn	Liberty Plaza Brand
Investment Property 12.6 Bn	Prime Location
Employees 27	

## Cost Structure





**Products & Services**

Commercial, Office and Residential spaces  
 Car Parking spaces  
 Advertising Spaces

**Customer Relationships**

Long-term & short term relationships with our customers to satisfy their expectations.

**Channels**

Advertising  
 Internet  
 Brokering Agency  
 Postal Service  
 Personal Contacts

**Customer Segments**

Banks & Financial Institutions  
 Local & Foreign Start-ups  
 International retail brands  
 Local & International restaurant chains  
 Major FMCG Retailers in the country  
 Major mobile and electronic retailers

**Revenue Streams**

Rent Income

Advertising Income

Car Park Income

Interest & other income





# Enterprise Governance and Risk Management

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64 - 65 . Report of the Board Audit Committee

66 . Report of the Board Remuneration Committee

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76 . Statement of Directors' Responsibility

77 . Chairman's and Finance Manager's Responsibility Statement

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# CORPORATE GOVERNANCE REPORT

Corporate Governance at Colombo Land & Development Company PLC comprehends promoting corporate impartiality, transparency, accountability and responsibility in directing and controlling the company in the best interest of the stakeholders. All structures, principles and policies are focused on ensuring that the company is governed in a manner that safeguards the best interest of all stakeholders and this report aims to provide the details of how this is done in practice.

## Colombo Land & Development Company PLC

Colombo Land & Development Company PLC is a Public Company, listed in the Colombo Stock Exchange. Company is primarily engaged in leasing out investment properties under operating leases and the development of investment properties in Sri Lanka. We are also into cultivating Mahogany Rubber and Alstonia trees.



## Statement of Corporate Governance

The Board of Directors of Colombo Land & Development Company PLC is committed to achieving its goal while maintaining strict adherence to Corporate Governance rules, to ensure greater transparency in Management Reporting and enhance stakeholders' confidence. In doing so, the Board has given its highest priority to adhere to a strong framework of Corporate Governance. The objective of this Annual Report including the financial and non-financial Statements is to indicate the stakeholders and the general public, the activities of the company in a transparent manner during 2018.

### Commitment towards Corporate Governance

We firmly believe that highest standard of Corporate Governance and upgrading practices in line with regulatory requirements is not only fundamental in ensuring that the Company is well managed in the interest of all its stakeholders, but is also essential to attain long term sustainable growth. Corporate Governance is of utmost importance in driving the company towards its high standards of managing the company in an ethical, efficient and effective manner whilst fostering an entrepreneurial culture. The Board of Directors of the company provide the leadership guidelines for the Management Staff to comply with Corporate Governance Rules.

**Division of Responsibilities between the Chairman and CEO**

The roles of the Chairman and Executive Directors are separate with a clear distinction of responsibilities, which ensures balance of power and authority.

Professor C K M Deheragoda is the Chairman of the Board of Directors and Mr. D S Jayaweera and Mr. P V S Premawardhana Function as Executive Directors.

**Statement of Compliance**

Board of Directors of Colombo Land & Development PLC confirms that the Company had established practices in a consistent manner as per the provisions given in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka and listing rules of the Colombo Stock Exchange.

**Role of Board of Directors**

The diagram illustrates the central role of the Board of Directors, which is to provide sound and ethical leadership to the CEO and management, direct the conduct of affairs of the board, and bear ultimate responsibility. The central circle is 'Role of our Board of Directors'. It is connected to three surrounding circles: 'Directing the Conduct of Affairs of the Board' (top), 'Providing sound and Ethical Leadership to the CEO and Management' (left), and 'Bearing Ultimate Responsibility' (right).

The Board of Directors of the Company comprises of highly qualified professionals who have wide knowledge and experience in their respective fields. The Company's commitment to uphold highest standards of corporate governance is driven by the Board of Directors which is led by the Chairman, who assumes overall responsibility for the governance of the company. Each Director identifies himself/ herself with a duty to act in good faith and in the best interest of the Company. The Board is responsible for the Shareholders for creating and delivering sustainable shareholder value through management of business activities.

The fundamental role of the Board is to provide entrepreneurial and coherent leadership within a framework of prudent and efficient controls, which enables risks to be assessed and managed. The Board has the final decision making authority and directs the management team to uphold highest level of integrity, function in compliance within the applicable rules and regulations and delegate the necessary authority to fulfill their job responsibilities. Each Director has unrestricted access to information and services of Senior Management and the Company Secretary. Prior notices are given to the Directors regarding Board Meetings. The Board papers are circulated well in advance so that all Directors could actively deliberate and contribute to the Board proceedings.

**Composition of Board of Directors and attendance of meetings**

The Board portrays a balance between Executive and Non-executive Directors each of whom bring a strong and in-depth mix of knowledge, business skills and experience to the Board’s deliberations. By the end of the year there were seven directors in the Board. Out of them three directors are non-executive and two of them are considered as independent. The Board is collectively responsible for the long-term success of the Company and is accountable to shareholders for financial and operational performance. Please refer pages 14 to 15 for profile of the members of the Board of Directors.

Name/Position	Mr. C. K. M. Deheragoda	Mr. D. S. Jayaweera	Mr. P. V. S. Premawardhana	Mr. Ng Yao Xing Eugene	Mr. W. M. C. S. Welegama	Mr. W. D. A. Sunil Perera	Mr. M. D. S. Goonatilleke
Executive		✓	✓				
Non-Executive				✓	✓	✓	
Independent Non-Executive Director	✓						✓

The Board is regularly updated by the Management on the performance and prospects of the Group, by providing detailed reports at Board Meetings. Directors also have direct access to Management to obtain any information to take timely decisions.

**Attendance of the Directors for the Board Meetings during the Year 2018**

Name of the Directors	Eligible to attend	Attended
Prof.C.K.M.Deheragoda	6	6
Mr.D.S.Jayaweera	6	6
Mr.P.V.S.Premawardhana	6	6
Mr.M.D.S.Goonatilleke	6	6
Mr.Ng Yao Xing,Eugene	6	6
Mr.W.M.C.S.Welegama	6	5
Mr.W.D.A.Sunil Perera	6	6

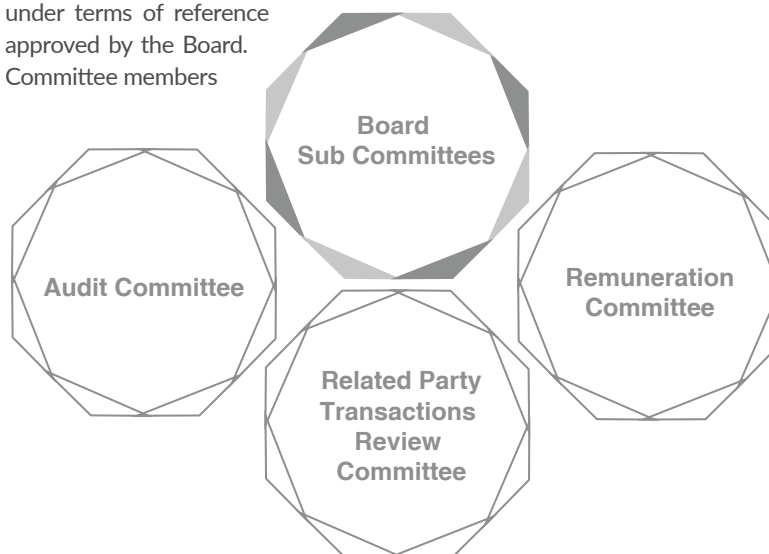
**Financial Acumen**

Members of the Board being professionals possess the acumen, wisdom and experience to offer the Board directive on financial function in addition to management business administration, law, economics, marketing and human resources. They confer the essential guidance to the Board when necessity arises on all financial and all other fields mention above. All directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgment. The Board directs complete disclosure of financial and nonfinancial information as recommended by the Audit Committee, adoption and reporting in accordance with Sri Lanka Accounting Standards, Listing rules and the Companies Act 07 of 2007.

**Board Committees**

The Board has delegated certain authorities to the Board Committees while holding final authorities in order to manage the affairs of the Board. The committees operate under terms of reference approved by the Board. Committee members

concentrate on their designated scope of responsibility and impart knowledge and oversight in areas where they have great expertise.





**Board Sub Committees and composition as at December 31, 2018**

Board Member	Sub Committees		
	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
<b>Executive Directors</b>			
Mr D S Jayaweera			
Mr P V S Premawardhana			
<b>Non-Executive</b>			
Mr N G Yao Xing Eugene	✓	✓	
Mr W M C S Welegama			✓
Mr W D A S Perera			
<b>Independent Non-Executive</b>			
Professor C K Deheragoda	✓	✓	✓
Mr M D S Goonatileke	✓	✓	✓

**The details and role of the Board Sub Committees**

**Audit Committee**

The functions of the Audit Committee are as follows:

- i. To support and recommend to the Board in fulfilling its responsibilities in relation to the integrity of the financial statements of the Company.
- ii. To ensure Internal Control and Risk Management Systems of the company and its compliance with legal and regulatory requirements.
- iii. To liaise with External Auditors' to ensure their independence and to provide necessary facilities in conduct of the Audit.
- iv. To discuss the Management Report and provide satisfactory response.
- v. To liaise with Internal Auditors and review their quarterly reports and take steps to implement their recommendations.
- vi. To ensure the scope of functions and responsibilities which are adequately set out in the terms of reference of the Committee, are compiled and reported to the Board.

The audit committee consists of three members.

**a**

**Mr M D S Goonatileke**

Chairman / Independent Non-executive Director (He is an Associate Member of the Institute of Chartered Accountants (UK), since 1987. He is a passed finalist of the Institute of Chartered Accountants (Sri Lanka)

**b**

**Professor C K Deheragoda**

Member / Independent Non-executive Director - Prof. Deheragoda holds a Ph. D. in Recreational Geography (Bulgaria). M. Sc. In Natural Resource Management (Sofia) and post Graduate Diploma in Urban and Regional Development Planning (Nagoya) and Resource Survey and Mapping (Colombo).

**c**

**Mr Ng Yao Xing**

Member/ Non-executive Director - Ng Yao Xing Eugene is a director from Singapore. He is a graduate of Singapore Management University.

**Attendance of the Directors / Audit Committee**

Number of meetings : 03

Mr. M.D.S. Goonatileke	✓	✓	✓
Prof. C.K.M. Deheragoda	✓	✓	✓
Mr. Ng Yao Xing	✓	✓	✓

During the year 2018 audit committee met three times with participation of External Auditors, Chief Executive Officer and Finance Manager by invitation. The company's Secretary performs the secretarial function of the committee. A Report of the Audit committee appears on pages 64 to 65.

### Remuneration Committee

Remuneration Committee comprises three Non-executive Directors of whom two of them were Independent Directors. The Committee was established to maintain performance and market oriented remuneration policies in relation to key Management Personnel and staff. During the year 2018 Remuneration committee met two times.

Chief Executive Officer and Finance Manager participate on invitation. M/s P W Corporate Secretarial (Pvt.) Ltd. function as secretary to the Committee,

The Remuneration Policy, Staff Attendance and Leave Policy remained unchanged during the year.

The Report of the Remuneration Committee appears on Page No 66.

### The Remuneration Committee consists of three Members



#### Attendance of the Directors / Remuneration Committee

Number of meetings : 02

Mr. M.D.S. Goonatilleke	✓	✓
Prof. C.K.M. Deheragoda	✓	✓
Mr. Ng Yao Xing	✓	✓

### Related Party Transactions Review Committee

The objective of the Committee is to review the transactions between Colombo Land and Development Company PLC and its subsidiaries namely Liberty Holdings Limited, Liberty Developers Pvt. Ltd., Agrispice Pvt. Ltd. And Anantaya Global Solutions Pvt. Ltd. are in compliance with CSE Listing rules and Code of best practices and Corporate Governance recommended by the Institute of Chartered Accountants of Sri Lanka.

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel with a view to ensuring:

- That there is compliance with the Code;
- That shareholder interests are protected; and
- That fairness and transparency are maintained.

The Committee reviewed and pre-approved all proposed non-recurrent related party transactions with the parent and recommendations were forwarded to the Board.

### The Committee consists of three Members



#### Attendance of the Directors / Related Party Transactions Review Committee

Number of meetings : 04

Mr. M.D.S. Goonatilleke	✓	✓	✓	✓
Prof. C.K.M. Deheragoda	✓	✓	✓	✓
Mr. W.M.C.S. Welegama	✓	✓	✓	✗

Representatives of external Auditors participates by invitation. The company's Secretary performs the secretarial function.

The Chief Executive Officer and Finance Manager participate on invitation.

Matters relating to Related Party Activities are deliberated at the committee considering all factors

including transfer pricing, terms and conditions etc. The Minutes of the meeting is submitted to the Board of Directors of the Company and consensus reached.

The Report of the Related Party Transactions Review Committee appears on Pages 67 to 68.

#### Disclosure of Directors' Remuneration

Chairman and the Board of Directors are responsible for determining the compensation of the Executive Director. Non-Executive Directors receive a fee for participating at Board Meetings and other committee meetings and do not receive any other perquisites or benefits other than what is discussed at Note 24 in the financial statements.

#### Re-Election

According to the provision of the Articles of Association of the Company and Section 142 of the Companies Act, the shareholders are entitled to propose any person for election as a Director, provided that the required notice of same has been given. The Board possesses the power to appoint any person, at any time, as a Director, either to fill a casual vacancy or as an additional member of the Board. All Directors

who are appointed by the Board to fill a casual vacancy are required to be elected by the shareholders at the next Annual General Meeting following their appointment, thereby providing the shareholders with the right to vote for or against such election.

The re-election of a Director safeguards the right of the shareholders by providing a regular reassessment of the composition

of the board. The names of the Directors submitted for re-election are provided to the shareholders along with notice of the Annual General Meeting, enabling them to make informed decisions on such appointments.

In the event of any Director over the age of seventy years being re-appointed, regulations stipulated in the Companies Act No.7 of 2007 will be complied with.

#### Corporate Disclosure and Shareholder Relationship

Financial and non-financial information in relation to the affairs of the company is immediately announced via Colombo Stock Exchange (CSE) to the stakeholders. Moreover, the Board of Directors believe that any stakeholder should have been granted an opportunity to communicate their grievances to find solutions for their concerns.

Annual General Meeting can be used as a platform to express views of shareholders. Quarterly financial reports are uploaded in the website in the Colombo Stock Exchange for the stockholders' information as such updated financial and non-financial information are available in company's website for public reference.

As per regulation of Companies Act No 7 of 2007, Annual General Meeting schedule to be held within the six months from the end of the financial year. However Colombo Land & Development Company PLC makes attempt to hold the AGM well before the stipulated timeline.

Annual Reports are prepared to provide information pertaining to company's affairs in a transparent manner according to the best practices of Corporate Governance. It is a great pleasure to mention that Colombo Land & Development Company PLC won an Award "Best Real Estate Corporate Governance Sri Lanka 2018" organized by the Capital Finance International.

#### Accountability and internal Control in Financial Reporting

Colombo Land & Development Company PLC has taken necessary steps to provide the sensitive financial and non-financial information to its stakeholders for every quarter in compliance with Sri Lanka Accounting Standards (SLFRS / LKAS), Listing Rules of Colombo Stock Exchange (CSE) and Companies Act No 07 of 2007.

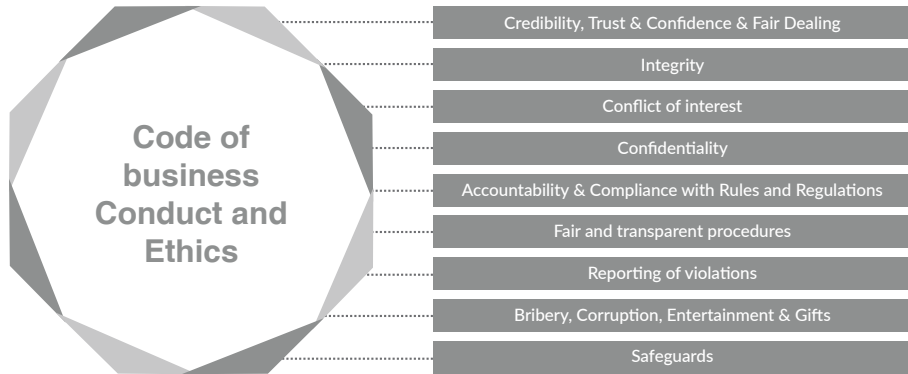
Directors are responsible for operation and performance of the company. As such Directors of the company and the Management focus their attention to disclose all information in relating to affairs of the company in a transparent manner complying with the best practice on Corporate Governance.

**Internal Control**

The Board has, through the involvement of the Business Process Systems function, taken steps to obtain assurance that systems designed to ensure efficiency and effectiveness of operations, reliability of financial and other management information, safeguard the company’s assets, and the financial statements presented are free from material misstatements and adapt the prevailing regulations.

**Code of business Conduct and Ethics**

Colombo Land & Development Company PLC developed an Ethical Road Map for Code of conduct for its Directors and employees based on the following principles:



Colombo Land & Development Company PLC is committed to conducting its business operations with respect to the rights and interests of all stakeholders.

All employees are required to comply with the laws and regulations of Sri Lanka. Every employee shall be responsible for the implementation of and compliance with the Code in his/her environment.

**Corporate Governance Disclosure**

The quarterly financial statements published by the company with the explanatory notes as per required rules of the Colombo Stock exchange and the Securities Exchange Commission of Sri Lanka is disclosed to all stakeholders. Furthermore any other financial and non-financial information which are price sensitive or warrants the shareholders attention and consideration is promptly disclosed to the public.

### Compliance with the Colombo Stock Exchange Rules on Corporate Governance

Levels of Compliance with the CSE's Listing Rules Section 07 – Rules on Corporate Governance are given in the following table:

Rule No	Subject	Applicable Requirement	Compliance Status	Reference
7.10.1(a)	Non- Executive Directors	At least one-third of the total number of Directors should be Non- Executive Directors.	Complied.	Refer on page 66
7.10.2 (a)	Independent Directors	Two or one- third of Non- Executive Directors, whichever is higher should be independent	Complied.	Refer on page 66
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	Complied.	Refer Annual Report of the Board of Directors of Colombo Land & Development Company PLC on the state of affairs of the Company for the year on pages 69 to 74
7.10.3 (a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence of the Non-Executive Directors and names of independent Directors should be disclosed in the Annual Report.	Complied.	Based on the declarations provided Mr. M. D. S. Gunatilleke and Prof. Deheragoda are independent as per listing rules.
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met	Not applicable	The period of service of Professor C K Deheragoda exceeds nine years. However, the Board is of the view that the period of service of Professor Deheragoda does not compromise his independence and objectivity in discharging his functions as a Director and therefore based on declarations submitted by the said Director, has determined that Professor Deheragoda shall nevertheless be “independent” as per the Listing Rules.
7.10.3 ( c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Refer Directors' Profile on pages 14 to 15.
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the rules of the Colombo Stock Exchange.	Not Applicable	A brief resume of new directors and the appointments were submitted to the Colombo Stock Exchange when such appointments were made.
7.10.4 (a) - (h)	Criteria for Defining 'Independence'	Requirement for meeting criteria to be independent	Complied	All the independent directors met the criteria for independence specified in this rule.
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee.	Complied.	Refer on page 66.
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise Non-Executive Directors, at which a majority whom shall be independent.	Complied	Refer on page 66.
	Remuneration Committee	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied	The Chairman of the Remuneration Committee is a Non-Executive Director.
7.10.5 (b)	Function of Remuneration Committee.	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Refer Report of the Board Remuneration Committee on page 66 of this Report which set out the functions of the Committee.

Rule No	Subject	Applicable Requirement	Compliance Status	Reference
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee.	The Annual Report should set out; a/. Names of Directors comprising the Remuneration Committee. b/. Statement of remuneration policy. c/. Aggregate remuneration paid to Executive & Non-Executive Directors.	Complied	Refer on page 71.  Refer on page 71.  Refer Directors' emoluments on page 120, Note 24.
7.10.6	Audit Committee.	The Company shall have an Audit Committee.	Complied	Names of the members of the Audit Committee are stated on pages 64 to 65.
7.10.6 (a)	Composition of Audit Committee.	Shall comprise of Non-Executive Directors, a majority of who shall be independent.	Complied.	Two of three Non- Executive Directors are independent. Refer Report of the Board Audit Committee pages 64 to 65
		A Non-Executive Director shall be appointed as the Chairman of the Committee Meetings.	Complied	Chairman of the Audit Committee is an Independent Non-Executive Director.
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings.	Complied	CEO and Finance Manager representing Finance division participate for the meetings.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Complied	Chairman of the Audit Committee is a qualified Accountant
7.10.6 (b)	Audit Committee Functions	Functions shall include; a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.	Complied	Refer on pages 64 to 65 for the functions of Audit Committee.
		b. Overseeing of the compliance with financial requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Complied	Refer on pages 64 to 65 for the functions of Audit Committee.
		c. Overseeing the process to ensure that the internal controls and risk management processes are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Complied	Refer on pages 64 to 65 for the functions of Audit Committee.
		d. Assessment of the independence and performance of the external Auditors.	Complied	Refer on pages 64 to 65 for the functions of Audit Committee.
		e. Make recommendations to the Board pertaining to appointment, re appointment and removal of External Auditors, and approve the fees and terms of engagement of the external Auditors.	Complied	Refer on pages 64 to 65 for the functions of Audit Committee.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	a. Names of Directors comprising the Audit Committee.	Complied	Refer on pages 64 to 65 for the functions of Audit Committee.
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determinations.	Complied	Refer Annual Report of the Board of Colombo Land & Development Company PLC on the state of affairs of the Company for the year on pages 69 to 74.
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Complied	Refer on pages 64 to 65 for the functions of Audit Committee.

## Compliance with Requirements of listing rule 7.6 of the Colombo Stock Exchange

Rule No	Subject	Compliance Status	Reference
7.6	Contents of Annual Report		
	All listed entities must include in its Annual Reports and accounts, inter alia;		
i)	Names of persons who were directors of the entity during the year.	Complied with	Please refer Corporate Information on inner back cover of this Report.
ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein.	Complied with	Please refer page 69-74 of the Board of Directors Report.
iii)	The names and the numbers of shares held by the 20 largest voting and non-voting shareholders and percentages.	Complied with	Please refer page 132 of this Report
iv)	The Public Holding percentage.	Complied with	Please refer page 132 of this Report.
v)	A statement of each Director's holding and Chief Executive Officer's holdings in shares of the entity at the beginning and end of each year.	Complied with	Please refer page 69-74 of this Report.
vi)	Information pertaining to material foreseeable risk factors of the entity.	Complied with	Please refer pages 78 to 83 of this Report.
vii)	Details of material issues pertaining to employees and industrial relations of the entity.	Not applicable	No material issues pertaining to employees and industrial relations.
viii)	Extents, locations, valuations and other number of buildings of the entity's land holding and investment properties.	Complied with	Please refer pages 69 and 74 of this Report.
ix)	Number of shares representing the entity' stated capital.	Complied with	Please refer page 132 of this Report.
x)	A distribution schedule of the number of holders in each class of equity security and the percentage of their total holdings in the specified categories.	Complied with	Please refer page 132 of this Report.
xi)	Following ratios and market price information. 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share Highest and the lowest value recorded. Value as at the end of the year.	Complied with	Please refer pages 4-5 of this Report.
xii)	Significant changes in the entity's or its subsidiary's' fixed asset and the market value of land, if the value differs substantially from the book value.	Complied with	Please refer Note 3 and 5 to the Financial Statement on pages 103 to 108 of this Report.
xiii)	If during the year the entity has raised funds either through a public issue, right Issue and private placement.	Not applicable	-
Xiv)	Disclosure pertaining to Corporate Governance practices In terms of Rules 7.10.3, 7.10.5c and 7.10.6 c of Section 7 of the Rules.	Complied with	Please refer pages 44 to 61.
xv)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.	Complied with	Please refer Note 24 on page 122 for the related party

**Compliance with the code of best practice on Corporate Governance issued jointly by the securities & Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL)**

Section Number		Compliance Status	Company' Commitment
<b>1 The Company</b>			
<b>A Directors</b>			
A.1 The Board	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Compliant	The Company is headed by an effective Board. The role of the Board and its members, Board functions, Board procedures and governance activities are discussed in detail from pages 69 to 74.
A.1.1 Regular Board Meetings	Frequency of Board meetings. (at least once every quarter)	Compliant	Board meets once every quarter, mainly to review the Company's performance and to determine whether its strategies and business practices are in line with the expectation of the Board. Individual attendance is given on page 46.
A.1.2 Board Responsibilities	Ensure formulation and implementation of a sound business strategy.	Compliant	The Board assumes the primary responsibility for the overall success of the Company. The Board is involved in formulating the overall strategy and measuring, that it is implemented by the CEO. The CEO, together with the management team develops corporate strategies, annual budgets and action plans to implement corporate strategies on annual basis. The corporate plan and annual budget are approved by the Board every year and achievement of the objectives set in the plan is monitored closely by the Board.
	Ensure that the CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy.	Compliant	The Board actively works to ensure that the CEO and the management team continue to have the right balance of skills, experience and knowledge necessary to discharge their responsibilities in accordance with the highest standards of governance.
	Adapt effective CEO and senior management succession strategy.	Compliant	Succession plans are in place for the CEO and for other key managerial positions and are monitored continuously.
	Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk Management.	Compliant	Effective systems and procedures are in place to ensure the integrity of information, internal controls and information security. Such systems are continuously monitored by the management, external auditors and at times by independent experts.
	Ensure that the Company's activities are conducted in compliance with laws, regulations and ethical standards.	Compliant	The Board has adopted a compliance policy to give direction to the management with regard to compliance activities.
	Ensure that all stakeholder interests are considered in corporate decisions.	Compliant	The board ensures that the interest of all stakeholders is considered and safeguarded in making corporate decision.
	Recognized sustainable business development in corporate strategy, decisions and activities.	Compliant	The Board recognizes the necessity of sustainable business development in the corporate strategy, decisions and activities. Please refer sustainability report on pages 30 to 34.
	Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.	Compliant	The company's accounting policies are fully in line with Sri Lanka Accounting Standards (SLFRS/LKAS). Further the accounting policies are reviewed annually to be in line with the changing business requirements and best practices in the industry. Please refer independent auditor's report given on pages 85 to 87.



Section Number		Compliance Status	Company' Commitment
	Fulfill other Board functions that are vital, given the scale, nature and complexity of the business concerned.	Compliant	The Board takes all its decisions paying due attention to the interest of all stakeholders. The Board also intervenes when necessary, in any other function that is vital given the scale, nature and the complexity of the Company's business.
A.1.3 Compliance with Laws and Access to Independent Professional Advice	Act in accordance with the laws of the country and seek professional advice whenever required.	Compliant	The board act in accordance with the laws in the country. The Board has permitted all Directors to seek independent professional advice.
A.1.4 Access to Advice and the Services of a Company Secretary	Advice and Services of the Company Secretary.	Compliant	P W Corporate Secretarial Pvt. Ltd act as the company secretary, is accessible by any Director for the services of the Company. The company secretary advises the board and ensures that matters concerning the Companies Act, board procedures and other applicable rules and regulations are followed. They also serves as the secretary to the audit committee and the remuneration committee.
A.1.5 Independent Judgment of Directors	Bring Independent judgment on various business issues and standards of business conduct.	Compliant	All directors exercise independent judgment on decisions made by the board on issues of strategy, performance, resource allocation and the conduct of business.
A 1.6 Dedication of adequate time and effort to matters of the Board and the Company	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged	Compliant	To ensure that the duties and responsibilities owned to the Company are satisfactorily discharged, the Directors attend quarterly Board meetings and discuss the matters. As far as possible the Company endeavors to circulate the board papers amongst its members prior to each Board meeting in order to enable the Directors to analyses and call for additional information and clarifications.  The number of meeting attended by each Director is given on page 46.
A 1.7 Training and Continuous Development of Directors	Every Director should receive appropriate training when first appointed to the Board and subsequently as necessary.	Compliant	All Directors in the Company are highly qualified and well experienced personalities. The Directors are also kept abreast of applicable legislation and regulations, changes to rules, latest trends, standards and codes as well as relevant regulatory changes and development.
A.2 Chairman and Chief Executive Officer	Chairman and CEO are two different positions and need to be divided responsibilities.	Compliant	The functions of the Chairman and CEO are clearly separated to ensure balance of power and authority.
A.2.1	Disclosure required if the positions of the Chairman and the CEO are combined.	Compliant	The positions of the Chairman and CEO are separated.
A.3 Chairman's Role	The Chairman's role in preserving good Corporate Governance.	Compliant	The Chairman is responsible for leading the Board and ensuring that it operates under the highest standards of governance.
A.4 Financial Acumen	Availability of sufficient financial acumen and knowledge to offer guidance on matters of finance.	Compliant	The following members of the Board, are knowledgeable and experienced individuals who can provide guidance on matters of finance. All Directors possess qualifications and/or experience in accounting and finance.  Mr. M D S Goonatilleke and Mr. W D A Perera are qualified Accountants. Please refer profiles of Directors on pages 14 to 15.
A.5 Board Balance	The Board should have a balance of executive and Non-Executive Directors.	Compliant	At the end of the year, the Board comprised seven Directors and 5 of them are Non-Executive, thereby promoting critical review and control. Please refer Pages 14 to 15 of the Profile of Directors.

Section Number		Compliance Status	Company' Commitment
A.5.1	Presence of Non-Executive Directors.	Compliant	Five of the seven Board members are Non-Executive, which is in excess of one third of the total number of Directors.
A.5.2	Independent Directors.	Compliant	Two Non-Executive Directors are independent, which is in excess of one third of the Non-Executive Directors.
A.5.3	Criteria to evaluate "Independence" of Non-Executive Directors.	Compliant	Two independent Non-Executive directors meet the criteria for independence as per the code of best practices, corporate governance (code) and listing rules and free of business or other relationships that could moderately influence the exercise of their unfettered and independence judgment.
A.5.4	Annual Declaration of Non-Executive Directors.	Compliant	All Non-Executive directors have submitted the declaration of independence or Non-Independence as per the code.
A.5.5	Annual determination of 'Independence' of Non-Executive Directors by the Board.	Compliant	The Note on page 70 of this annual report has determined the Independence or Non-Independence of each director.
A.5.6	Appointment of an Alternate Directors by a Non-Executive/ independent Directors.	Compliant	Two Non-Executive Directors have appointed alternate directors, such alternate directors are not executives or employees of the Company.
A.5.7	Appointment of Senior Independent Director	Not applicable	Since the role of the Chairman and the CEO of the Company are separated, this requirement does not arise.
A.5.8	Availability of the senior independent director for confidential discussions with other directors.	Not applicable	Since the role of the Chairman and the CEO of the Company are separated, this requirement does not arise.
A.5.9	Responsibility of Chairman to hold meetings only with Non-Executive Directors	Compliant	The Chief Executive officer functions as the apex executive in charge of the day to day management of the Company. The chairman hold meetings with Non-Executive Directors whenever necessary.
A.5.10	Recording of concerns which cannot be unanimously resolved in Board minutes.	Compliant	All decisions of the Board were taken unanimously and there are no concerns raised by the directors during the year which needed to be recorded in the board minutes. However if such concerns do arise the Company's policy is to record them accordingly.
A.6 Supply of Information	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	Compliant	Financial and non-financial information are analyzed and presented to the board to make accurate decisions.
A.6.1	Management's responsibility to provide the Board with appropriate and timely information.	Compliant	The management ensures that a set of timely accurate relevant and comprehensive information is provided to the Directors before the Board Meeting every quarter, with adequate time for them to review the same and prepare for discussions. All significant financial and non-financial information for the period are included in this analysis.
A.6.2	Preparation of minutes, agenda and Board papers prior to the Board meetings.	Compliant	The Company Secretary ensures that the agenda and Board papers to be tabled at Board meetings are prepared and circulated prior to the Board Meeting together with the minutes of the previous meeting.
A.7 Appointments to the Board	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Compliant	All new appointments of the Board are made following a formal and transparent procedure. No new appointments were made during the year.

Section Number		Compliance Status	Company' Commitment
A.7.3	Disclosure of details of new directors to shareholders	Not applicable	All appointments of new directors are informed to the shareholders with sufficient details via immediate notification to the CSE. No new appointments were made during the year.
A.8 Re-election	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	Compliant	Please refer page 49 of the annual report for details of re-election of Directors.
A.8.1	Appointment and re-election of Non-Executive Directors.	Compliant	Please refer pages 69-74 of the Annual Report.
A.8.2	Election of Directors by the shareholders.	Compliant	Please refer pages 69-74 of the Annual Report.
A.9 Appraisal of Board Performance	Board should periodically appraise their own performance	Compliant	The Board recognizes that it is necessary to periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. The Board has a self-evaluation process in place that encourages all Directors to make a full and active contribution to the Board affairs.
A.10 Disclosure of Information of Directors	Shareholders should be kept advised of relevant details in respect of Directors.	Compliant	
A.10.1	Disclosures on Directors in the annual report.	Compliant	<p>Required information with respect to Directors are disclosed in this annual report, where relevant. Names, qualifications and profiles, including expertise in relevant functional areas of all Board Members are provided on pages 14 to 15.</p> <p>Details of Directors interest in contracts are given on pages 119 to 120.</p> <p>Details of related party transactions are provided on pages 119 to 120.</p> <p>Details on Directors attendance and other sub committees are provided on pages 46 to 48.</p>
A.11 Appraisal of CEO	The Board should be required, at least annually, to assess the performance of the CEO.	Compliant	Annually the Remuneration Committee and the Board assess the CEO's performance.
A.11.1	Setting annual target for CEO.	Compliant	Based on long term strategy annual objectives are fixed by the Board.
A.11.2	Evaluation of the performance of the CEO.	Compliant	Evaluations of achievement set targets are reviewed annually by the Board.
B. Directors Remuneration	Companies should establish a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		

Section Number		Compliance Status	Company' Commitment
B.1.1	Presence of a Remuneration Committee.	Compliant	A Remuneration Committee has been appointed and functions within agreed terms of reference.  Please refer page 66 for the Remuneration Committee Report.
B.1.2	Composition of Remuneration Committee.	Compliant	Please refer page 66 for details of the composition of Remuneration Committee.
B.1.3	Disclosure of the members of the Remuneration Committee in the Annual Report.	Compliant	Member's responsibilities and other information in respect of the remuneration committee are disclosed on page 66.
B.1.4	Determination of remuneration of Non-Executive Directors.	Compliant	Non-Executive Directors who are nominees of the parent company are paid a nominal fee for their attendance at the Board and subcommittee meetings.
B.1.5	Ability to consult the chairman and/ or CEO and to seek professional advice by the committee.	Compliant	The committee consults the Chairman and the CEO, where necessary, has access to the professional advice from within and outside the Company.
B.2 Level and Makeup of Remuneration	The Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.		
B.2.1	Remuneration packages of Executive Directors.	Compliant	The Remuneration Committee and the Board ensure that the CEO who is a Executive Director on the Board, is provided with an appropriate remuneration package.
B.2.2	Comparison of remuneration with other Companies.	Compliant	The Remuneration Committee compares the remuneration levels of the Company with such packages of comparable companies in the industry and is sensitive to changes in the remuneration levels.
B.2.6	Designing performance based remuneration of Executive Directors.	Compliant	Objectives for the CEO who is a Executive Director on the Board, are set at the beginning of the year to align his interests with those of the Company. Accordingly, his remuneration including the performance bonus is decided based upon the degree of achievement of such pre-set targets.
B.2.7 & B.2.8	Compensation commitments on early termination.	Compliant	Termination of the Executive Director (CEO) is governed by his contract of service/employment.
B.2.9	Remuneration of Non-Executive Directors.	Compliant	Non-Executive Directors are paid only on their attendance at meetings.
B.3 Disclosure of Remuneration	The Company's Annual Report should contain a statement of Remuneration policy and details of Remuneration of the Board as a whole.		
B.3.1	Disclosure of Remuneration.	Compliant	The aggregate remuneration paid to the CEO and Non-Executive Directors is disclosed on page 120 of this report. The Remuneration Committee's Report which highlights the remuneration policy at the Company is give on page 66.
<b>C. Relations with Share Holders</b>			
C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meeting	Boards should use the AGM to communicate with shareholders and should encourage their participation.	Compliant	Please refer page 134 for details of the Annual General Meeting.

Section Number		Compliance Status	Company' Commitment
C.1.1	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Compliant	The Annual Report together with notice of meeting and related documents and other resolutions if any is circulated to the shareholders at least 15 working days prior to the date of the AGM. The Annual Report 2017 was submitted to the CSE on 30th May 2018 and was posted to all shareholders by 04th June 2018. The AGM was held on 29th June 2018.
C.1.2	Separate Resolution to be proposed for each item.	Compliant	The Company proposes separate resolutions on each substantially separate issue. So, shareholders are given the opportunity to vote separately on each substantial issue.
C.1.3	Use of Proxy Votes	Compliant	The Company has a mechanism to count all proxy votes to indicate to the chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.
C.1.4	Availability of Chairmen of Board Committees at the AGM.	Compliant	The Chairman of the Board ensures that the Chairmen of Board Sub- committees are present at AGM to answer any query by shareholders.
C.1.5	Summary of procedures Governing voting at the General Meeting.	Compliant	The proxy form, which includes a summary of the procedures governing voting at the General Meetings, is circulated to all shareholders.
C.2	The Board should implement effective communication with shareholders.	Compliant	The AGM and the Annual Report are the primary means of communication with shareholders. Additionally, the Company makes disclosures on material and price sensitive matters from time to time to the CSE for dissemination among the public.
C.2.1 C.2.2 C.2.3	Communication channel to reach shareholders  Company's Communication policy and methodology.	Compliant	All financial information are released to the shareholders through the Annual Report, Annual General Meeting, financial and other notices when required through the Colombo Stock Exchange and the Corporate website.
C.2.4	The Company should disclose the contact person for such communications	Compliant	The Company Secretary will be the main contact person with regard to any public disclosures. Further the Finance Manager can also be contacted with regard to any clarifications on financial information published.
C.2.5	Process to make directors aware of major issues and concerns of shareholders.	Compliant	The company Secretary maintain record of all correspondence received from shareholders and direct the same to the appropriate channel. If there are any major issues/or concerns raised by shareholders they are referred to the Board.
C.2.6		Compliant	The company Secretary to be contacted for shareholder matters. The Company Secretary's detail are given on inner back cover.
C.2.7		Compliant	Upon receipt of instructions from the Board or other relevant channel, the Company Secretary responds as directed.
C.3 Major and Material Transaction		Not applicable	- Non during the year
<b>D. Accountability and Audit</b>			
D.1 Financial Reporting	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
D.1.1	Board responsibility for statutory and regulatory reporting.	Compliant	The Company presents its Financial Statements in line with Sri Lanka Financial Reporting Standards (SLFRS) and other applicable laws and regulations.

Section Number		Compliance Status	Company' Commitment
D.1.2	Declarations by Directors in the Directors' report.	Compliant	The Directors have made all required declarations in the Annual Report of the Board of Directors on the affairs of the Company which is given on pages 69 to 74.
D.1.3	Statements by Directors and Auditors on responsibility for financial reporting.	Compliant	Page 76 Contains the statement setting out the responsibility of the Board for the preparation and presentation of Financial Statements.
D.1.4	Management Discussion Analysis.	Compliant	The Management discussion and analysis are appearing in pages 22 to 29.
D.1.5	Declaration by the Board on going concern of the business.	Compliant	The Board after conducting necessary reviews and enquires decided to apply the 'going concern' assumption in preparing the Company's Financial Statements for the year 2018. The declaration of the Company as a 'going concern' is given in the Directors Report on page 73.
D.1.6	Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital.	Not applicable	None
D.1.7	Adequate and accurate disclosure of related party transactions.	Compliant	The company has a related party transactions policy in place. This policy provides detailed procedures on identification of related parties and related party transactions. Details of the committee are presented in the Related Party transactions Review Committee report on page 67 and 68  Related party transactions are disclosed on Page 121.
D.2 Risk Management and Internal Control	Risk Internal Controls.	Compliant	The Board maintains a sound system of risk Management and internal controls to safeguard shareholders' investments and the Company assets.
D.2.1	Directors to conduct an annual review of Risk Management and internal controls.	Compliant	The Board has overall responsibility for the system of risk management and internal controls and has delegated some of these responsibilities to the Audit Committee.
D.2.2	Robust assessment of the principal risks facing the Company.	Compliant	Please refer risk management report on page 78 to 83.
D.2.3	The need for an internal audit function.	Not applicable	-
D.2.4	Audit Committee to ensure carrying out the reviews of the process and effectiveness of risk management and Internal Control.	Compliant	Audit committee review quarterly the effectiveness of Risk management and internal control with the Management.
D.3	Audit Committee.	Compliant	The Board has established formal and transparent arrangement for considering how they should select and apply accounting policies, financial reporting risk management and internal control principles and maintain an appropriate relationship with the Company auditors.
D.3.1	The Board Should establish an Audit Committee	Compliant	Please refer Audit committee Report on Pages 64 to 65.
D.3.2	Duties of the Audit Committee.  Terms of reference of the Audit Committee.	Compliant	The Audit Committee monitors and reviews the External Auditors independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements. The Audit Committee operates with clearly defined terms of reference which are reviewed annually.

Section Number		Compliance Status	Company' Commitment
D.3.3	<p>Disclosure of names of the members of the Audit Committee. The number of meetings held attendance of each directors.</p> <p>The scope of work and how its roles and Responsibilities were discharged.</p>	Compliant	Names of Directors comprising the Audit Committee are set out on page 64 of the Annual Report.
D.4 Related Party Transactions Review Committee	The Board Should establish a procedure to ensure that the Company does not engage in transactions with 'related parties" in a manner that would grant such parties "more favorable treatment" than that accorded to third parties In the normal course of business.	Compliant	<p>The Board has appointed a committee to review Related Party Transactions and the committee has laid down procedures and policies to identify related party and track the transactions. The Committee meet every quarter to review the Related Party Transactions</p> <p>Page 67 to 68 includes the Related Party Transaction Review Committee Report</p>
D. 5	Code of Business Conduct & Ethics	Compliant	Companies must adopt a Code of Business Conduct and Ethics for Directors and Members of the Senior Management team and must promptly disclose any waivers of the code by Directors or others.
D.6	Corporate Governance Disclosure.	Compliant	Directors should be required to disclose the extent to which the Company addresses to establish principles and practices of good corporate governance.
D.6.1	Disclosure of compliance with the Corporate Governance Code.	Compliant	Page 44 to 61 set out the manner and extent to which the Company has complied with the principles and provisions of the Code of Best Practice on Corporate Governance issued jointly by the SEC and the CA Sri Lanka.
2. Shareholders			
E. Institutional Investors			
E.1 Shareholder Voting	Should ensure institutional shareholders' voting intentions are translated into practice		
E1.1	A listed company should conduct a regular and structured dialogue with shareholders.		
E.2 Evaluation on Governance Disclosures	Institutional investors should be encouraged to give due weight to the relevant governance arrangements.		
F. Other Investors			
F.1 Investing/ Divesting Decisions Individual Shareholders are encouraged to seek independent advice on investing or divesting decisions.			
F.2 Shareholder Voting	All Shareholders are encouraged to participate at Annual General Meeting and cast their votes.		
G. Interest of Things and Cybersecurity	The Board review the IT environment through its audit committee.		
H. Environment, Society and Governance (ESG)			
H.1.1 - H.1.5	Disclose the policies and procedures adopted to develop environment, society and Governance. (ESG)	Compliant	Refer Sustainability Report on pages 30 to 34.

# DIRECTORS' STATEMENT OF INTERNAL CONTROL

## Introduction

The Section D.1.3 of the 'Code of Best Practice on Corporate Governance 2013' (The Code) issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka and subsequent amendments made by The Institute of Chartered Accountants of Sri Lanka effective from 01 January 2018 recommends that the Board of Directors present a Statement on Internal Controls in the Annual Report.

Colombo Land Development & Company PLC has developed and established a sound Internal Control system with the focus of achieving the goals and objectives of the Company. The system will ensure reliable financial statements free from material misstatement and managerial reporting, while complying with laws and regulations as well as internal policies and procedures. Further it ensures safety of shareholders investments and the company assets.

## Board Responsibility

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- The Board Committees were established to assist the Board in ensuring the effectiveness of Company's operations and that the operations are in accordance with the corporate strategies and annual budget.

- The Audit Committee reviews internal control issues identified by the process and the Independent External Auditors, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The minutes of the Audit Committee meetings are tabled at the Board meetings for the information of the Board on a quarterly basis.

The Audit Committee identifies the risk involved and action taken to mitigate and/or minimize the risk and submit reports to the Board of Directors on matters implemented

The Board is of the view that system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

## Internal Control Framework

The Board of Directors acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets, in compliance with D.1.3. of Code of Best Practice on Corporate Governance jointly issued by The Securities and Exchange Commission of Sri Lanka & The Institute of Chartered Accountants of Sri Lanka in 2013 and D.1.5 of the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka in 2017. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in those guidelines.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

## Clear Organizational Reporting Lines

Based on organizational structure the Company has defined lines of responsibility for reporting and accountability and delegation of authority.

The Board Committees are established to assist the Board in ensuring the effectiveness of the Company's operations. More details of Board Committees are described in the Statement of Corporate Governance on Pages 44 to 61 of the Annual Report. The operations are directed towards corporate objectives, policies, strategy and annual budget taking into consideration the business environment and internal operating conditions.

Comprehensive Board Papers are presented at monthly Board Meetings, which include financial and nonfinancial matters such as monthly results, business strategies, explanation of Company's performances in comparison with budgets, key operational issues, and corporate activities for deliberation and for either approval or directions.

## Financial Review

The Board reviewed the ongoing financial performance of the Company on monthly basis against their respective budgets, where further explanations and clarifications are noted for significant variances reported.



The adoption of the Sri Lanka Accounting Standards (SLFRS/LKAS) and processes required to comply with the new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress and steps are being taken for improvements where required.

#### Code of Conduct

The Board and employees of the Company are committed to adhering to the best practice in corporate governance by observing the highest standards of integrity and behavior in all activities of the Company, including the interaction with its customers, suppliers, shareholders, employees and business partners, and within the community and environment in which the Company operates.

The Board and the employees of the Company play an important role in establishing, maintaining and enhancing the reputation, image and brand of the Company.

#### Policies and Procedures

Clear and formalized internal policies and procedures are in place to ensure compliance with internal controls and relevant rules and regulations. The policies and procedures are reviewed periodically by the Audit Committee to ensure they are current and relevant.

#### Risk Management

Risk Management is vital for continued improvement of profitability and enhancement of shareholder value. The Board regards risk management as an integral part of business operations.

A Corporate Risk Management Framework was developed and documented which sets out in a comprehensive manner the process adopted by the Company towards risk identification, evaluation, and control and monitoring. The Audit Committee reviews and evaluates the adequacy and effectiveness of the risk management and internal control systems and action taken on risk control matters.

Further information on the Company's risk management activities is highlighted in the Risk Management Report on pages 78 to 82 of this Annual Report.

#### Information and its flow of Communication

The Company has defined lines of responsibility for reporting and accountability. Flowing from a clear organizational reporting structure, information is communicated and disseminated to key Management within the Company.

#### Competence and Talent Management

To enhance employee skills, the Company refers employees to training and development programs based on the area of employment. This ensures that staff is kept up-to-date with the required competencies to carry out their duties and responsibilities towards achieving the Company's objectives.

#### Independent Assurance Mechanism

Whilst the Board has overall responsibility for the Company's system of internal controls, it has delegated the implementation of these internal control systems to the Management who regularly report to the Audit Committee on risks identified and steps taken to mitigate and/or minimize the risks. These internal control systems are subject to the Board's regular review with a view towards appraising the effectiveness of these systems within the Company.

In addition to this the Company also receives extensive and detailed management letters from its External Auditors that primarily focuses on financial controls. The management letters were also presented to the Audit Committee for deliberations. In the event of any non-compliance, appropriate corrective actions have been taken in addition to amendments to the relevant procedures, if required.

#### Quality, Health, Safety and Environment

A clear, formalized framework is in place from prevention of accidents, the elimination of hazards and in ensuring a safe working environment. The Company adopts relevant standards and controls to continuously improve the application and performance of the safety management systems as a safe working environment is fundamental to the Company's success in business operations. The Company has obtained all required insurance covers reference to industrial safety in looking after its employees, tenants and general public.

#### Conclusion

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements or loss.

The Board of Directors confirm that the financial reporting system of Colombo Land & Development Company PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes, have been done in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), requirements of the Company's Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Sgd.

**C. Krishan M. Deheragoda**  
Chairman  
30th May 2019

Sgd.

**M.D.S Goonatileke**  
Chairman, Audit Committee  
30th May 2019

# REPORT OF THE BOARD AUDIT COMMITTEE

## Charter of the Committee

The Audit Committee Charter sets out the terms of reference governing the Audit Committee. It provides clear direction on the role of the Committee and its composition. It also ensures that the activities of the Audit Committee are in line with Listing Rule 7.10.6 of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance jointly issued by the Securities & Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (ICASL).

## Composition Of the Committee:

The Audit Committee appointed by the Board of Directors of Colombo Land & Development Company PLC, comprises of three Non-Executive Directors, with two of them being Independent Non-Executive Directors. As of the financial year ended 31 December 2018, the Board Audit Committee comprised the following Directors:

Mr. M.D.S. Goonatileke	Independent Non-Executive Director (Chairman of the Committee)
Prof. C.K.M. Deheragoda	Independent Non-Executive Director
Mr. Ng Yao Xing	Non-Executive Director

Mr. M.D.S. Goonatileke, an Independent, Non-Executive Director, continued as Chairman of the Audit Committee during the financial year under review. Mr. Goonatileke is a Financial Professional with over 30 years post-qualification experience. He has held senior managerial positions in leading public, multinational and private companies during his career. He is an Associate Member of the Institute of Chartered Management Accountants (UK) since 1987. He is a passed finalist of the Institute of Chartered Accountants (Sri Lanka). Mr. Goonatileke has obtained a Post-Graduate Diploma in Management from PIM of

University of Sri Jayawardenapura as well.

The other members of the Committee are Independent Non-Executive Director Prof. C.K.M. Deheragoda, an Emeritus Professor at the Department of Geography at the University of Sri Jayawardenapura and a Visiting Fellow at Centre for GIS & Spatial Analysis at University of Illinois, Urbana Champaign - USA. He has also served as Chairman of Urban Development Authority of Sri Lanka from 2000-2002.

Mr. Ng Yao Xing, Non-Executive Director, is a graduate of Singapore Management University. He holds several Directorships in property

development and management companies in Singapore and Malaysia. In addition, he oversees several technical and IT related start-ups in Singapore.

The External Auditors M/s Ernest & Young attended the Audit Committee meetings by invitation.

## Meetings and Attendance

During the year under review, the Committee met three times. The attendance of members at these meetings are as follows:

Name of Director	Eligible to attend	Attended
Mr. M.D.S. Goonatileke	3	3
Prof. C.K.M. Deheragoda	3	3
Mr. Ng Yao Xing	3	3

The engagement Partner or a Representative from M/s Ernst & Young - External Auditors attended all meetings.

The Company's Secretaries M/s P W Corporate Secretarial (Pvt.) Ltd. function as secretary to the Committee, Chief Executive Officer, Finance Manager, and other Senior Management members participate in meetings by invitation to provide financial information and details required for deliberations.

The minutes of the meetings are made available to the Board of Directors for information and necessary action.

**Financial Reporting:**

Since the Board of Directors had delegated the responsibility of financial reporting to the Audit Committee, The Committee reviewed the interim financial statements of the company before directors' approval and submission to Colombo Stock Exchange and year-end financial statements before certification by External Auditors in order to monitor integrity of the Financial Statements of the Company. Further, the committee reviewed and discussed Financial Reporting systems adopted by the company in the preparation of quarterly and annual financial statements. The main focus is to ensure that the financial statements presented are reliable, consistent with the accounting policies adopted, free from material misstatements and compliant with the Sri Lanka Accounting Standards (SLFRS / LKAS) and the provisions of the Companies Act No.7 of 2007.

**Role of the Audit Committee:**

The Committee reviews the unaudited quarterly interim financial statements for the four quarters and recommends to the Board of Directors Approval and submission to the Colombo Stock Exchange for publication. The Committee also reviews the year-end financial statements before certification by External Auditors together with supporting information including significant assumptions and judgments made in the preparation of the financial statements. The Committee pursues the Management Letter issued by the External Auditors and takes measures to implement their recommendations.

**Internal Controls, Risk Management and Going Concern**

As an ongoing exercise, the Committee reviews the existing internal control system to ensure that it is effective and in operation throughout the financial year. The Committee also assesses the Company's ability to continue as a going concern in the foreseeable future.

The Committee reviewed and approved the Directors' Statement on Internal Controls over financial reporting to be included in the Annual Report.

**Regulatory Compliance:**

Procedures were in place to ensure compliance with statutory regulations. The Committee reviewed the quarterly compliance to ensure that the company has complied with all statutory requirements.

**External Audit:**

The Company has appointed Ernst & Young as its external auditor and the services provided by them are segregated between audit/assurance services and other advisory services such as tax consultancy. The Audit Committee reviews these audit and non-audit functions of the External Auditors before such services are assigned in order to ensure that the provisions of such services does not impair independence and that work is assigned in such a manner as to prevent any conflict of interest.

The Committee meets with the engagement partner of Ernst & Young Chartered Accountants during the Audit Committee meetings and on the occasions by appointment

to discuss matters indicated in the Management Letter, and matters relating to valuations and impairment of investment properties. The Auditors presented an Audit Plan for audit for the financial year, which discusses their scope and approach of work to ensure that no limitations are placed in their independence and the conduct of the Audit.

The Audit Committee has recommended to the Board of Directors for the re-appointment of the Messrs Ernest & Young Chartered Accountants as Auditors of the company for the financial year ending on 31 December 2019, subject to the approval of the shareholders at the Annual General Meeting.

**Conclusion:**

The Committee is satisfied that the Company's internal controls and Risk Management process are effectively implemented as designed, and that the Company's assets are adequately safeguarded. The Company's Internal and External Auditors have been effective and independent throughout the year.

The Committee is also satisfied that the operational controls and the application of appropriate accounting policies provide reasonable assurance that the Financial Statements of the Company are true and fair.

Sgd.

**Mr.M D S Goonatileke**  
Chairman - Audit Committee  
30th May 2019

# REPORT OF THE BOARD REMUNERATION COMMITTEE

### Terms of Reference:

The terms of reference of the Remuneration Committee is based on the Remuneration Policy approved by the Board of Directors with amendments incorporating suggestions approved by the Board of Directors. The Committee, while discharging its responsibility ensures that the total remuneration package is competitive and on par with remuneration of employees working in similar business organizations.

### Role and Responsibilities of the committee

The Committee deliberates and recommends to the Board of Directors the remuneration package, annual increments, bonuses and other perks paid to the Chief Executive Officer, senior and junior level staff based on performance evaluation. The Committee is also responsible for the determination of the compensation of the Executive Directors and fees paid to the Non-Executive Directors for participation at Board meetings.

### Composition:

The following members were appointed by the Board to the remuneration Committee.

Prof. C.K.M. Deheragoda	Independent Non - Executive Director (Chairman of the Committee)
Mr. M.D.S. Goonatileke	Independent Non - Executive Director
Mr. Ng Yao Xing	Non-Executive Director

The Chief Executive Officer provides staff evaluation based on operational targets, which is deliberated by the committee before finalizing the grades. Finance Manager assists the committee by providing necessary details for discussions. Both Chief Executive Officer & Finance Manager attend Committee meetings by invitation.

### Attendance:

The attendance of the Directors at the Remuneration Committee meetings during the year is tabulated below:

Name of Director	Eligible to attend	Attended
Prof. C.K.M. Deheragoda	2	2
Mr. M.D.S. Goonatileke	2	2
Mr. Ng Yao Xing	2	2

### Remuneration Policy

The Company's remuneration policy aims to attract and retain a qualified and experienced team of high caliber managers and professionals and to reward their performance.

Remuneration policy of the Company with regard to increment and bonus schemes is based on the performance of each employee. The Remuneration Committee approves and recommends to the Board, the finalized proposals for the granting of increments to key senior level staff.

All Non-Executive Directors receive a fee for serving on the Board and on sub-committees. They do not receive any performance related incentive payments.

The Remuneration Committee takes into account the performance of the Company and long term shareholder returns, in all their deliberations.

The Committee is satisfied with the salary review process in place. The annual evaluation of the Committee was performed in accordance with the Corporate Governance guidelines to ensure effectiveness and was deemed satisfactory.

The aggregate remuneration paid to Executive and Non-Executive Directors is given on page 122.

Sgd.

**Prof. C.K.M. Deheragoda**

*Chairman - Remuneration Committee*

30th May 2019

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

## Introduction

The Related Party Transactions Review Committee was formed as a Board Sub Committee. The role of the Committee is to provide independent review and oversight of all related party transactions, which includes transfer of resources and services. Obligations between the Parent Company and subsidiaries are dealt with in a transparent manner under usual commercial terms and in compliance with the provisions contained in the Listing Rules of Colombo Stock Exchange. The objective of the Committee is to ensure that the interests of shareholders as a whole are taken into account when entering into related party transactions and that the Company is compliant with the requirements of the SEC code and CSE listing rules.

Matters relating to related party activities are deliberated on by the committee, considering all factors including transfer pricing, terms and conditions etc. The minutes of the meeting are submitted to the Board of Directors of the Company and consensus is reached.

## Composition of the Committee

The present Committee comprises two (2) Independent Non-Executive Directors and one (1) Non-Executive Director of the Board. The composition of the Committee fulfilled the requirements of the Listing Rule No. 9.2.2 of the Colombo Stock Exchange, throughout the financial year.

The following members were appointed by the Board to the Related Party Transactions Review Committee:

Prof. C.K.M. Deheragoda	Independent Non - Executive Director (Chairman of the Committee)
Mr. M.D.S. Goonatilleke	Independent Non - Executive Director
MR. W. M. C.S. Welegama	Non-Executive Director

M/s P W Corporate Secretarial (Pvt.) Ltd., functions as Secretaries.

The following officers - Mr. P V S Premawardhana - CEO and the Finance Manager attended meetings by invitation.

## Meetings & Attendance:

Name of Director	Eligible to attend	Attended
Prof. C.K.M. Deheragoda	4	4
Mr. M.D.S. Goonatilleke	4	4
MR. W. M. C.S. Welegama	4	3

## Policies and Procedures

The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, declarations are obtained from all Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the data base of the Company.

## Terms of Reference

The terms of reference of the Related Party Transactions Review Committee deals with its authority and duties and covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange.

Terms of reference of the Committee include the following:

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code.
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- Update the Board of Directors on the Related Party Transactions of the Company on a quarterly basis.

- Review all Related Party Transactions in line with the regulatory requirements.
- Adopt policies and procedures to review Related Party Transactions of the Company and oversee existing policies and procedures.
- Make immediate market disclosure on any applicable Related Party Transactions as required under Section 9 of the Listing Requirements of the Colombo Stock Exchange.
- Make appropriate disclosures in the Annual Report on Related Party Transactions as per the regulatory guidelines in a timely and detailed manner.

#### **Related Party Transactions during the Year**

During the year, the Committee reviewed the related party transactions and their compliance in the Company and its Group Companies and communicated the same to the Board. Details of Related Party Transactions entered into by the Company during the year are disclosed in Note 24 to the Financial Statements.

#### **Declaration**

The declaration by the Board of Directors confirming that the Company has complied with the requirements of the listing rules of the CSE on related party transactions for the financial year 2018 is given on page 70 in the 'Annual Report of the Directors'.

Sgd.  
Prof. C.K.M. Deheragoda  
*Chairman - Related Party Transaction Review Committee*  
30th May 2019

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## General

Colombo Land and Development Company PLC is a public limited liability company incorporated under the Companies Ordinance (Cap. 145) as a limited company on 8th December 1981 and listed on the Colombo Stock Exchange on 19th March 1986 and re-registered as per the Companies Act No. 7 of 2007 on 3rd July 2008 under Registration No. PQ 173. The registered office of the Company is located on the 3rd Floor, Liberty Plaza, 250 R A De Mel Mawatha, Colombo 03.

The Board of Directors Colombo of Land and Development Company PLC has pleasure in presenting their report on the affairs of the Company together with the audited financial statements of the Company and the Consolidated Financial Statements of the Group and the Auditor's Report on these Financial Statements for the Financial year ended 31st December 2018. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued by the The Institute of Chartered Accountants of Sri Lanka.

The financial statements were approved by the Board of Directors on 30th May 2019 and are given in pages Nos. 85 to 125 in this Annual Report.

## Principal Activities, Review of the Business & Future Developments

### Principal Activities:

The principal activities of the Company during the year continued to be property leasing, and provision of property services. There were no significant changes in the nature of principal activities of the Company and its subsidiaries during the financial year under review .

The principal activities of the subsidiary companies are as follows:

LibertyHoldingsLimited.and Liberty Developers (Pvt). Ltd, engage in renting out of develop investment properties.

Agrispace(Private)Limited,cultivates Mahogany, Rubber and Alstonia trees.

Anantya Global Solutions Limited. provides IT solutions, Software development and E-marketing.

### Review of the Business & Future Developments

An overall analysis of the financial and operational performance of the Company and its subsidiaries during the year and future business plans are described in the management discussion and analysis on pages 22 to 29 of this report as well as in the Chairman's Review on pages 8 to 9 and the Chief Executive Officer's Review on pages 10 to 11.

Results of the Group including the segment wise contribution to group revenue, assets and liabilities are disclosed in the notes to the financial statements on pages 27 to 125. These reports together reflect the state of affairs of the Company and its subsidiaries during the period under the review.

### Financial Statements

The Financial Statements of the Company and the Consolidated Financial Statements of the Group which have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of Companies Act

No. 07 of 2007, given on pages 93 to 94.

The said Financial Statements of the Company and the Consolidated Financial Statements of the Group, duly signed by two Directors on behalf of the Board are given on page 90.

**Auditor’s Report**

The Auditors of the Company M/s Ernst & Young – Chartered Accountants carried out the audit on the financial statements for the year ended 31 December 2018 and the Auditors Report on the financial statements of the Company and the Group are given on pages 87 to 89.

**Accounting Policies**

The accounting policies adopted by the Company in the preparation of financial statements are stated

in pages 95 to 126. The financial statements for the year 2018 have been prepared applying SLFRS 9 on Financial Instruments and SLFRS 15, Revenue from contracts. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards. Accordingly, the information presented for 2017 does not reflect the requirements of SLFRS 9 and SLFRS 15, but rather those of LKAS 18 and LKAS 39. Except for the changes made in accounting policies as mentioned above, the accounting policies adopted in preparation of the financial statements are consistent with those of the previous period and are given on pages.

**Directors’ Responsibility for Financial Reporting**

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of affairs of the Company. The statement of Directors’ Responsibilities for the financial statements is given on page 90 to 94 of this Annual Report.

**Board of Directors**

The Board of Directors of the Company as at December 31, 2018, consisted of seven Directors whose names together with skills and experiences are set out on pages 69 to 74 of this Report. The basis on which Directors are classified as Independent Non-Executive Directors is set out in the Corporate Governance Report.

Name of the Director	Executive / Non-Executive Status	Independent / Non-independent Status
Prof. C K Deheragoda (Chairman)	Non-Executive Director	Independent
Mr. P V S Premawardhana	Executive Director	Non- Independent
Mr. D S Jayaweera	Executive Director	Non- Independent
Mr. NG Yao Xing Eugene*	Non-Executive Director	Non- Independent
Mr. M D S Goonatileke**	Non-Executive Director	Independent
Mr. W M C S Welegama	Non-Executive Director	Non- Independent
Mr. W D A S Perera	Non-Executive Director	Non- Independent

\*Alternate Director-Mr.N H C Clement      The names of Directors of the subsidiary companies as at the end of the accounting period are set out in Annex “A” to this Report.  
 \*\* Alternate Director-Mr.S A Amaresekere

**Re-election of Directors**

In terms of Article 86 & 87 of the Articles of Association of the Company, Mr. W M C S Welegama retires by rotation and being eligible offers himself for re-election.

**Directors’ Remuneration**

Directors’ remuneration, in respect of the Company and the Group for the financial year ended 31st

December 2018 are given in the Note 24 to the Financial Statements, on page 120.

**Directors Interests in Contracts**

Except for the transactions referred to in Note 24 to the Financial Statements, the Company did not carry out any transactions with any of the Directors. The Company carried out transactions during the year in the ordinary course of its

business at commercial rates with the related entities of directors referred to herein. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

**Interest Register**

The Directors’ Interest register is maintained by the Company and relevant disclosures are made in this report.



**Board Committees:**

An Audit Committee, Remuneration Committee, Related Party Transactions Review Committee function as Board sub committees. The composition of the said Committees are as follows.

**Audit Committee**

Mr. M D S Goonatileke - Chairman  
Prof. C K Deheragoda  
Mr. Ng Yao Xing

**Remuneration Committee**

Prof. C K Deheragoda - Chairman  
Mr. M D S Goonatileke  
Mr. Ng Yao Xing

**Related Party Transactions****Review Committee**

Prof. C K Deheragoda - Chairman  
Mr. M D S Goonatileke  
Mr. W M C S Welegama

The Related Party Transactions Review Committee has reviewed all related party transactions that require their review for the year ended 31st December 2018 in compliance with the relevant listing rules.

The Reports of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee appear on pages 64 to 68

**Board and Sub Committee Meetings**

The Board of Directors met regularly during 2018. The attendance of the Directors at the Board and Sub Committee Meetings are given on pages 64 to 68.

**Directors' Shareholding**

The relevant interests of Directors in the shares of the Company as at 31st December 2018 and 31st December 2017 are as follows.

	As at 31.12.2018	As at 31.12.2017
Prof. C K Deheragoda	Nil	Nil
Mr. D S Jayaweera	2,600	2,600
Mr. P V S Premawardana	Nil	Nil
Mr. M D S Goonatileke*	Nil	Nil
Mr. Ng Yao Xing**	Nil	Nil
Mr. W M C S Welegama	Nil	Nil
Mr. W D A S Perera	Nil	Nil

\*Alternate Director - Mr. S A Ameresekere

\*\* Alternate Director - Mr. N H C Clement

Mr D S Jayaweera and Mr. P V S Premawardana serve as Directors of Hikkaduwa Beach Resort PLC, which holds 40,413,200 shares constituting 20.219% of the shares representing the stated capital of the Company.

**Shareholders**

There were 2,855 of shareholders registered as at 31st December 2018. (2,898 shareholders as at 31st December 2017).

### Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on page 132 under Investor Information.

### Equitable treatment to shareholders

The Company has at all times ensured that all shareholders are treated equitably.

### Corporate Governance

The Board places emphasis in instituting and maintaining good governance practices and principles. Therefore, the management and operations of the Company and its subsidiaries are effectively directed and controlled within the Corporate Governance framework as set out in pages 44 to 61 in this Report.

### Dividends

The directors do not recommend a dividend for the year under review.

### Group Turnover

The turnover of the Group during the year under review was Rs. 481,952,253/- (2017 - Rs. 445,908,605/-). A detailed analysis of the Group's turnover, profits and asset allocation relating to the different segments of the business is given in Note 18 to the Financial Statements on page 118.

### Operating Results

Details of profit relating to the group are given below.

For the year ended December 31	2018 Rs. 000	2017 Rs. 000
Profit from operations for the year	726,069	4,096,402
Finance Cost	215,061	243,367
Profit before taxation	511,008	3,853,035
Less : Provision for taxation	(182,673)	(1,110,642)
Net Profit after taxation	328,334	2,742,393

Profit after tax shows a decrease of Rs: 2,414 Mn (88%) in the year under review compared to previous year, mainly due to large fair value gain recorded in previous year. A detail analysis is given under management discussion and analysis in pages 22 to 29.

### Donations

Donations made by the Company during the year amounted to Rs. 750,000.00 (2017-Nil)

### Taxation

Provision for taxation has been computed as indicated in Note 22 to the Financial Statements

### Capital Expenditure

The total capital expenditure incurred on the acquisition and additions of Property, Plant and Equipment and Investment Property of the Company during the year is given in Notes 3 and 4 to the Financial Statements. Capital expenditure approved and contracted as at the year ended 31st December 2018 are also given in Note 29 to the Financial Statements.

### Market Value of the Building

All the buildings owned by the Group were subjected to a revaluation by an independent qualified valuer. The carrying value of the buildings of the Group is Rs. 92,201,184/- (2017 - Rs. 47,003,242/-). The details are provided in Note 3 to the Financial Statements.

### Fair Value of Investment Properties

The fair value of Investment properties owned by the Group as at 31st December 2018 are included in the Financial Statements at Rs. 12,631,490,000/- (2017 - Rs. 12,105,014,000/-) based on the Independent valuations undertaken by a Chartered Valuation Surveyor in December 2018. The Directors are of the opinion that the value is not in excess of the current market value. The details are provided in Note 4 to the Financial Statements.

### Reserves

Total Group Reserves as at 31st December 2018 was Rs. 7,347,853,522/- (2017 - Rs. 6,985,175,892/-). The movement of these reserves is shown in the Statement of Changes in Equity in the Financial Statements on page 91.

### Stated Capital

The total stated capital of the Company amounts to Rs. 341,602,342/- (2017 - Rs. 341,602,342/-) comprising No. of Shares 199,881,008/- (2017 - 199,881,008/-), as given in Note 11 to the Financial Statements.

### Investments

The details of investments held by the Company are disclosed in Note 5 and 9 on pages 110 and 112 of the Financial Statements.

### Directors' Remuneration

Directors' remuneration, in respect of the Company and the Group for the financial year ended 31st December 2018 are given in the Note 24.2 to the Financial Statements, on page 122.

### Internal Controls

The Board ensures that there is an effective and comprehensive process for identifying, evaluating and managing any significant risks faced by the Company, compliance controls and risk management to safeguard the assets. The Board places emphasis in assuring proper accounting records are maintained and the reliability of financial information. Further details of these aspects are discussed in the Company's Governance Report, Audit Committee Report, Risk

Management Report and Board of Directors' Statement on Internal Controls available on pages 44 to 64, 78, 62 respectively.

### Environmental Protection

The Directors confirm that to the best of their knowledge the Company and the Group have not engaged in any activity, which causes detriment to the environment.

### Insurance and Indemnity

The Company has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Company and certain employees of the Company. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

### Statutory payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments (including all taxes, duties and levies payable by the Company and its Subsidiaries) due to the Government, other regulatory institutions and related to the employees have been made on time or where relevant provided for.

### Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities contravening the Laws and Regulations of the country.

### Events after Reporting Date

There have not been any material events that have occurred subsequent to the date of the Statement of Financial Position that require adjustments to the Financial Statements, other than those disclosed in Note 27 to the Financial Statements.

### Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern, such as restrictions or plans to curtail operations. Accordingly, the Financial Statements are prepared on the going concern concept.

### Auditors Remuneration and Reappointment

Messrs Ernst & Young, Chartered Accountants served as the Company's Auditor during the year under review.

The Auditors, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 932,460/- (2017 - Rs. 788,400/-) and Rs. 1,561,717/- (2017 - Rs. 1,660,080/-) as audit fees by the Company and the Group, respectively.

In addition, they were paid Rs. 302,174/- (2017 - Rs. 191,939/-) and Rs. 659,355/- (2017 - Rs. 509,878/-), by the Company and the Group, respectively for permitted non-audit related services.

The Audit Committee reviews the appointment of the Auditors, their effectiveness, independence and relationship with the Company and its Group. In accordance with the Companies Act No. 07 of 2007, a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors to the Company will be submitted at the forthcoming Annual General Meeting.

As far as the Directors are aware, the Auditors do not have any

other relationship or interest in the Company. The Auditors too have provided a declaration confirming that they are not aware of any relationship with or interest in the Company or, in their Professional judgment may reasonably be thought to have a bearing on their independence within the meaning of the Code of Conduct and Ethics of The Institute of Chartered Accountants of Sri Lanka applicable as at the date of their declaration.

#### Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As 31st December 2018 27 persons were, in employment (26 persons as at 31st December 2017)

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This Annual Report is signed for and on behalf of the Board of Directors by

Sgd.  
Chairman

Sgd.  
Director/CEO

Sgd.  
P W Corporate Secretarial (Pvt) Ltd  
Secretaries  
30th May 2019

Annexure A to the Annual Report of the Board of  
Directors on the Affairs of the Company  
Directors of the Subsidiary Companies

**Liberty Holdings Limited**

Prof. C K Deheragoda  
Mr. D S Jayaweera  
Mr. P V S Premawardhana  
Mr. J M B Pilimalawwe

**Liberty Developers (Pvt) Ltd**

Prof. C K Deheragoda  
Mr. D S Jayaweera  
Mr. P V S Premawardhana  
Mr. J M B Pilimalawwe

**Agrispice (Private) Limited**

Prof. C K Deheragoda  
Mr. D S Jayaweera  
Mr. P V S Premawardhana  
Mr. J M B Pilimalawwe

**Anantaya Global Solutions (Private) Limited**

Prof. C K Deheragoda  
Mr. D S Jayaweera  
Mr. P V S Premawardhana  
Mr. J M B Pilimalawwe

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date, and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible for ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently

applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiaries, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and its subsidiaries and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue

in operation and have applied the going concern basis in preparing the financial statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board  
Colombo Land and Development  
Company PLC

Sgd.  
P W Corporate Secretarial (Pvt) Ltd  
Secretaries

30th May 2019

# CHAIRMAN AND FINANCE MANAGER'S RESPONSIBILITY STATEMENT

The Financial Statements of Colombo Land & Development Company PLC for the year ended 31st December 2018 are prepared and presented in compliance with the following requirements:

- The Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
- The requirements of the Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- The Listing Rules of the Colombo Stock Exchange
- The Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka.

The Board of Directors and Management of the Company accept responsibility for the following:

- Integrity and objectivity of these Financial Statements
- The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis
- The Financial Statements reflect in true and fair manner the substance of the transactions and reflect the Company's state of affairs.

- The Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding its assets and for preventing and detecting frauds as well as other irregularities
- However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The following procedures were also followed:

- The Audit Committee of the Company meets regularly to review the Financial Statements.
- Discuss auditing, internal control and financial reporting issues.
- To ensure complete independence, the External Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

Financial Statements:

- The Financial Statements of the Company were audited by Ernst & Young, Chartered Accountants, and their report appear on pages 87 to 89 of this Annual Report.
- The Audit Committee pre-approves the audit and

non-audit services provided by Ernst & Young External Auditors to ensure that the provision of such services does not impair Ernst & Young independence.

We confirm that,

- the Company has complied with all applicable laws, regulations and prudential requirements;
- there are no material non-compliances;

and

- there are no material litigations that are pending against the Company other than those disclosed in the Note to the financial statements in this Annual Report.

Sgd.  
Chairman

Sgd.  
Finance Manager

30th May 2019

# RISK MANAGEMENT REPORT

## Introduction

Risk is defined as the probability of an event and its consequences. Every business organization faces risks in varying forms and degrees which may affect their chances of success. Understanding these risks and effectively managing them greatly assist organizations in achieving long-term goals. Realising the importance of risk management, here at Colombo Land, we have setup an Integrated Risk Management (IRM) policy and strictly adhere to it to reduce or control the risks.

## Risk Management

Risk Management refers to the process of identifying, assessing and managing potential risks in order to minimize the negative impact they may have on an organization. Its' significance is measured in terms of the probability of occurrence. At Colombo Land, we follow an ordained effort of application of the resources to monitor and control the probability of avoidance or occurrence of unfortunate events with the view to reduce the impact, thus mitigating the damages. Risk management is an integral part of the Colombo Land business model to follow this year's theme of "Achieving Excellence" to maximise shareholders' value.

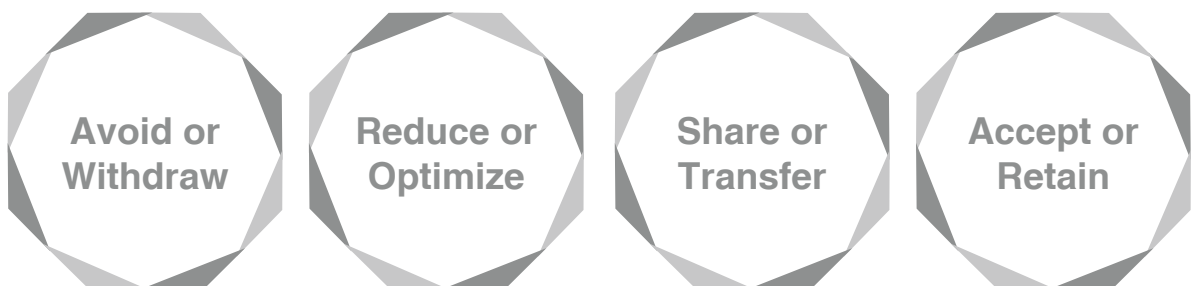
### Integrated Risks Management Policy

The Company's risk management policy dictates the risk management procedures that are in place as outlined below;

- The final responsibility to maintain a far-sighted & unified risk management process rests with the Board of Directors.
- Channels were introduced for the communication of risk policies to all relevant parties who follow reporting channels to alert situations of risk origination.
- Under the Integrated Risk Management Policy, the process is designed as risk-assuming functions, independent risk management and compliance functions and also as external audit functions. All business operations of the company are executed by ensuring compliance with all legal and regulatory requirements connected with risk management.
- Risk management function is considered as an independent function from the risk assuming functions.
- Setting and defining the risk tolerant statement, risk limits, risk management functions, risk management policies are under the risk governance of the company.
- Quarterly reports of Risk is discussed at the Audit Committee Meetings and minutes of meetings submitted to the Board of Directors.

## Risk Mitigation Strategies

Following risks-minimizing strategies are used at Colombo Land depending on the situations.





**Avoid or withdraw** stands for not undertaking an activity, which carries risk. Exposure to risk is avoided altogether by this strategy. The negative impact of this is loss of business opportunity, which is damaging to the organization, as organizations are promoted to do business. If activities are stopped because they carry a risk, it will amount to loss of business opportunity, which is damaging to the organization. Potential profit is required to sustain the organization, therefore in real terms, avoidance may be very expensive.

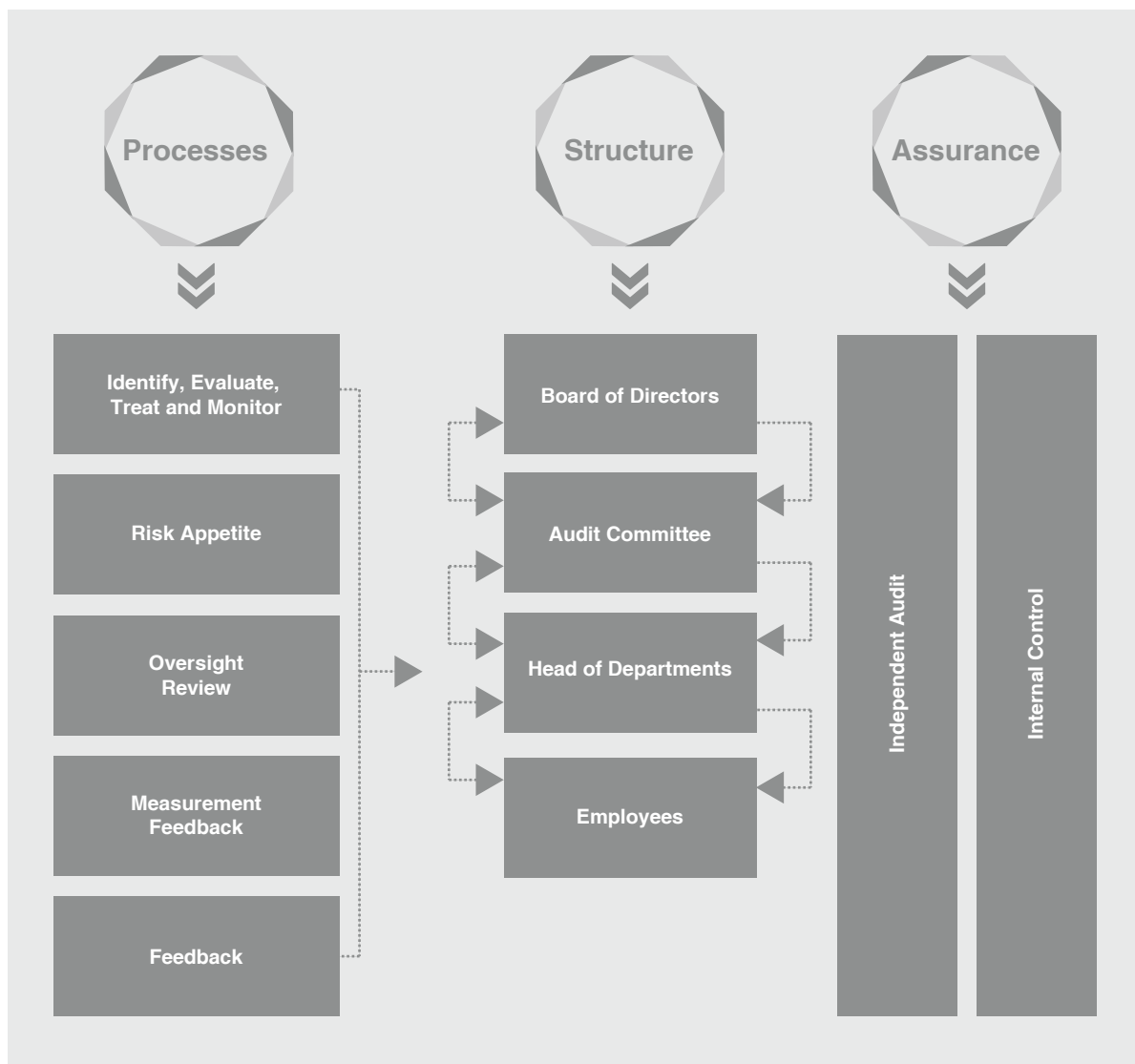
**Reduce or optimize** stands for reducing the severity of the impact. Impact of undertaking an activity can be positive or negative and risk is associated with negative impact. Risk can be optimized by balancing the negative impact and the benefits from undertaking the activity.

**Share or transfer** stands for the burden of loss or benefit of gain from a risk with other parties. When a cost of management of risk through other options hinders the achievement of organizational goals, the risk will be retained.

**Accept or retain** is implemented when cost of managing the risk through other options is higher or hinders the achievement of organizational goals and the risk will be retained. Then the decision is taken to manage the risk. Risk acceptance or retention helps in growth of business and profits and it can be used along with other strategies.

**Enterprise Risk Management**

The risk management framework illustrates our approach to risk management, reflecting the risk management process, the structure in place to administer the process and sources of comfort with regard to its effectiveness.



Risk Management Policy of the company ensures that all risks are identified, evaluated and appropriate actions are taken, followed by monitoring of actions taken and results achieved.

Board of Directors	Responsibility: To safeguard the shareholders' investments by maintaining comprehensive risk management framework and internal control system assets in a manner discharging leadership responsibility.			Implementation of a suitable internal control & risk management system in accordance with corporate governance principle by identifying the principles of risks.
Board Sub committees	Responsibility:	Audit Committee Responsibility:	Related party Transactions Review Committee: Responsibility:	Remuneration Committee: Responsibility:
	<ul style="list-style-type: none"> <li>Implementation of policies relevant to their scope and overseeing the development.</li> <li>Monitoring the ongoing effectiveness of the company procedures by identifying the emerging risks. (Relevant committee detail is found in pages 071 to 076)</li> </ul>	The financial statements & financial reporting systems overseeing responsibility held by audit committee by assisting & representing the board.	To enhance corporate transparency, promote fair transactions and also to ensure the interest of shareholders taken in to consideration before entering in to related party transactions.	<ul style="list-style-type: none"> <li>By overseeing remuneration policies &amp; practices to assist the board to discharge its responsibility.</li> <li>The remunerations of the persons activities affect the financial soundness of the company will review &amp; make recommendation to the board.</li> <li>General remuneration practices supervision &amp; making recommendations.</li> </ul>
Management	<p>Responsibility</p> <ul style="list-style-type: none"> <li>In order to review the internal control processes, conduct risk management assessments by studying Internal and external audit reports &amp; findings, and evaluate the appropriateness &amp; effectiveness.</li> <li>Conduct effective management of risk rests, setting the risk appetite.</li> <li>Review specific risk profiles &amp; receives regular reports on risk management.</li> </ul>			

## The assessment of risks

Based on qualitative perception through a developed risk matrix, risk evaluated.

Impact	Significant	Plan for action (Mitigate or Transfer)	Immediate Action (Mitigate or Share)	Immediate Action (Mitigate or Share)
	Moderate	No action (Accept or Avoid)	Plan for Action (Mitigate or Transfer)	Immediate Action (Mitigate or Share)
	Minor	No action (Accept)	No action (Accept)	Plan for Action (Mitigate or Transfer)
		Low	Medium	High
	Likelihood			

## Risk rating and mitigating strategies

Likelihood Key : C=Certain ; L= Likely ; P=Possible ; U=Unlikely ; R=Rare			
Impact Key : V = Very High; H=High; M= Medium; L=Low			
Description of Risk	Risk Rating		Mitigation Strategies
	Likelihood	Impact	
<b>Strategic Risk</b>			
Risks arising from failure to meet strategic goals.	U	M	Function according to Strategic Business Plan approved by the Board of Directors.  Annual Budget is approved by the Board of Directors prior to the commencement of respective financial year.  Variances are reviewed on monthly basis.
<b>Political Risk</b>			
Risk arising from legislative and policy changes.	P	M	Proactive monitoring of risks posed by political and legislative changes, budget proposals with the advice of Auditors, Tax Consultants and industry experts.
<b>Legal Regulatory Framework Risk</b>			
Litigations against the company may result in penalties and legal fees, loss of reputation and stakeholders' confidence.	R	L	Company has obtained the services of Tax, Legal consultants and service of Professional Company secretaries for regulatory requirements. Company is also a member of the Employers' Federation of Ceylon.  Constant dialogue and lobbying with Regulatory authorities.
<b>Liquidity Risk</b>			
Risk arising from company suffering a loss due to insufficient financial resources at its disposal, to meet its obligations, as and when they fall due.	U	L	The financial position is regularly monitored by the Management and as advised by Board of Directors / Audit Committee.

<b>Credit Risk</b>			
Credit risk exposure of the Company arises from the rent receivable from tenants. The inflation rates, foreign currency fluctuations, disposable income levels could affect the company in recovering the rentals from the tenants.	P	M	Consistent monitoring follow ups and debt collection procedures are in place. The company collects rent advances and security deposits from tenants, which can be used to recover any unpaid dues when signing the lease agreements.
<b>Interest Rate Risk</b>			
Risks relating to Interest Income and Cost of Borrowing	R	L	Monitoring and management of cash flows daily.  Negotiating favorable rates and terms on borrowings and deposits.  Maintain an appropriate combination of fixed and floating rate borrowings.
<b>Risk of depending on key customers.</b>			
Risk arising from loss of key customers may have significant impact on the Company's performance.	L	H	Company has rented the New Retail Podium to attract major players in the fashion and lifestyle retailing and restaurants industry. Even though the relationships are long standing, threats from new entrants to the property market are ever increasing.
<b>Risk on depending on key suppliers.</b>			
Risks arising from break-down of essential services of the properties that are managed by the group. Such break-downs of plant and equipment, failures of the services etc.	U	M	Company has entered into comprehensive maintenance agreements for elevators, generators, chillers and other type of services for key operations.
<b>Risk on Competition</b>			
Risks arising from new commercial & residential developments.	L	H	Monitoring of existing and new supply of Commercial and Residential Developments.  Quarterly competitor analysis reports.
<b>Brand &amp; Reputation Risk</b>			
Risk relating to product quality, timely delivery and service standards.	L	M	Maintaining high product and service quality standards and quality assurance/control systems in project and facilities management.  Regular reviews of customer comments and feedback.
<b>Fraud Risk</b>			
Risks due to inadequate internal controls, processes and systems, and employees abusing entrusted power for private gains leading to misappropriation of assets.	R	L	By implementing a different level of authorization and cross department recommendation process the Company has taken required measures to minimize or eliminate fraud risks. Company follows a practice of obtaining competitive quotations and bids from respective parties, guaranteeing maximum financial benefits.

Human Capital Risk			
Failure to achieve growth plans as a result of failure to attract and retain sufficient numbers of qualified and experienced employees and/or inability to ensure their ongoing engagement and commitment	U	M	<p>Training and development opportunities are given to update and develop employees' relevant job knowledge.</p> <p>Adoption of best practices in Human Resources Management.</p>
Health & Safety Risk			
Risk occurring from threats to personal, staff, tenants and general public at Liberty Plaza and Liberty Arcade shopping complexes.	U	L	<p>The company complies with all Industrial Safety Requirements.</p> <p>The company performs proper training programs and workplace safety practices. The company has obtained all required insurance covers reference to industrial safety by considering the safety of its employees, tenants and general public. During the current year, there were no work-place accidents record.</p> <p>Preventive maintenance programs, potable water quality testing and air quality testing etc. are regularly carried out.</p>
Environment Risk			
Loss or damage caused by unusual climate conditions, including drought, heat, flood, cold, storm, winds and natural disasters etc.	R	M	<p>In order to face uncontrollable risks due to natural disasters as a result of inclement weather and climate change, the required insurance covers are obtained.</p>





# Financial Statements

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- 90 . Statement of Financial Position
- 91 . Income Statement
- 92 . Statement of Other Comprehensive Income
- 93 . Statement of Changes in Equity
- 94 . Cash Flow Statement
- 95 - 127 . Notes to the Financial Statements

## FINANCIAL CALENDAR

1st Quarter	14th May 2018
2nd Quarter	14th August 2018
3rd Quarter	14th November 2018
4th Quarter	26th February 2019

### ANNUAL REPORTS

2018 (Annual Report)	30th May 2019
2017 (Annual Report)	30th May 2018

### MEETINGS

37th Annual General Meeting	28th June 2019
36th Annual General Meeting	29th June 2018



# INDEPENDENT AUDITOR’S REPORT



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

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Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

## TO THE SHAREHOLDERS OF COLOMBO LAND AND DEVELOPMENT COMPANY PLC

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Colombo Land and Development Company PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the

Group as at 31 December 2018 , and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of

the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of Investment Property</p> <p>As at 31 December 2018, the Group’s Investment Property carried at fair value amounts to Rs. 12, 631, 490, 000, which represents 97% of the Group’s total Assets.</p> <p>The Group adopts the fair value model for investment property as stated in note 4 and 2.3.11 to the financial statements.</p> <p>The Group had engaged an external valuer to determine the fair value of the investment property.</p>	<p>Our audit procedures focused on the valuation performed by the external valuer engaged by the Group, which included, amongst others, the following procedures;</p> <ul style="list-style-type: none"> <li>• We considered the objectivity and the expertise of the external valuer engaged by the management.</li> <li>• We obtained an understanding of the methodology adopted by the external valuer to obtain an understanding of the property related data used as input to the valuation models which included amongst others, rental income data and yield rate.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the key audit matter
<p>The valuation of the investment property is significant to our audit due to their magnitude, valuation method with the high dependency on a range of estimates (amongst others, rental income data, and yield rate) which are based on current and future market or economic conditions.</p>	<ul style="list-style-type: none"> <li>• We tested the reasonableness of rental income data applied in the valuation by comparing them with lease agreements and corroborated the yield rate by comparing them with available industry data, taking into consideration comparability and market factors.</li> <li>• We assessed whether the discount rates used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profiles.</li> <li>• We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive as stated in note 2.3.11 to the financial statements.</li> </ul>

### Other information included in the Company's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

The Institute of Chartered Accountant of Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1420.

Sgd.  
30 May 2019  
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2018	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	3a	169,251,365	132,821,336	1,112,270	5,113,877
Biological Assets	3b	54,600,582	10,451,025	-	-
Investment Properties	4	12,631,490,000	12,105,014,000	8,020,426,000	7,485,530,000
Investments in Subsidiaries	5	-	-	816,589,183	816,589,183
		12,855,341,947	12,248,286,362	8,838,127,453	8,307,233,061
<b>Current Assets</b>					
Inventories	7	579,009	331,655	-	-
Trade and Other Receivables	6	132,006,366	114,102,930	1,631,242,745	1,622,730,622
Investment in Preference Shares	8	-	-	66,310,775	69,140,326
Financial Assets	9	10,800	22,500	10,800	22,500
Cash and Cash Equivalents	10	7,774,467	21,639,330	5,034,182	18,110,081
		140,370,642	136,096,416	1,702,598,502	1,710,003,529
<b>Total Assets</b>		<b>12,995,712,589</b>	<b>12,384,382,777</b>	<b>10,540,725,955</b>	<b>10,017,236,590</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	11	341,602,342	341,602,342	341,602,342	341,602,342
Revaluation Reserve	12	84,612,602	50,286,787	-	-
Retained Earnings		7,263,240,920	6,934,889,105	6,235,274,350	5,866,452,080
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>7,689,455,864</b>	<b>7,326,778,234</b>	<b>6,576,876,692</b>	<b>6,208,054,422</b>
Non - Controlling Interest		(2,425,023)	(1,807,448)	-	-
<b>Total Equity</b>		<b>7,687,030,841</b>	<b>7,324,970,785</b>	<b>6,576,876,692</b>	<b>6,208,054,422</b>
<b>Non-Current Liabilities</b>					
Interest Bearing Loans and Borrowings	13	1,390,000,000	1,423,550,000	1,390,000,000	1,423,550,000
Other Payables	16.2	24,062,500	-	24,062,500	-
Deferred Tax Liabilities	14	3,215,887,489	3,021,597,303	2,192,702,246	2,064,161,815
Defined Benefit Obligations	15	5,661,250	5,356,824	3,433,493	3,976,051
		4,635,611,239	4,450,504,127	3,610,198,239	3,491,687,865
<b>Current Liabilities</b>					
Trade and Other Payables	16	214,330,371	161,164,509	77,794,379	46,501,531
Income Tax Liabilities		9,816,457	17,089,926	8,675,363	9,132,286
Interest Bearing Loans and Borrowings	13	241,141,333	223,706,911	220,811,759	215,706,911
Tenant Deposits	17	207,782,349	206,946,519	46,369,523	46,153,575
		673,070,509	608,907,865	353,651,024	317,494,303
<b>Total Equity and Liabilities</b>		<b>12,995,712,589</b>	<b>12,384,382,777</b>	<b>10,540,725,955</b>	<b>10,017,236,590</b>

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

Sgd.

CEO - Director

The Board of Directors are responsible for these Financial Statements. Signed for and on behalf of the Board by:

Sgd.

Director

Sgd.

Director

The accounting policies and notes on pages 95 through 127 form an integral part of the Financial Statements.

30 May 2019

Colombo

# INCOME STATEMENT

As at 31 December 2018	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Revenue</b>	18	481,952,253	445,908,605	152,085,750	134,542,119
Direct Expenses		(121,485,080)	(127,606,741)	(44,489,605)	(50,326,182)
<b>Net Rental Income</b>		360,467,173	318,301,864	107,596,145	84,215,936
Other Income and Gains	19	4,786,544	16,627,810	5,313,063	11,029,223
Change in fair value of Investment Properties	4	424,461,800	3,862,524,447	462,382,417	3,202,430,000
Fair Valuation of Biological Assets		43,620,667	-	-	-
Selling and Distribution Costs		(8,010,419)	(7,547,301)	(5,805,267)	(5,448,307)
Administrative Expenses		(99,256,127)	(93,503,902)	(66,960,974)	(61,689,810)
Finance Cost	20	(215,061,462)	(243,367,048)	(4,874,462)	(75,690)
<b>Profit/ (Loss) Before tax</b>	21	511,008,176	3,853,035,871	497,650,921	3,230,461,353
Income Tax Expense	22	(182,673,460)	(1,110,642,834)	(128,617,857)	(898,697,626)
<b>Profit/ (Loss) for the year</b>		328,334,716	2,742,393,037	369,033,064	2,331,763,728
<b>Attributable to:</b>					
Equity Holders of the Parent		328,952,290	2,743,287,029	369,033,064	2,331,763,728
Non-Controlling Interests		(617,574)	(893,992)	-	-
Earnings Per Share - Restated	23	<b>1.65</b>	13.72	1.85	11.67

The accounting policies and notes on pages 95 through 127 form an integral part of the Financial Statements.

## STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Profit/ (Loss) for the year</b>		328,334,716	2,742,393,037	369,033,064	2,331,763,728
<b>Other Comprehensive Income</b>					
Other comprehensive income to be classified to profit or loss in subsequent periods		-	-	-	-
Net Loss on Financial Assets classified under FVOCI		-	(16,200)	-	(16,200)
Other comprehensive income not to be classified to profit or loss in subsequent periods		-	-	-	-
Actuarial Gain/(loss) on Defined Benefit Plans	15	(830,097)	(1,004,830)	(276,520)	(1,446,461)
Net loss on financial assets classified under FVOCI		(11,700)	-	(11,700)	-
Deferred Tax attributable to actuarial (gains)/loss on defined benefit obligations		241,322	(123,657)	77,426	-
Revaluation Gain of the Property Plant and Equipment's	12	46,183,864	1,674,000	-	-
Deferred Tax on depreciation of revalued assets	14	(11,858,049)	-	-	-
<b>Total of Other Comprehensive Income</b>		33,725,340	529,313	(210,794)	(1,462,661)
<b>Total Comprehensive income for the year, net of tax</b>		362,060,056	2,742,922,350	368,822,270	2,330,301,067
<b>Attributable to:</b>					
Equity Holders of the Parent		362,677,630	2,743,816,342	368,822,270	2,330,301,067
Non-Controlling Interests		(617,574)	(893,992)	-	-

The accounting policies and notes on pages 95 through 127 form an integral part of the Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital LKR	Revaluation Reserve LKR	Retained Earnings LKR	Non-Controlling Interest LKR	Total LKR
<b>As at 01 January 2017</b>	341,602,342	48,612,787	4,192,851,873	(913,457)	4,582,153,545
Net Profit/(Loss) for the Year	-	-	2,743,181,919	(893,992)	2,742,287,927
Other Comprehensive Income for the Year	-	1,674,000	(1,144,687)	-	529,313
Total Comprehensive Income for the Year	-	1,674,000	2,742,037,232	(893,992)	2,742,817,240
<b>As at 31 December 2017</b>	341,602,342	50,286,787	6,934,889,105	(1,807,449)	7,324,970,785
Net Profit/(Loss) for the Year	-	-	328,952,290	(617,574)	328,334,716
Other Comprehensive Income for the Year	-	34,325,815	(600,475)	-	33,725,340
Total Comprehensive Income for the Year	-	34,325,815	328,351,815	(617,574)	362,060,056
<b>As at 31 December 2018</b>	341,602,342	84,612,602	7,263,240,920	(2,425,023)	7,687,030,841

Company	Stated Capital LKR	Retained Earnings LKR	Total LKR
<b>As at 01 January 2017</b>	341,602,342	3,536,148,611	3,877,750,953
Net Profit/(Loss) for the Year	-	2,331,763,728	2,331,763,728
Other Comprehensive Income for the Year	-	(1,462,661)	(1,462,661)
Total Comprehensive Income for the Year	-	2,330,301,067	2,330,301,067
<b>As at 31 December 2017</b>	341,602,342	5,866,452,080	6,208,054,422
Net Profit/(Loss) for the Year	-	369,033,064	369,033,064
Other Comprehensive Income for the Year	-	(210,794)	(210,794)
Total Comprehensive Income for the Year	-	368,822,270	368,822,270
<b>As at 31 December 2018</b>	341,602,342	6,235,274,350	6,576,876,692

The accounting policies and notes on pages 95 through 127 form an integral part of the Financial Statements.

## STATEMENT OF CASH FLOWS

	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Cash Flows From / (Used in) Operating Activities</b>					
Profit before Tax from continuing operations		511,008,175	3,853,035,871	497,650,921	3,230,461,353
Adjustments for					
Depreciation	3	8,915,583	9,777,135	4,031,719	4,815,909
Dividend Income from Investments	19	-	-	(3,217,938)	-
Profit on Disposal of Investments		-	-	-	-
Increase in fair value of Investments Property	4	(424,461,800)	(3,862,524,447)	(462,382,417)	(3,202,430,000)
(Profit) / Loss on disposal of Property, Plant & Equipment	19	(7,687)	105,835	(38,000)	105,835
Increase in fair value of Biological Assets	3b	(43,620,667)	-	-	-
Profit on disposal of Investment Properties	19	-	(10,700,000)	-	(5,500,000)
Finance Costs	20	215,061,462	243,367,048	4,874,462	75,690
Bad Debt Provision		6,331,329	5,231,880	5,096,867	4,407,399
Provision for Defined Benefit Plans	15	1,234,328	1,064,699	940,922	733,197
Operating Profit before Working Capital Changes		274,460,724	239,358,020	46,956,538	32,669,383
Increase in Inventories		(247,354)	(78,983)	-	-
(Increase) / Decrease in Trade and Other Receivables		(24,234,764)	2,402,142	(13,045,606)	(651,332)
Increase / (Decrease) in Tenant Deposits		835,830	(229,939)	215,948	748,422
Increase / (Decrease) in Trade and Other Payables		51,405,862	(28,856,952)	29,532,848	6,259,731
Increase in Other Payables		24,062,500	-	24,062,500	-
Cash Generated from Operations		326,282,798	212,594,288	87,722,228	39,026,203
Finance Cost Paid		(215,061,462)	(243,367,048)	(4,874,462)	(75,690)
Defined Benefit Plan Costs Paid	15	-	(2,545,500)	-	(2,545,500)
Income taxes paid		(3,303,781)	(4,915,975)	(1,020,306)	-
<b>Net Cash From / (Used in) Operating Activities</b>		<b>107,917,555</b>	<b>(38,234,234)</b>	<b>81,827,460</b>	<b>36,405,014</b>
<b>Cash Flows from / (Used in) Investing Activities</b>					
Acquisition of Property, Plant & Equipment		(3,279,155)	(4,312,621)	(147,517)	(413,013)
Improvement of Biological Assets	3b	(528,890)	-	-	-
Proceeds from Sale of Property, Plant & Equipment		155,406	21,070	155,406	21,070
Proceeds from Disposal of Investment Properties		-	124,000,000	-	26,000,000
Subsequent expenditure on Investment Property	4	(102,014,200)	(9,201,054)	(72,513,583)	-
Acquisition of Equity Shares	5	-	-	-	-
Increase in Value of Investment		-	-	-	-
Dividend Received on Investment		-	-	3,217,938	-
<b>Net Cash Flows from / (Used in) Investing Activities</b>		<b>(105,666,840)</b>	<b>110,507,395</b>	<b>(69,287,757)</b>	<b>25,608,056</b>
<b>Cash Flows from (Used in) Financing Activities</b>					
Proceeds From Redemption of Preference Shares	8	-	-	2,829,551	-
Proceeds From Interest Bearing Loans & Borrowings	13	52,000,000	2,500,000	40,000,000	2,500,000
Repayment of Interest Bearing Loans & Borrowings	13	(96,100,000)	(1,028,070,010)	(96,100,000)	(1,023,070,010)
Repayment of Finance Lease Liabilities	13	-	-	-	-
Net Cash Flows Used in Financing Activities		(44,100,000)	(1,025,570,010)	(53,270,449)	(1,020,570,010)
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>41,849,285</b>	<b>(953,296,849)</b>	<b>(40,730,746)</b>	<b>(958,556,940)</b>
<b>Cash and Cash Equivalents at the beginning of the Year</b>	10	<b>21,282,419</b>	<b>974,579,269</b>	<b>17,753,170</b>	<b>976,310,111</b>
<b>Cash and Cash Equivalents at the end of the Year</b>	10	<b>(20,566,866)</b>	<b>21,282,420</b>	<b>(22,977,576)</b>	<b>17,753,170</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Colombo Land and Development Company PLC ("Company") is a public limited liability Company listed on Colombo Stock Exchange and incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 250 - 3/8, (3rd Floor) Liberty Plaza, R. A. De Mel Mawatha, Colombo 3.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were the development and leasing out of investment property under operating leases and renting of vehicle parking. The principal activities of the Subsidiaries are disclosed in Note 30 to the financial statements

### 1.3 Consolidated Financial Statements

The Consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its Subsidiaries whose accounts have been consolidated there in (the 'Group').

### 1.4 Parent Entity and Ultimate Parent Entity

Colombo Land and Development Company PLC does not have an identifiable parent of its own.

### 1.5 Date of Authorization for Issue

The Consolidated Financial Statements of Colombo Land and Development Company PLC for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the board of directors on 30 May 2019.

## 2.1 BASIS OF PREPARATION

The Financial Statements have been prepared on a historical cost basis, except for investment properties and financial instruments FVOCI that have been measured at fair value Biological assets have been measured at fair value less cost to sell. The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements is in compliance with the Companies Act. No. 07 of 2007.

### 2.1.1 Statement of compliance

The Financial Statements of Colombo Land and Development Company PLC have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 7 of 2007.

### 2.1.2 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The group has adopted SLFRS 15 and SLFRS 09 for the first time with effect from 01 January 2018. However, comparative amounts have not been restated.

### 2.1.3 Changes in Accounting Policies and Disclosures

#### 2.1.3.1 New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the changes in accounting policies described in Note 2.1.3.2.

#### 2.1.3.2 New Standards effective from 01st January 2018

The company adopted SLFRS 09 and SLFRS 15 with effect from 1st April 2018.

#### (a) Adoption of SLFRS 9 - Financial Instruments

The Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments", which replaces the existing guidance on LKAS 39 on "Financial Instruments: Recognition and Measurement" has become effective for annual reporting periods beginning on or after January 01, 2018 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied SLFRS 9 retrospectively, but has elected not to restate comparative information based on the transitional provisions available in SLFRS 9. In the first year of SLFRS 9

implementation, the accounting policy relevant to the comparative information on financial instruments is reported under LKAS 39. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy.

#### Classification and measurement of financial instruments

The Financial Assets categorised as Available -for -Sale Investments under LKAS 39 is now reclassified under Equity Investments at Fair Value through OCI (FVOCI) under SLFRS 9. The Company intends to hold such financial assets for the foreseeable future and which the Company has irrevocably elected to classify as such at or transition to SLFRS 09. There is no recycling of gains or losses to profit or loss on derecognition and the dividend received as a result of holding this investment will be recognized to profit or loss.

These reclassifications have no impact on the measurement categories. (Refer statement of changes in equity for the main effects resulting from this reclassification of Financial Assets on the date of initial application which is 01st April 2018)

#### (b) SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

This standard is effective for the annual periods beginning on or after 01 January 2018. SLFRS 15 does not have an impact on Company's Financial Statements.

#### 2.1.3.3 Standards, Amendments and Interpretations issued but not yet effective

The following new accounting standards, amendments and interpretations that are issued, but not yet effective up to the date of issuance of the company's

## NOTES TO THE FINANCIAL STATEMENTS

financial statements are disclosed below. The company intends to adopt these new accounting standards, amendments and interpretations, if applicable, when they become effective.

### (a) SLFRS 16 - Leases

SLFRS 16 introduce a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify lease as finance or operating leases. SLFRS 16 replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Leases, SIC-15 Operating Lease Incentive and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a lease.

The standard is effective for annual period beginning on or after 1 January 2019

The Company does not expect significant impact on its financial statements resulting from the application of the above standards, amendments and interpretations.

### 2.1.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee

- The ability to use its power over the investee to affect its returns

The group re-assessed whether or not it controls on investee facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of

revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management Note 26
- Financial risk management and policies Note 26
- Sensitivity analyses disclosures Notes 15 and 26

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the Financial Statements

### Deferred Tax Assets:

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### Owner Occupied Properties and Investment Property:

In determining if a property qualifies as Investment Property the Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that

have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements

**Fair value of Property, Plant and Equipment and Investment Property:**

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2018 for investment properties and land and buildings. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model and market based evidence was used, using comparable prices adjusted for specific market factors such as nature, location and condition of the property and comparable market data because of the nature of the properties. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in OCI. Land and buildings were valued by reference to market-based evidence, the key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 4 and 28.

**Defined benefit plans (pension benefits):**

The Group is liable to pay gratuity in terms of the Gratuity Act No.12 of 1983.

The Group measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent actuary.

For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimation provided by the qualified actuary is used.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of

actuarial gains and losses, excluding net interest (not applicable to the Group), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under 'administration expenses' in the Statement of Profit or Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The gratuity liability is not externally funded. This item is stated under Defined Benefit Obligations in the Statement of Financial Position.

**2.3 Summary of Significant Accounting Policies**

**2.3.1 Current versus non-current classification**

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- It does not have a right at reporting date to defer the settlement of the liability by transfer of cash or other assets for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**2.3.2 Fair value measurement**

The Group measures financial instruments such as non-financial assets such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 2.2, 3, 4 and 26
- Quantitative disclosures of fair value measurement hierarchy Note 26 and Note 28
- Property, plant and equipment under revaluation model Note 3a
- Investment properties Note 4
- Biological Assets Note 3b

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

## NOTES TO THE FINANCIAL STATEMENTS

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Board of Directors determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets classified under FVOCI.

External valuers are involved for valuation of properties. Involvement of external valuers is decided upon annually by the Board of Directors after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Board of Directors decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Board of Directors analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Board of Directors verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Board of Directors, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the

asset or liability and the level of the fair value hierarchy as explained above.

### 2.3.3 Foreign currencies

The Group's consolidated financial statements are presented in Sri Lanka Rupees, which is also the parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 2.3.4 Taxation

#### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognized directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments there on.

Liberty Developers (Private) Limited qualifies for a tax exemption period of 6 years under Sec 17 (A) of the Inland Revenue Act No. 10 of 2006 as amended by Inland Revenue (Amendment) Act No. 10 of 2012 subject to the condition that Rs. 300 Million investment is made in the project within the project implementation period. For the above purpose, the years of Assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operations whichever is earlier as determined by the commissioner of Inland Revenue. The first year of commercial operations of Liberty Developers (Private) Limited began from September 2015.

#### Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

i. where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii. In respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible

temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except;

i. where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii. In respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable

right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### 2.3.5 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 2.3.6 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

## NOTES TO THE FINANCIAL STATEMENTS

- Finished goods: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 2.3.7 Financial Instruments – Initial Recognition and Subsequent Measurement (Policy Applicable From 01/01/2018)

#### Financial Assets

#### Initial Recognition and Measurement

Financial assets within the scope of SLFRS 09 are broadly categorised as financial assets at amortised cost, fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus (in the case of assets not at fair value through profit or loss) directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances, short-term deposits, and fair value through other comprehensive income (FVOCI) financial assets.

#### Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### (a) Debt Instruments at Amortized Cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to

hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes bank balances and short term deposits under current financial assets.

#### (b) Financial Assets classified under Fair Value through Other Comprehensive Income

The Financial Assets categorised as Available -for -Sale Investments under LKAS 39 is now reclassified under Equity Investments at Fair Value through OCI (FVOCI) under SLFRS 9 after assessing the business model that applies to the financial assets held by the Group.

This category only includes the equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to classify upon transition. There is no recycling of gains or losses to profit or loss on derecognition and the dividend received as a result of holding this investment will be recognized to profit or loss.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined based on income approach that estimates the fair value by discounting projected cash flows in a discrete projection period to present value.

#### De-recognition

A financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

#### Impairment of Financial Assets

SLFRS 09 establishes a new model for impairment which is a forward-looking expected credit loss model.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the Group extent of credit deterioration since initial recognition.

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are

365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### Financial Liabilities

#### Initial Recognition and Measurement

Financial liabilities within the scope of SLFRS 9 remains broadly the same as LKAS 39, are classified as financial liabilities at fair value through profit or loss, or at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Company's financial liabilities include other payables.

#### Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Other Payables

Liabilities are recognised for amounts to be paid in the future for assets or services received, whether billed by the supplier or not. The financial liabilities are subsequently measured at amortised cost using the (Effective Interest Rate) EIR method.

#### Loans and borrowings and Tenant Deposits

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that

are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

#### De-recognition

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

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### Impairment of Non-Financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When values in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### 2.3.8 Cash and Cash Equivalents

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

#### 2.3.9 (a) Property, Plant and Equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing

part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment transferred from customers is initially measured at fair value at the date on which control is obtained.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. At the date of revaluation, valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Valuations are performed every 3 years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying

## NOTES TO THE FINANCIAL STATEMENTS

amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on straight line basis over the estimated useful lives of all Property, Plant and Equipment.

The principal annual rates of depreciation used by the Group are as follows;

Freehold Buildings	2%
Plant and Machinery agricultural	25%
Furnitures, Fixtures and Fittings	25% - 12.5%
Office Equipment	25% - 12.5%
Motor Vehicles	25%
Media Wall	25%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 2.3.9 (b) Biological Assets

Biological assets include Mahogany trees, rubber trees and Attonia trees, which are intended to harvest at the end of maturity, but are however used to grow for harvesting agricultural produce from such Biological assets. Those Biological assets include managed timber trees.

#### Recognition and Measurement

The entity recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits

associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using Discounted Cash Flow (DCF) method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity and various non-financial assumptions by an independent professional valuer.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Group.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

### 2.3.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The growth of the trees is determined by various biological features that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the note 3.b.

#### Consumer Biological Assets

The fair value of timber trees are measured using Discounted Cash Flow (DCF) method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

#### Group/Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease



payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### Group as Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### 2.3.11 Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn

from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 2.3.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

#### 2.3.13 Retirement Benefit Obligations

##### a) Defined Benefit Plan – Gratuity

The Group estimates the present value of the promised retirement benefits of gratuity which is a defined benefit plan using the projected benefit valuation method. Actuarial gains and losses for defined benefit plans are recognised in full

in the period in which they occur in the Other Comprehensive income statement.

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

The gratuity liability is not externally funded.

#### b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 14% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

#### 2.3.14 Operating segment and segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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.

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 2.3.15 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific criteria are used for the purpose of recognition of revenue.

#### 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

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

#### c) 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.

#### d) 3D designing income

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

#### e) Dividends

Revenue is recognized when the Group's/ Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### f) Others

Other income is recognized on an accrual basis.

**3a. PROPERTY, PLANT & EQUIPMENT****3a.1 Group****3a.1.1 Gross Carrying Amounts - Group**

At Cost/Valuation	Balance				Disposals/ Write-offs	Balance As at 31.12.2018 LKR
	As at 01.01.2018 LKR	Additions LKR	Revaluation LKR	LKR		
	Land	50,450,000	-	-		
Buildings	50,052,257	-	46,183,864	(4,001,365)	92,234,756	
Plant & Machinery	81,250	-	-	-	81,250	
Furniture and Fittings	6,822,100	268,692	-	(986,389)	6,104,403	
Motor Vehicles	699,384	-	-	-	699,384	
Office Equipment	26,460,293	618,226	-	(751,637)	26,326,882	
Tools and Utensils	119,147	-	-	-	119,147	
Media Wall	32,876,237	1,392,237	-	-	34,268,474	
<b>Total Value of Depreciable Assets</b>	<b>167,560,668</b>	<b>2,279,155</b>	<b>46,183,864</b>	<b>(5,739,391)</b>	<b>210,284,296</b>	
<b>3a.1.2 In the Course of Construction</b>						
Capital Work in Progress	3,000,000	1,000,000	-	(4,000,000)	-	
<b>Total Gross Carrying Amount</b>	<b>170,560,668</b>	<b>3,279,155</b>	<b>46,183,864</b>	<b>(9,739,391)</b>	<b>210,284,296</b>	

**3a.1.3 Depreciation and Impairment**

At Cost/Valuation	Balance			Disposals/ Write-offs	Balance As at 31.12.2018 LKR
	As at 01.01.2018 LKR	Charge LKR	LKR		
	Buildings	3,049,015	985,922		
Plant & Machinery	79,440	1,810	-	81,250	
Furniture and Fittings	4,724,118	597,091	(986,389)	4,334,820	
Motor Vehicles	694,531	-	-	694,531	
Office Equipment	21,443,435	4,044,128	(634,230)	24,853,334	
Media Wall	7,748,792	3,286,632	-	11,035,424	
	<b>37,739,331</b>	<b>8,915,583</b>	<b>(5,621,984)</b>	<b>41,032,932</b>	
	<b>37,739,331</b>	<b>8,915,583</b>	<b>(5,621,984)</b>	<b>41,032,932</b>	

## NOTES TO THE FINANCIAL STATEMENTS

## 3a. PROPERTY, PLANT &amp; EQUIPMENT (Contd.)

## 3a.1.4 Net Book Values

	2018 LKR	2017 LKR
<b>At Cost</b>		
Land	50,450,000	50,450,000
Buildings	92,201,184	47,003,242
Plant & Machinery	-	1,810
Furniture and Fittings	1,769,583	2,097,982
Motor Vehicles	4,853	4,853
Office Equipment	1,473,549	5,016,858
Tools and Utensils	119,147	119,147
Media Wall	23,233,049	25,127,445
	<b>169,251,365</b>	<b>129,821,337</b>
<b>In the Course of Construction</b>		
Capital Work in Progress	-	3,000,000
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>169,251,365</b>	<b>132,821,337</b>

## 3a.2 Company

## 3a.2.1 Gross Carrying Amounts

At Cost	Balance As at 01.01.2018 LKR	Additions LKR	Disposals / Transfers LKR	Balance As at 31.12.2018 LKR
	Furniture and Fittings			2,851,143
Motor Vehicles	166,000	-	-	166,000
Office Equipment	23,518,823	135,700	(219,907)	23,434,616
<b>Total Value of Depreciable Assets</b>	<b>26,535,966</b>	<b>147,517</b>	<b>(219,907)</b>	<b>26,463,576</b>

## 3a.2 Company

## 3a.2.2 Depreciation and Impairment Carrying Amounts

At Cost	Balance As at 01.01.2018 LKR	Additions LKR	Disposals / Transfers LKR	Balance As at 31.12.2018 LKR
	Furniture and Fittings			2,052,301
Motor Vehicles	166,000	-	-	166,000
Office Equipment	19,203,786	3,694,041	(102,500)	22,795,327
<b>Total Value of Depreciable Assets</b>	<b>21,422,087</b>	<b>4,031,719</b>	<b>(102,500)</b>	<b>25,351,306</b>

## 3a.2.3 Net Book Values

	2018 LKR	2017 LKR
<b>At Cost or Valuation</b>		
Furniture and Fittings	472,981	798,841
Motor Vehicles	-	-
Office Equipment	639,289	4,315,037
	1,112,270	5,113,878
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	1,112,270	5,113,878

3a.3 The fair value of land and buildings was determined by means of a revaluation during the financial year 2017 by Mr. H. R. De Silva, an independent valuer in reference to Market based evidence and DCF Model respectively. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 December 2018. The surplus arising from the revaluation net of deferred taxes, was transferred to a revaluation reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost LKR	Cumulative Depreciation If assets were carried at cost LKR	Net Carrying	Net Carrying
			Amount 2018 LKR	Amount 2017 LKR
Land and Buildings	43,041,000	(10,901,460)	32,139,540	33,000,360

Significant assumptions used by valuer are as follows.

	2018	2017
Rental rates used	Rs. 140 - Rs. 142 p.sq.ft.	Rs. 139 - Rs. 142 p.sq.ft.
Anticipated maintenance cost	40% - 50% of rentals	40% - 50% of rentals
Yield/Discount rate	5.5% - to 6.5% p.a	5.5% - to 6.5% p.a

3a.4 During the financial year, the Group acquired Property, Plant & Equipment to the aggregate value of LKR.3,279,155/- (2017 - Rs. 4,312,621/-). Cash payments amounting to LKR.3,279,155/- (2017 - LKR.4,312,621/-) were made during the year for purchase of Property, Plant & Equipment.

3a.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of LKR.147,517/- (2017 - Rs. 413,013/-). Cash payments amounting to LKR.147,517/- (2017 - LKR.413,013/-) were made during the year for purchase of Property, Plant & Equipment.

3a.6 The Group Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of LKR.11,408,353/- (2017 - LKR.10,667,812/-) which are still in use.

3a.7 The Company Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 6,933,926/- (2017 - Rs. 7,456,446/-) which are still in use.

## NOTES TO THE FINANCIAL STATEMENTS

### 3b. BIOLOGICAL ASSET (GROUP)

	Group			Total Rs.
	Mahogany Rs.	Attoniya Rs.	Rubber Rs.	
Cost as at 01.01.2018	7,484,656	1,644,703	1,321,667	10,451,026
Additions during the year	298,353	201,342	29,195	528,890
Cost as at 31.12.2018	7,783,009	1,846,045	1,350,862	10,979,916
Fair value gain	29,266,287	13,376,768	977,612	43,620,667
Carrying value as at 31.12.2018	37,049,296	15,222,813	2,328,474	54,600,582

3b.1 The group modified the classification of Biological Asset for better presentation purposes to reflect more appropriately asset owned by the group. Comparative amounts in the Property, Plant and Equipment as Immature Plantation were restated for consistency. As a result, Rs. 10,451,026/- of opening balance as at 01 January 2018, was reclassified from 'Property, Plant and Equipment' to 'Biological Assets'.

3b.2 Under LKAS 41, group has obtained a valuation for biological assets held by Agrispice (Private) Limited (Subsidiary), by G.W.G. Abeygunawardene FRICS, Chartered Valuation Surveyor (U.K.). As per the valuer's report, the estimated value of the biological assets as at 31 December 2018 is Rs. 54,600,582/-.

#### 3b.3 Basis of Valuation

The group has valued its timber plantation at fair value less costs to sell. Timber plantations as at 31 December 2018 comprises in the land to the extent of approximately 41.4977 hectares.

The biological assets were valued by G.W.G. Abeygunawardene FRICS, Chartered Valuation Surveyor (U.K.) using Discounted Cash Flow (DCF) method in ascertaining the fair value of timber.

#### 3b.4 Key assumptions used in valuation

Discounted rates used by the Valuer	16%
Rate in 10 years time (2029) per cubic meter	
Mahogani	Rs. 83,000
Rubber	Rs. 31,125
Attoniya	Rs. 46,687
Wastage at harvesting	10%
Cost to sell	10%

The valuation, as presented in the external valuation model based on the DCF, takes into accounts the long term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisation value.

The biological assets of the group are mainly cultivated in owned lands. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants.

#### 3b.5 Sensitivity Analysis

##### Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

	-10%	10%
Value of Timber	LKR. 49,141,116	LKR. 60,061,364

### Sensitivity Variation on Discount Rate

\Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

	-1%	+1%
Value of Timber	LKR. 59,539,342	LKR. 50,109,932

### 4. INVESTMENT PROPERTY

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1 January	12,105,014,000	8,383,300,000	7,485,530,000	4,303,600,000
Additions				
- Subsequent expenditure on investment property	102,014,200	9,201,054	72,513,583	-
Disposals of the Investment Properties	-	(150,011,501)	-	(20,500,000)
Net gain / (loss) from fair value adjustment	424,461,800	3,862,524,447	462,382,417	3,202,430,000
As at 31 December	12,631,490,000	12,105,014,000	8,020,426,000	7,485,530,000

4.1 Investment property consists of leasehold land and unsold commercial units given on Operating leases in buildings constructed on leasehold land at Pettah and Kolpetty which have been obtained from the Urban Development Authority under 99 year lease agreement commencing from the year 1981. The Company also acquired a property consisting of land with an extent of 36.88 perches, and building, on R. A. De Mel Mawatha.

#### 4.2 Details of Investment Properties - Group/Company

Property	Extent	Value	Valuation Date	Method
Liberty Plaza	2A - 2R - 18.40P	Rs. 527.57 Mn	22.02.2019	Income
Liberty Arcade	0A - 0R - 36.88P	LKR. 775 Mn	22.02.2019	Income
GAS Land	3A - 0R - 3.00 P	Rs. 6.314 Bn	22.02.2019	Market Value
Peoples Park	52,262 Sq. Ft	Rs. 117.12 Mn	22.02.2019	Income

4.3 The significant assumptions used by the valuer are as follows :

	2018	2017
Rental rates used - for shop units	Rs. 340 - Rs. 550 p. sq.ft	Rs. 433 - Rs. 550 p. sq.ft
- for parking area	Rs. 17.5 p. sq.ft	Rs. 17.5 p. sq.ft
Anticipated maintenance cost:	40% - 50% of rentals	40% - 50% of rentals
Yield/Discount rate :	5.5% - 6.5% p.a.	5.5% - 6.5% p.a.
Per perch value (Gas Land)	14 mn	13 mn

## NOTES TO THE FINANCIAL STATEMENTS

### 4. INVESTMENT PROPERTY (Contd.)

4.4 Fair value of the investment property is ascertained by annual independent valuations carried out by Messrs. H. R. De Silva. In determining the fair value the capitalisation of net income method have been used (DCF Model), which is based upon assumptions including future rental income, anticipated maintenance costs, appropriate discount rate and make reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

4.5 The Company also has a legal right to receive 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.

4.6 Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

4.7 The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real estate property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

4.8 Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

### 5. INVESTMENTS IN SUBSIDIARIES

Company - Nonquoted	Holding % 2018	Holding % 2017	At Cost 2018 LKR	At Cost 2017 LKR
Liberty Holdings Limited	100%	100%	808,289,373	808,289,373
Agrispice (Private) Limited	100%	100%	8,299,110	8,299,110
Anantaya Global Solutions (Private) Limited	70%	70%	700	700
<b>Total Investments in Subsidiaries</b>			<b>816,589,183</b>	<b>816,589,183</b>

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses.



## 6. TRADE AND OTHER RECEIVABLES

### 6.1 Summary

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Trade Debtors	128,527,723	94,495,432	48,072,284	26,745,947
Less: Allowances for Doubtful Debts (Note 6.2)	(24,216,212)	(12,360,878)	(18,987,547)	(8,074,047)
	104,311,511	82,134,554	29,084,738	18,671,900
Other Debtors - Related Parties (Note 6.3)	-	-	1,588,027,667	1,593,086,014
Prepayments	10,626,766	4,060,513	4,216,153	3,978,474
Staff Loans (Note 6.4)	1,785,435	2,289,566	1,747,914	2,142,749
Other Receivables	15,282,654	25,618,298	8,166,273	4,851,486
	132,006,366	114,102,930	1,631,242,745	1,622,730,622

### 6.2 Allowance for Doubtful Debts

As at 1 January	12,360,878	4,783,500	8,074,047	1,321,150
Provision for Impairment	11,855,334	7,577,378	10,913,500	6,752,897
As at 31 December	24,216,212	12,360,878	18,987,547	8,074,047

### 6.3 Other Debtors - Related Parties

	Relationship	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Liberty Holdings Limited	Subsidiary	-	-	1,320,751,797	1,350,963,709
Agrispace (Private) Limited	Subsidiary	-	-	47,381,668	47,151,724
Anantaya Global Solutions (Private) Limited	Subsidiary	-	-	3,970,011	3,869,087
Liberty Developers (Private) Limited	Subsidiary	-	-	215,924,192	191,101,495
		-	-	1,588,027,667	1,593,086,014

6.4 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% (2017 - 5%). Fair value of loans given to staff equals their carrying amount, as the impact of discounting is not significant.

### 6.5 Group

As at 31 December, the Age Analysis of Trade Receivables is as follows,

	Total	Current	Past due but not impaired		
			31-60 days	61-90 days	> 90 days
2018	104,311,511	37,437,219	18,524,217	18,249,363	30,100,712
2017	82,134,554	25,308,918	13,392,547	8,599,586	34,833,504

### Company

As at 31 December, the Age Analysis of Trade Receivables is as follows,

	Total	Current	Past due but not impaired		
			31-60 days	61-90 days	> 90 days
2018	29,084,738	9,343,838	7,028,834	5,276,563	7,435,206
2017	18,671,900	7,760,817	3,764,120	3,123,471	4,023,493

## NOTES TO THE FINANCIAL STATEMENTS

## 7. INVENTORIES - Group

	2018 LKR	2017 LKR
Goods in Transit	579,009	331,655
	579,009	331,655

## 8. INVESTMENT IN PREFERENCE SHARES - LOANS AND RECEIVABLES

## Company

	2018 LKR	2017 LKR
As at 1 January	69,140,326	71,969,878
Redeemed Preference Shares	(2,829,551)	(2,829,552)
As at 31 December	66,310,775	69,140,326

## 9. FINANCIAL ASSETS CLASSIFIED UNDER FVOCI

## Quoted Shares - Group/Company

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Hikkaduwa Beach Resort PLC</b>				
As at 1 January	22,500	38,700	22,500	38,700
Disposals	-	-	-	-
Fair Value Loss	(11,700)	(16,200)	(11,700)	(16,200)
As at 31 December	10,800	22,500	10,800	22,500

## 10. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

## 10.1 Favourable Cash and Cash Equivalents Balance

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Cash and Bank Balances	7,774,467	21,639,330	5,034,182	18,110,081
	7,774,467	21,639,330	5,034,182	18,110,081

## 10.2 Unfavourable Cash and Cash Equivalents Balance

Bank Overdraft	(28,341,333)	(356,911)	(28,011,759)	(356,911)
<b>Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement</b>	<b>(20,566,866)</b>	<b>21,282,419</b>	<b>(22,977,576)</b>	<b>17,753,171</b>

**11. STATED CAPITAL****Group/Company**

	2018		2017	
	Number	LKR	Number	LKR
Fully Paid Ordinary Shares	199,881,008	341,602,342	199,881,008	341,602,342

**12. REVALUATION RESERVE**

	Group	
	2018 LKR	2017 LKR
As at 1 January	50,286,787	48,612,787
Fair value increase on Property, Plant & Equipment	46,183,864	1,674,000
Deferred Tax effect of depreciation transfer	(11,858,049 )	-
As at 31 December	84,612,602	50,286,787

Revaluation reserve of the group includes revaluation of land and buildings owned by the subsidiary of Agrispice (Private) Limited valued on 31st December 2018 by an independent professional valuer.

**13. INTEREST BEARING LOANS & BORROWINGS****13.1 Group**

	2018			2017		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Bank Loans (13.3)	152,800,000	1,390,000,000	1,542,800,000	215,350,000	1,423,550,000	1,638,900,000
Term Loans (13.4)	60,000,000	-	60,000,000	8,000,000	-	8,000,000
Bank Overdrafts (10.2)	28,341,333	-	28,344,333	356,911	-	356,911
	241,141,333	1,390,000,000	1,631,141,333	223,706,911	1,423,550,000	1,647,256,911

**13.2 Company**

	2018			2017		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Bank Loans (13.3)	152,800,000	1,390,000,000	1,542,800,000	215,350,000	1,423,550,000	1,638,900,000
Short Term Loans (13.4)	40,000,000	-	40,000,000	-	-	-
Bank Overdrafts (10.2)	28,011,759	-	28,011,759	356,911	-	356,911
	220,811,759	1,390,000,000	1,610,811,759	215,706,911	1,423,550,000	1,639,256,911

## NOTES TO THE FINANCIAL STATEMENTS

## 13. INTEREST BEARING LOANS &amp; BORROWINGS (Contd.)

## 13.3 Bank Loans

	Balance		Capital Over Due LKR	Loan Obtained LKR	Over Provision of Interest LKR	Repayment		Balance As At	
	As At 01.01.2018 LKR	As At 31.12.2018 LKR				LKR	LKR	As At 31.12.2018 LKR	As At 31.12.2018 LKR
Peoples Bank - Term Loan 2	66,400,000	32,800,000	-	-	-	(33,600,000)	32,800,000	32,800,000	-
Peoples Bank - Term Loan 03	1,572,500,000	1,510,000,000	-	-	-	(62,500,000)	1,20,000,000	1,390,000,000	1,390,000,000
	1,638,900,000	1,542,800,000	-	-	-	(96,100,000)	1,52,800,000	1,390,000,000	1,390,000,000

## 13.4 Term Loans

	Group		Company	
	Balance As At 01.01.2018 LKR	Balance As At 31.12.2018 LKR	Balance As At 01.01.2018 LKR	Balance As At 31.12.2018 LKR
Merchant Bank of Sri Lanka	-	40,000,000	-	40,000,000
Temporary Loans from Directors	8,000,000	12,000,000	-	-
	8,000,000	52,000,000	-	40,000,000

## 13.5 Details of Long Term Loans

Bank	Revised Facility Amount	Interest	Grace Period	Repayment Terms	Security
People's Bank	Bank Loan Facility - Settlement of outstanding facilities	LKR. 1.6 Bn annually) Minimum 12.5%	-	1st Year - Rs. 5 Mn p.m. 2nd Year - Rs. 10 Mn p.m. 3 Year - Rs. 23 Mn p.m. Next 4 Years	Mortgage over leased hold property of LP owned by CLDC Mortgage over leased hold property of LP owned by LHL
	Short Term Loan - Payments to creditors related to refurbishment work	LKR.100 Mn	-	Rs. 23.5 Mn * 47 Months Last Instalment 9.5Mn	Mortgage over leased hold property of LP owned by LDPL Cross Corporate Guarantee

**14. DEFERRED TAX LIABILITIES**

14.1 Gross Movement on the Deferred Tax Liabilities is as follows:

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at January	3,021,597,303	1,922,650,155	2,064,161,815	1,169,325,894
Deferred Tax impact on depreciation of Revalued Assets	11,858,049	-	-	-
Income Statement charge	182,753,124	1,098,823,491	128,697,521	894,835,922
Deferred Tax impact on actuarial Gain on retirement benefit obligations	(320,987)	123,657	(157,090)	-
As at December	3,215,887,489	3,021,597,303	2,192,702,246	2,064,161,815

**14.2 Deferred Tax Assets, Liabilities****Group**

Deferred Tax Liabilities	Revaluation of Land and Building LKR	Capital Allowances for Tax purposes LKR	Fair valuation of Investment Property LKR	Total LKR
As of 31 December 2016	3,833,690	6,631,409	1,970,597,757	1,981,062,857
Charged to income statement	-	(483,864)	1,095,394,254	1,094,910,390
Deferred tax on depreciation transfer	-	-	-	-
Deferred tax on revaluation gain	-	-	-	-
As of 31 December 2017	3,833,690	6,147,545	3,065,992,011	3,075,973,247
Charged to OCI	11,858,049	-	-	11,858,049
Charged to income statement	-	(886,279)	172,639,820	183,611,590
As of 31 December 2018	15,691,739	5,261,265	3,238,631,832	3,259,584,837

**Deferred tax assets**

Deferred Tax assets	Tax losses LKR	Defined Benefit Obligation LKR	Total LKR
As of 31 December 2016	(56,841,099)	(1,588,580)	(58,429,679)
Credited/ (Debited) to income statement	3,922,658	(9,557)	3,913,101
Charged to Other Comprehensive Income	-	123,657	123,657
As of 31 December 2017	(52,918,441)	(1,474,480)	(54,392,921)
Credited to income statement	10,738,223	43,822	10,782,045
Charged to Other Comprehensive Income	-	(86,471)	(86,471)
As of 31 December 2018	(42,180,218)	(1,517,129)	(43,697,348)

## NOTES TO THE FINANCIAL STATEMENTS

## 14 DEFERRED TAX LIABILITIES (Contd.)

## 14.3 Deferred Tax Assets, Liabilities

## Company

Deferred Tax Liabilities	Capital Allowances for Tax purposes LKR	Fair valuation of Investment Property LKR	Total LKR
As of 31 December 2016	1,962,188	1,168,847,559	1,170,809,747
(Reversed) Charged to income statement	(590,023)	895,060,559	894,470,536
As of 31 December 2017	1,372,165	2,063,908,118	2,065,280,283
(Reversed) Charged to income statement	(1,083,735)	129,467,077	128,383,342
As of 31 December 2018	288,430	2,193,375,195	2,193,663,625

Deferred tax assets	Defined Benefit Obligation LKR	Total LKR
As of 31 December 2016	(1,483,854)	(1,483,854)
Credited to income statement	365,386	365,386
As of 31 December 2017	(1,118,468)	(1,118,468)
Credited to Income Statement	79,664	79,664
Charged to Other Comprehensive Income	77,426	77,426
As of 31 December 2018	(961,378)	(961,378)

## 15. DEFINED BENEFIT OBLIGATION

## Gratuity

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1st January	5,356,824	5,832,795	3,976,051	5,299,475
Current service cost	688,261	620,670	543,317	477,706
Interest cost	546,067	444,029	397,605	255,491
Actuarial losses	830,097	1,004,830	276,520	1,446,461
Liability Transfer Between Parent and Subsidiary	-	-	-	(957,583)
Payments Made During The Year	(1,760,000)	(2,545,500)	(1,760,000)	(2,545,500)
As at 31st December	5,661,250	5,356,824	3,433,493	3,976,051

## 15.1 Post Employee Benefit Expense for

Current service cost	688,261	620,670	543,317	477,706
Interest cost	546,067	444,029	397,605	255,491
	1,234,328	1,064,699	940,922	733,197

15.2 The employee retirement benefit liability of the Company is based on the actuarial valuation carried out by Messrs. Acturial and Management Consultants (Private) Limited, Independent actuarial specialists as at 31 December 2018. The principal assumptions used are as follows:

	2018 %	2017 %
Discount rate assumed	12	10
Salary increase	10	8
Staff turnover factor	12	13

### 15.3 Sensitivity of Assumptions Used in the Actuarial Valuation

The Following table demonstrates the sensitivity to a reasonably possible changes in the key assumptions used along with all other variables which held constant in the employment benefit liability measurement.

The sensitivity reflected the change of the figures in Income Statement and Statement of Financial Position with the effect of the assumed key assumptions as,

#### 15.3.1

	Group		Company	
	1% Increase LKR	1% Decrease LKR	1% Increase LKR	1% Decrease LKR
2018				
Discount rate assumed	5,405,632	5,944,145	3,249,166	3,637,461
Further salary increase	5,965,586	5,381,864	3,653,600	3,231,573
2017				
Discount rate assumed	3,851,602	4,106,815	3,851,602	4,106,815
Further salary increase	4,108,119	3,848,132	4,108,119	3,848,132
Staff turnover factor	3,976,050	3,976,050	3,976,050	3,976,050

## 16. TRADE AND OTHER PAYABLES

### Summary

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Trade Payables	94,518,611	88,594,764	-	-
Other Payable (16.1)	63,029,282	54,558,715	47,007,042	36,736,866
Sundry Creditors Including Accrued Expenses	56,782,478	18,011,030	30,787,336	9,764,665
	214,330,371	161,164,509	77,794,378	46,501,531

#### 16.1 Other Payable

Other Payable	63,029,282	54,558,715	38,257,042	36,736,866
Provision for Litigation (16.2)	-	-	8,750,000	-
	63,029,282	54,558,715	47,007,042	36,736,866

## NOTES TO THE FINANCIAL STATEMENTS

### 16. TRADE AND OTHER PAYABLES (Contd.)

#### 16.2 Provision for Litigation

	Group/Company		
	LKR	LKR	LKR
Provision for Litigation*	8,750,000	24,062,500	32,812,500

\* Total provision of Rs.32,812,500/- was made as at 31 December 2018 on the legal case 13171/MR held between Anglo Asian Supermarkets Limited and the Company. The Company held liable to pay 45 equal monthly installments of Rs.729,167/- unitill 30 September 2022, as at 31 December 2018.

### 17. TENANT DEPOSITS

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1st January	206,946,519	207,176,458	46,153,575	45,405,153
Deposits received during the period	16,078,232	18,022,313	6,092,082	10,140,994
Repayments made during the period	(15,242,403)	(18,252,252)	(5,876,136)	(9,392,573)
As at 31st December	207,782,348	206,946,519	46,369,523	46,153,575

### 18. REVENUE

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Rental Income from Investment Properties	481,952,253	445,908,605	152,085,750	134,542,119
	481,952,253	445,908,605	152,085,750	134,542,119

### 19. OTHER INCOME AND GAINS

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Dividend Income	-	-	3,217,938	3,322,818
Interest on Staff Loans	200,482	67,053	200,482	67,053
Overdue Interest on past due rentals	2,530,165	2,167,808	558,140	5,727
Profit on Disposal of Investments	-	-	-	-
Sundry Income	1,427,706	3,798,785	678,000	2,239,461
Gain on disposal of Property Plant and Equipment's/Investment Property	7,687	10,594,165	38,000	5,394,165
Interest on Fixed Deposits	610,503	-	610,503	-
Advertising Income	10,000	-	10,000	-
	4,786,543	16,627,810	5,313,063	11,029,223



**20. FINANCE COST**

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Interest on Overdrafts	830,796	75,690	830,796	75,690
Interest on Loans & Borrowings	213,139,616	243,291,358	2,952,616	-
Interest on Finance Leases	-	-	-	-
Loans Expenses	1,091,050	-	1,091,050	-
Fair Value Gains/(Loss) from Quoted Shares	-	-	-	-
	215,061,462	243,367,048	4,874,462	75,690

**21. PROFIT/(LOSS) FROM CONTINUING OPERATIONS**

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Stated after Charging /(Crediting)				
<b>Included in Direct Expense</b>				
Depreciation	3,292,175	3,942,634	3,225,590	3,693,781
<b>Included in Administrative Expenses</b>				
Employees Benefits including the following	42,518,632	44,205,512	37,966,140	39,437,923
- Defined Benefit Plan Costs - Gratuity	1,234,328	1,064,699	940,922	733,197
- Defined Contribution Plan Costs - EPF & ETF	3,430,465	3,485,757	2,988,372	3,035,470
Depreciation	5,624,185	5,834,500	806,129	1,122,127
Auditor's Fees	1,756,080	1,660,080	884,400	788,400
<b>Included in Selling and Distribution Costs</b>				
Advertising and Promotional Expenses	1,039,090	1,579,878	708,400	813,158

**22. INCOME TAX**

The major components of income tax expense for the years ended 31 December are as follows :

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Income Statement</b>				
<b>Current Income Tax</b>				
Current Income Tax charge	-	11,146,639	-	3,861,704
Tax on Distributable Profits	-	672,704	-	-
<b>Deferred Income Tax</b>				
Deferred Taxation Charge/(Reversal) (Note 14.1)	182,753,124	1,098,823,491	128,617,857	894,835,922
<b>Income tax expense reported in the Income Statement</b>	182,753,124	1,110,642,834	128,617,857	898,697,626

## NOTES TO THE FINANCIAL STATEMENTS

### 22. INCOME TAX (Contd.)

22.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Accounting Profit before Tax from continuing operations	466,855,996	3,858,426,229	497,650,921	3,230,461,353
Disallowed Expenses	239,897,306	34,293,960	21,161,266	24,809,715
Allowable Expenses	(587,163,170)	(4,050,623,586)	(493,028,928)	(3,234,052,916)
<b>Statutory Profit/(Loss)</b>	<b>119,590,132</b>	<b>(157,903,397)</b>	<b>25,783,259</b>	<b>21,218,152</b>
Statutory Income	119,590,132	(157,903,397)	25,783,259	21,218,152
Tax Losses utilized during the Year	(119,590,132)	(21,435,845)	(25,783,259)	(7,426,353)
Taxable Profit	-	(179,339,242)	-	13,791,799
Tax at 28% (2017 - 28%)	-	11,146,639	-	3,861,704
<b>22.2 Tax Losses</b>				
Tax Losses Brought Forward	1,200,480,200	787,138,885	416,379,200	423,805,553
Adjustments on Finalisation of Brought Forward Tax Losses	-	215,628,492	-	-
Tax Losses Incurred During the Year	-	219,148,668	-	-
Tax Losses Utilised	(119,590,132)	(21,435,845)	(25,783,259)	(7,426,353)
Tax Losses Carried Forward	1,080,890,068	1,200,480,200	390,595,941	416,379,200

### 23. EARNINGS PER SHARE

23.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders (after deducting preference share dividends) by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

23.2 The following reflects the income and share data used in the Basic Earnings Per Share computation.

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Amount Used as the Numerator:				
Profit for the Year	328,952,290	2,743,287,029	369,033,064	2,331,763,728
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	328,952,290	2,743,287,029	369,033,064	2,331,763,728
	2018 Number	2017 Number	2018 Number	2017 Number
Number of Ordinary Shares Used as Denominator:				
Number of Shares at the Beginning of the Year	199,881,008	199,881,008	199,881,008	199,881,008
Number of Shares at the End of the Year	199,881,008	199,881,008	199,881,008	199,881,008

## 24. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

### 24.1 Transaction with the parent and related entities

	Subsidiaries		Total	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>As at 1 January</b>	1,593,086,014	1,596,288,952	1,593,086,014	1,596,288,952
<b>Nature of Transaction</b>				
Central Cost Allocated	76,840,525	60,195,414	76,840,525	60,195,414
Finance Charges	199,337,034	242,925,404	199,337,034	242,925,404
Settlement of Liabilities by the Company on behalf of others	(80,032,926)	548,691	(80,032,926)	548,691
Collection of Cash on behalf of Company	(48,000)	(84,295)	(48,000)	(84,295)
Fund Transfers	(204,150,717)	(305,830,577)	(204,150,717)	(305,830,577)
Settlement of Liabilities	-	(957,583)	-	(957,583)
Dividend/Interest	3,217,842	-	3,217,842	-
<b>As at 31 December</b>	<b>1,588,249,774</b>	<b>1,593,086,014</b>	<b>1,588,249,774</b>	<b>1,593,086,014</b>

Included in \*

#### Terms and Conditions :

Purchase/sales of services to related parties were made on the basis of the price lists in force with non related parties. Management Fees were made at agreed prices. Outstanding balance with related parties at balance sheet date are unsecured and interest free. Settlement will take place in cash.

The loan obtained on behalf of Liberty Developers Private Limited and interest reimbursement arrangement is as follows.

	2018 LKR	2017 LKR
Loan amount as at 31 December (Note 13.3)	1,510,000,000	1,572,500,000
Finance cost recorded under Related Party**	210,185,240	243,289,608

\*\*Loan was obtained by Colombo Land and Development Company PLC on behalf of Liberty Developers Private Limited and the interest pertaining to loan is reimbursed from the Liberty Developers Private Limited.

## NOTES TO THE FINANCIAL STATEMENTS

### 24. RELATED PARTY DISCLOSURE (Contd.)

#### 24.2 Transactions with Key Management Personnel of the Company or its parent

The key management personnel of the Company are the members of its Board of Directors and that of its parent.

	2018 LKR	2017 LKRr
<b>Key Management Personnel Compensation</b>		
Short-term employee benefits	25,120,000	28,420,000
Post-employment benefits	1,224,000	587,083
	<u>26,344,000</u>	<u>29,007,083</u>

Loans obtained from Related Parties have been disclosed in Note 13.4 in these financial statements.

	2018 LKR	2017 LKRr
<b>Other Transactions with Key Management Personnel</b>		
Loans to Key Management Personnel		
As at 1 January	-	2,491,827
Loans repayments received	-	(2,491,827)
As at 31 December	<u>-</u>	<u>-</u>

### 25. ASSETS PLEDGED

The assets pledged as at 31.12.2018 have been disclosed in Note 13.5 to these financial statements.

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise loans and borrowings, trade and other payables, and tenant deposits. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

The Group is exposed to market risk, credit risk and liquidity risk. Risk management is carried out by the finance department under the policies approved by the Board of Directors. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits and AFS investments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2018 and 2017.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and all other factors remain constant as at 31 December 2018.

The analyses exclude the impact of movements in market variables on the carrying value of post-retirement obligations, provisions and the non-financial assets.

The following assumptions have been made in calculating the sensitivity analyses:

The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments.

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2018 and 2017.

#### 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's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's 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 favourable rates on borrowings and deposits.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	Effect on profit before tax
2018		
Borrowings	+10/-10	19,431,821
2017		
Borrowing	+10/-10	17,941,841

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

#### Equity price risk

The Group's listed equity securities are susceptible to market-price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

#### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### Trade Receivables

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. The Company has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, but the Company does not monitor the credit quality of receivables on an on going basis.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

The fair value of cash and cash equivalents at 31 December 2018 approximates the carrying value. There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Company holds accounts in a number of financial institutions.

#### Liquidity risk

The Company's finance department aims to maintain flexibility in funding by keeping committed credit lines available.

The Company'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 table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2018	On demand	From 1 to 5 years	Total
Interest Bearing Loans and Borrowings (Note 13)	241,141,333	1,390,000,000	1,631,141,333
Tenant Deposits (Note 17)	207,782,348	-	207,782,348
Trade and Other Payables (Note 16)	214,330,378	-	214,330,378

Year ended 31 December 2017	On demand	From 1 to 5 years	Total
Interest Bearing Loans and Borrowings (Note 13)	223,706,911	1,423,550,000	1,647,256,911
Tenant Deposits (Note 17)	206,946,519	-	206,946,519
Trade and Other Payables (Note 16)	161,164,509	-	161,164,509

	2018 LKR	2017 LKR
Interest Bearing Loans and Borrowings (Note 13)	1,631,141,333	1,647,256,911
Trade and Other Payables (Note 16)	214,330,379	161,164,509
Less: Cash and Cash Equivalents (Note 10)	(7,774,467)	(21,639,330)
<b>Net debt</b>	<b>1,837,697,245</b>	<b>1,786,782,090</b>
Equity	7,687,030,841	7,324,970,785
Capital and net debt	9,524,728,086	9,111,752,875
Gearing ratio	19%	20%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

### 27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

### 28. FAIR VALUES

28.1 The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.
- The fair values of the remaining AFS financial assets are derived from quoted market prices in active markets.

The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2018 was assessed to be insignificant.

28.2 The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

The fair value measurement hierarchy for assets as at 31 December 2018:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value</b>					
<b>Investment Properties (Note 4)</b>					
Properties	31-Dec-18	12,631,490,000	-	-	12,631,490,000
<b>Financial Assets classified under FVOCI</b>					
Quoted Equity Shares	31-Dec-18	10,800	10,800	-	-
<b>Revalued Property, Plant and Equipment</b>					
Land	31-Dec-18	50,450,000	-	-	50,450,000
<b>Biological Assets</b>					
Plantation	31-Dec-18	54,600,582	-	-	54,600,582

The fair value measurement hierarchy for assets as at 31 December 2017:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value</b>					
<b>Investment Properties (Note 4)</b>					
Properties	31-Dec-17	12,105,014,000	-	-	12,105,014,000
<b>AFS financial assets</b>					
Quoted Equity Shares	31-Dec-17	22,500	22,500	-	-
<b>Revalued Property, Plant and Equipment</b>					
Land	31-Dec-17	50,450,000	-	-	50,450,000

There have been no transfers from level 1 and level 2 during the period.

## NOTES TO THE FINANCIAL STATEMENTS

### 29. COMMITMENTS AND CONTINGENCIES

#### 29.1 Financial Commitments

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.
- 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.

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.

Apart from the above, there are no material commitments that would require disclosures in the financial statements.

#### 29.2 Contingencies

Estimated at Rs. 105 million in respect of a claim made by a former occupant who has appealed against the order for ejection and is claiming Rs. 105 million as damages together with interest and costs. Both parties agreed to settle the case and files a consent motion along with the terms of settlements and the following were agreed upon on the 4th of October 2018. The first installment of Rs.15 Mn in favour of the Respondent was paid and the balance was agreed to be paid in equal monthly installments of Rs. 729,166.67 each until 30th September 2022. (Refer note 16.2).

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 as at December 31, 2018.

### 30. GROUP INFORMATION

#### 30.1 The consolidated financial statements of the Group include:

Name	Group Holding	Company Holding	Principal Activity
Liberty Holdings Limited	100%	100%	Renting out developed property
Agrispice (Private) Limited	100%	100%	Cultivating plantation of teak and mahogany trees
Anantaya Global Solutions (Private) Limited	70%	70%	IT solutions, software development and e-marketing
Liberty Developers (Private) Limited	100%	100%	Renting out developed property

The above companies have been incorporated in Sri Lanka.



### 30.2 Summarised financial information of subsidiaries

Agrispace (Private) Limited carries on, inter-alia, the business of cultivating plantations of teak and mahogany trees. The results, assets and liabilities of Agrispace (Private) Limited have been included in the consolidated financial statements of the Group using the purchase method. Anantaya Global Solutions (Private) Limited is in the business of providing IT solutions to the group.

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

	Liberty Holdings Limited		Agrispace (Private) Limited		Anantaya Global Solutions (Private) Limited		Liberty Developers (Private) Limited	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Current</b>								
Assets	109,803,935	104,768,143	768,412	572,968	371,397	430,316	63,837,437	65,273,165
Liabilities	1,516,265,157	1,549,774,382	59,023,542	55,960,360	9,434,889	7,662,546	471,335,001	423,001,954
<b>Total current net assets</b>	(1,406,461,223)	(1,445,006,239)	(58,255,130)	(55,387,392)	(9,063,492)	(7,232,236)	(407,497,564)	(357,728,789)
<b>Non-current</b>								
Assets	3,837,127,795	3,804,378,256	62,623,431	62,236,456	929,968	1,156,714	2,881,727,899	2,928,431,925
Liabilities	452,320,542	437,963,289	261,114	197,500	15,765	10,825	542,584,957	520,628,373
<b>Total non-current net assets</b>	3,384,807,252	3,366,419,967	62,362,317	62,038,956	914,203	1,145,889	2,339,142,942	2,407,803,552
<b>Net assets</b>	1,978,346,030	1,921,408,729	4,107,187	6,651,564	(8,149,289)	(6,086,342)	1,931,645,378	2,050,074,762
Revenue	96,741,703	87,690,486	-	-	95,847	329,157	250,758,736	240,967,060
Profit/(Loss) before income tax	70,786,184	551,813,700	(2,544,377)	(2,410,019)	(2,062,947)	(2,979,973)	(96,472,801)	76,151,175
Income Tax	(13,432,937)	(129,935,034)	-	-	-	-	(21,956,583)	(82,010,175)
Profit/(Loss) after income tax	57,353,247	(421,878,667)	(2,544,377)	(2,410,019)	(2,062,947)	(2,979,973)	(118,429,384)	(5,859,000)
Other Comprehensive income/(expense)	-	317,975	-	-	-	-	-	-
<b>Total comprehensive (loss)/income</b>	57,353,247	422,196,642	(2,544,377)	(2,410,019)	(2,062,947)	(2,979,973)	(118,429,384)	(5,859,000)

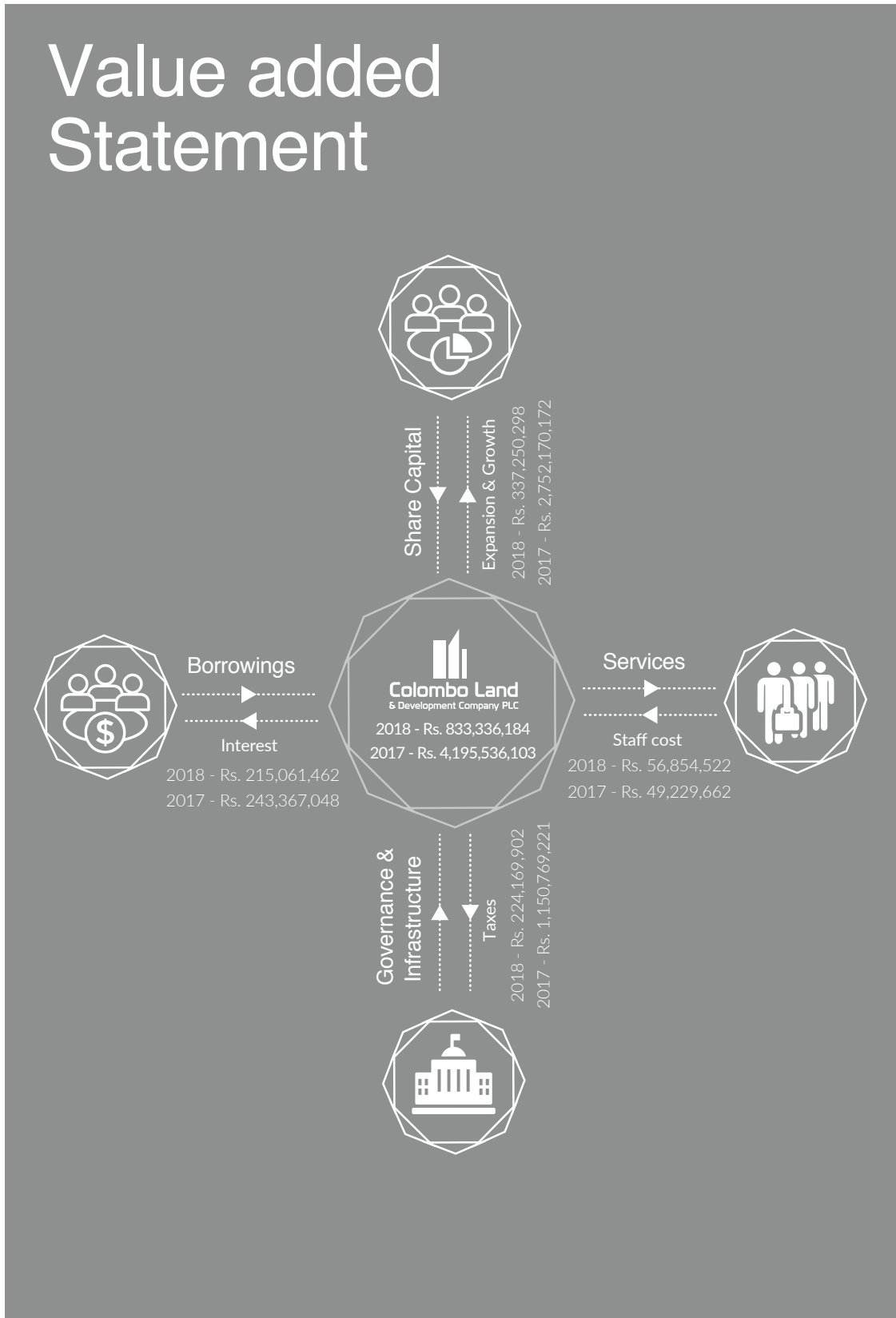




# Supplementary Information

- 130 . Value added Statement
- 131 . Decade at a Glance
- 132 . Investor Information
- 133 . Glossary of Financial Terms
- 134 . Notice of Meeting
- 135 . Form of Proxy
- IBC . Corporate Information

# VALUE ADDED STATEMENT



## DECADE AT A GLANCE

Set out below are the summarised financial information for each subsidiary

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Rs.'000	Rs.'000	Restate	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Trading Results</b>										
Turnover	90,408	88,863	94,752	104,912	125,470	149,680	210,592	422,435	445,909	481,952
Operating Income	58,960	57,553	65,317	72,966	77,790	84,625	126,753	311,842	318,302	360,467
Operating Expenses	(71,143)	(78,937)	(129,624)	(80,283)	(94,934)	(97,241)	(126,120)	(122,321)	(101,051)	(107,266)
Operating Profit/(Loss)	(11,504)	(16,838)	277,273	(16,340)	137,733	257,979	2,032,404	745,287	4,096,402	726,069
Non Operating Income	679	4,546	2,076	2,179	2,057	1,094	4,324	7,567	16,627	4,786
Net Finance/(Cost)	13,975	7,887	12,769	6,655	(20,215)	(35,672)	(64,433)	(234,312)	(243,367)	(215,061)
Share results of associates	(16,710)	-	-	-	-	-	-	-	-	-
Profit/(Loss)before Tax	166	491,363	290,042	(9,685)	117,518	222,307	1,967,971	510,975	3,853,035	511,008
Income Tax	(2,507)	(5,931)	45,933	(80,284)	(56,444)	(69,224)	(611,135)	(203,730)	(1,110,643)	(182,673)
Profit(Loss)after Tax	(2,341)	485,432	335,035	(89,969)	64,074	153,083	1,356,836	307,244	2,742,393	328,334
Minority Interest	-	-	-	(216)	(530)	(13)	(32)	(105)	(894)	(617)
Profit / (Loss) of the Year	(2,341)	485,432	335,035	(89,753)	61,604	153,096	1,356,868	307,244	2,742,393	328,334

## INVESTOR INFORMATION

### 20 MAJOR SHAREHOLDERS OF THE COMPANY AS AT 31ST DECEMBER 2018

Name	No. of shares	%
1 Mr E.G. Ng	47,394,516	23.711
2 Hikkaduwa Beach Resort PLC	40,413,200	20.219
3 Urban Development Authority of Sri Lanka	34,872,675	17.447
4 Bank of Ceylon A/C Ceybank Unit Trust	17,333,625	8.672
5 Mr Y.T. Ng	6,006,876	3.005
6 Mr E.S. Ng	4,945,716	2.474
7 Mr Y.C. Ng	4,715,502	2.359
8 Hatton National Bank PLC/Capital Trust Holdings Limited	3,485,536	1.744
9 Sampath Bank PLC/Capital Trust Holdings Ltd	2,600,000	1.301
10 Seyland Bank PLC/Mr Nalaka Harshajeewa Godahewa	2,342,200	1.172
11 K.P. Hong (Deceased)	2,251,625	1.126
12 Mr Y.H. Ng	1,920,000	0.961
13 Pan Asia Banking Corporation PLC/Harshada Holdings (Pvt) Ltd	1,851,723	0.926
14 Mr Y.K.D. Ng	1,605,600	0.803
15 Mr K.V. Hewavitarne	1,602,499	0.802
16 Allnatt Investments (Private) Limited	1,524,074	0.762
17 Cap W. Baptista	1,392,654	0.697
18 Mr T.G. Thoradeniya	1,254,190	0.627
19 Mr. A. Lukmanjee	665,889	0.333
20 Peoples Leasing & Finance PLC/Hi Line Trading (Pvrt) Ltd	626,134	0.313
Other Shareholders	178,804,234	89.455
Total	21,076,774	10.545
	199,881,008	100.000

### DISTRIBUTION OF SHAREHOLDING AS AT 31ST DECEMBER 2018

From	To	No. of Holders	No. of Shares	%
1	1,000	1625	578,129	0.29
1,001	10,000	880	3,268,260	1.63
10,001	100,000	291	8,510,597	4.26
100,001	1,000,000	41	10,011,811	5.01
Over 1,000,000		18	177,512,211	88.81
		2,855	199,881,008	100.00

### ANALYSIS OF SHAREHOLDERS AS AT 31ST DECEMBER 2018

Category	No. of Shareholders	No. of Shares	%
Local Individuals	2,614	18,050,962	9.03
Local Institutions	188	110,027,829	55.05
Foreign Individuals	50	69,486,005	34.76
Foreign Institutions	3	2,316,212	1.16
Total	2,855	199,881,008	100.00

**SHARE PRICES FOR THE YEAR**

	31.12.2018	31.12.2017
No of transactions	1,828	2,660
No of shares traded	2,109,944	3,000,808
Value of shares traded (Rs.)	38,284,183.30	71,915,738.80

**PUBLIC HOLDING**

Public Holdings percentage as at 31st December 2018	38.62%
Number of shareholders representing the above percentage	2,851
Float adjusted market capitalization as at 31st December 2018	Rs. 1,157,970,255.00

The float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

**GLOSSARY OF FINANCIAL TERMS****Earnings per Share**

Profit/(Loss) 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/(Loss) for the year divided by Capital Employed

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty Seventh (37th) Annual General Meeting of Colombo Land and Development Company PLC will be held at the Raja Bojun (Roof Top), "Liberty Arcade" 282, R A De Mel Mawatha, Colombo 03 on 28th June 2019 at 10.30 a.m. for the following purposes:

1. To receive the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st December 2018 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr. W M C S Welegama who retires by rotation in terms of Articles 86 and 87 of the Articles of Association.
3. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine payments for the year 2019 and upto the date of the next Annual General Meeting for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board

**COLOMBO LAND AND DEVELOPMENT COMPANY PLC**

Sgd.

**P W Corporate Secretarial (Pvt) Ltd**

Director / Secretaries

30 May 2019

### Notes:

- 1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.
- 2) A Form of Proxy is enclosed in this Report.
- 3) The completed Form of Proxy should be deposited at the Registered Office of the Company, 3rd Floor, Liberty Plaza, 250 R A De Mel Mawatha, Colombo 03, by 10.30 a.m. on 26th June 2019.



# FORM OF PROXY

\*I/We .....

holder of NIC No ..... of ..... being a

\*Shareholder /Shareholders of Colombo Land and Development Company PLC do hereby appoint.....

holder of NIC No ..... of .....

..... or failing him/her

Prof. C K Deheragoda or failing him

Mr. D S Jayaweera or failing him

Mr. P V S Premawardhana or failing him

Mr. M D S Goonatilleke or failing him

(Alternate Director – Mr. S A Amarasekera)

Mr. NG Yao Xing, Eugene or failing him

(Alternate Director - NG H C Clement)

Mr. W M C S Welegama or failing him

Mr. W D A S Perera of Colombo

as \*my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 28th June 2019 at 10.30 a.m. and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. W M C S Welegama who retires in terms of Articles 86 and 87 of the Articles of Association, as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorize the Directors to determine payments for the year 2019 and up to the date of the next Annual General Meeting for Charitable and other purposes as set out in the Companies Donations Act (Cap 147).	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... Two Thousand and Nineteen.

Signature

- 1) \*Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.

#### INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
  - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
  - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company, 3rd Floor, Liberty Plaza, 250 R A De Mel Mawatha, Colombo 03, by **10.30 AM** on 26th June 2019.

# 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 03.

Tel No. 011-2575935-7 Fax: 011-2573111

E-mail: info@colomboland.com

## **Board of Directors**

Prof. C.K.M. Deheragoda  
Mr. M.D.S. Goonatileke  
Mr. D.S. Jayaweera  
Mr P. V. S. Premawardhana  
Mr. W.D.A. Sunil Perera  
Mr. Ng Yao Xing  
Mr. S.A. Amarasekera  
(Alternate to Mr. M.D.S. Goonatileke)  
Mr. W.M.C.S. Welegama  
Mr. Ng Heng Chye Clement  
(Alternate to Mr. Ng Yao Xing, Eugene)

## **Secretaries**

P W Corporate Secretarial (Pvt) Ltd  
3/17, Kynsey Road, Colombo 08.  
Tel: 4640360

## **Lawyers**

Nithi Murugesu & Associates  
Attorneys-at-law & Notaries public  
28 (Level 2) W A D Ramanayaka Mawatha,  
Colombo 02.

## **Capital Law Chambers & Corporate Consultants**

Attorneys-at-law, Notaries Public,  
11, Arcadia Gardens, Rosmead Place,  
Colombo 07.

## **Auditors**

Ernst & Young  
Chartered Accountants  
201, De Saram Place, Colombo 10.

## **Bankers**

People's Bank  
Nations Trust Bank PLC  
Sampath Bank PLC  
Commercial Bank of Ceylon PLC  
Bank of Ceylon

## **Subsidiary Companies**

Liberty Holdings Limited  
Agrispice (Private) Limited  
Anantya Global Solutions Company Limited  
Liberty Developers (Private) Limited



Colombo Land & Development Company PLC  
3rd Floor, Liberty Plaza, 250, R. A. De Mel Mawatha, Colombo 03.  
Tel No. 011-2575935-7 Fax: 011-2573111  
E-mail: [info@colomboland.com](mailto:info@colomboland.com)