



The Majestic City . Colombo . Sri Lanka



CT Land Development PLC is one of the most renowned, traditionally managed, corporate entities in the country. Apart from our involvement in the development of property, administration and maintenance, we are acclaimed as the owning company of Majestic City, Sri Lanka's premier shopping and entertainment destination- the vision of our late founder, Mr. Albert A. Page. We have consistently taken up opportunities to invest in critical sectors of the local economy, and this has benefitted the futures of both our group and the nation. At present, we are focused on upgrading and expanding our services. We believe this strategic decision will ensure CT Land Development PLC continues to be a key player in the steadily progressing economy of Sri Lanka.

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# Milestones

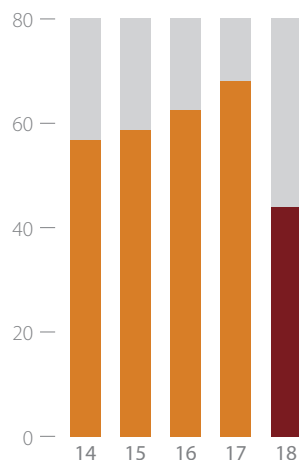


# Financial Highlights

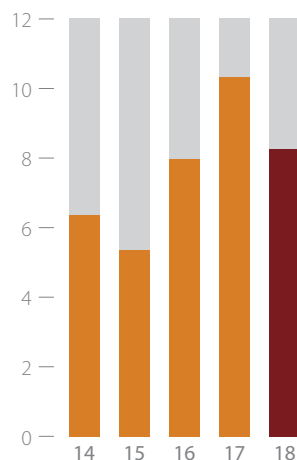
Year ended 31st March

	2018		2017		2016
	Rs. '000	% Change	Rs. '000	% Change	
<b>Operating Results</b>					
Revenue	565,115	0.5%	562,238	-1.9%	572,925
Results from Operating Activities	550,686	-9.0%	604,988	21.4%	498,272
Finance Cost	(716)	563.5%	(108)	-83.0%	(636)
Share of Profit-Equity Accounted Investee	(17,266)	-225.7%	13,740	34.1%	10,242
Profit before Taxation	532,704	-13.9%	618,620	21.8%	507,878
Profit after Taxation	410,012	-18.5%	502,821	29.5%	388,219
Total Comprehensive Income for the year	406,199	-22.5%	523,846	38.0%	379,693
<b>Assets</b>					
Non Current Assets	4,027,301	5.4%	3,819,879	8.2%	3,530,924
Current Assets	326,668	27.7%	255,756	8.6%	235,449
<b>Equity &amp; Liabilities</b>					
Stated Capital	1,982,500	306.7%	487,500	0.0%	487,500
Reserves	1,627,549	-43.6%	2,886,975	10.6%	2,599,567
Deferred Liabilities	467,040	11.5%	418,917	5.8%	395,971
Security Deposits	212,725	1.4%	209,846	1.1%	207,554
Current Liabilities	64,155	-11.4%	72,397	-4.5%	75,782
<b>Key Indicators</b>					
Earnings per Share (Rs.)	8.24	-18.5%	10.11	27.2%	7.96
Net Assets per Share (Rs.)	44.43	-35.8%	69.22	9.3%	63.32
Market Price per Share (Rs.)	31.10	-29.3%	44.00	-3.1%	45.40
<b>Others</b>					
Market Capitalization (Rs. '000)	2,526,875	17.8%	2,145,000	-3.1%	2,213,250
Price Earnings Ratio (times)	3.77	-13.3%	4.27	-23.7%	5.70
Dividends per Share (Rs.)	3.43	-27.8%	4.85	61.2%	2.95
Interest Cover (times)	769.31	-86.3%	5,607.84	615.9%	783.34
Current Ratio (times)	5.09	44.1%	3.53	13.6%	3.11
Dividend Yield (%)	11.03	2.1%	11.02	66.2%	6.50
Equity to Total Assets (%)	82.91	0.1%	82.80	1.0%	81.96
Number of Shares in Issue ('000)	81,250	66.7%	48,750	0.0%	48,750

Net Assets Per Share (Rs.)



Earnings Per Share (Rs)



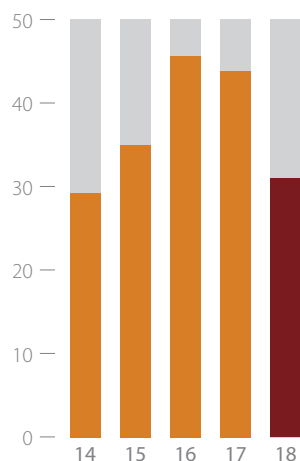
Rs. **3.6** Bn

Net Assets

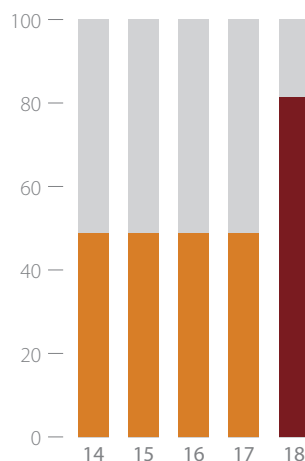
Rs. **410.0** Mn

Profit for the year

Market Price per Share (Rs)



Shares in Issue (Mn)



Rs. **2.5** Bn

Market Capitalization

Rs. **3.43**

Dividend Per Share

# Chairman's Message

I am pleased to present to you the Annual Report and Audited Financial Statements of CT Land Development PLC for the year ended 31st March 2018.

First and foremost, I wish to take this opportunity to thank Mr. Anthony A. Page, who has served this company as a Founder Director, Deputy Chairman and Chairman. During his tenure, the company surmounted many challenges due to his diligence, constant guidance and counsel. His meticulous attention to detail and his single-minded willingness to devote his time and effort to achieve results are legendary. The Directors and Management of the company who had the privilege of working with him truly appreciate the experience and knowledge they gained under his leadership.

I am sure all the shareholders would join me in paying tribute to him for the invaluable contribution he made towards the growth and stability of the company as he retires from the Directorate at the conclusion of the annual general meeting, on attaining the age of 70 years on 21st March 2018.

## Outlook

During the past few years, Mall operations are coming into greater prominence in the country, especially in the Colombo City. 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.

Majestic City, being one of the oldest Malls in the Country, has established itself as a mass market destination for a wide segment of the population. The location offers ease of access from public transport (train & bus – being close to both bus & train stations) as well as private vehicles, being adjacent to a busy thoroughfare. The Mall offers a wide choice in retail, fashion ware, food and entertainment with four cinema screens. Due to these factors this location has been an attraction with the local customers.

During the year the company leased the land adjoining Majestic City (on Station Road) on a long lease with a view to increasing the available car parking facility for the mall customers and tenants. This land will increase parking spaces and contain other facilities as well. We are also in the process of planning further upgrades and development to the Mall which would maintain the Majestic City among the premier malls in the island. All this while ensuring that the connection built with the patrons and shoppers of 'MC' continues and strengthens in the future.

Majestic City, being one of the oldest Malls in the Country, has established itself as a mass market destination for a wide segment of the population.

The Mall offers a wide choice in retail, fashion wear, food and entertainment with four cinema screens.



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

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 Majestic City since its inception. We are confident that our tenants would continue to remain at Majestic City and together we would reap the rewards of long lasting relationships.

### Financial Results

The Company's revenue remained steady at about the same level as the previous financial year. We maintain a Four year rolling rental cycle for all tenants and as such all rental agreements expire on a fixed date every 4 years. The present cycle will conclude on 31st December 2018 and new rental agreements would come into effect on 1st January 2019. In accordance with the Sri Lanka accounting standards, credit is taken for rental income on a straight line basis over the period of the lease. As such, revenue tends to remain consistent each year over the four year cycle other than on account of variations in occupancy levels.

Although rental income was in line with the previous year, profit for the

year was lower than the previous year. The drop is mainly on account of the gain in the Fair Value of Investment Property for the current year being lower than the gain recorded in the previous year by Rs. 53.5 Mn. Personnel and other operating costs increased in total by 4.3% over the previous year. Surplus funds of the Company are invested in the Comtrust Money Market Fund which yielded Rs. 18.5 Mn for the year in dividends. The total invested at the year-end amounted to Rs. 193.0 Mn.

The company's profitability was also eroded due to its share of loss from Ceylon Theatres (Pvt) Ltd., in which the company owns a 45% stake. Accordingly, profit after taxation of the Company amounted to Rs. 410.0Mn compared to Rs. 502.8Mn in the previous year.

### Appropriations

The company paid an interim dividend of Rs. 1.50 per share on 28th September 2017 and a second interim dividend of Rs. 2.00 per share on 12th March 2018 from the profits of the current year. The Directors do not recommend a final dividend from the profits of the Company for the current year.

### Acknowledgements

On behalf of the Board of Directors, I wish to place on record my sincere thanks to our tenants, bankers for their continued support and most importantly to customers of the Majestic City for their continued patronage. I also wish to thank my colleagues on the Board and staff for their co-operation and assistance throughout the year.

Finally, I wish to thank the shareholders of the company for their continued support.



**R Selvaskandan**  
Chairman  
30th July 2018

# Board of Directors

## **Mr. R. Selvaskandan**

*Chairman\**

Mr. R. Selvaskandan is an Attorney-at-Law (SL) and Solicitor (England & Wales and Hong Kong) and was a senior partner of a leading law firm in Hong Kong prior to joining the property sector of the CT Holdings Group. He is a Director of CT Holdings PLC, Deputy Chairman of CT Properties Limited and a Director of other Companies within the CT Holdings Group. He is also a Partner of Varners, a Law firm based in Sri Lanka. He has more than thirty years' experience in legal practice and management in Sri Lanka, UK and Hong Kong.

## **Mr. J. C. Page**

*Deputy Chairman/Managing Director*

Mr. J. C. Page is also the Deputy Chairman of Ceylon Theatres (Pvt.) Ltd. and a Director of CT Holdings PLC. He is also a Director of several other Companies within the CT Holdings Group. He has over 33 years of Management experience in the private sector.

## **Mrs. M. G. Perera**

*Finance Director*

Mrs. Mignon Perera is an Associate Member of the Chartered Institute of Management Accountants, UK and possesses over 32 years of experience in the manufacturing, trading and service sectors. She has held several key positions within the Group companies of CT Holdings PLC, including Directorships, since joining the subsidiary, Millers PLC in 1992.

## **Mr. A. T. P. Edirisinghe\***

Mr. A. T. Priya Edirisinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants (UK), and holds a Diploma in Commercial Arbitration. He counts over 45 years' experience in both public practice and in the private sector. Mr. Edirisinghe is the Chairman of the company's Audit Committee and Related Party Transactions Review Committee and a member of the company's Remuneration Committee. He serves on the boards of other listed and non-listed companies where in some companies he also serves as Chairman/Member of the Audit Committee, Chairman/Member of the Related Party Transactions Review Committee and Member of the Remuneration Committee.

## **Mr. L. R. Page\*\***

Mr. Louis Page is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). He has been involved in the operations of the CT Holdings group in a non-executive capacity, in setting and review of policy framework and in decision making. He functions as the Chairman of CT Holdings PLC, Chairman of Cargills (Ceylon) PLC and as a Director of several other group companies.

## **Dr. T. Senthilverl \***

Dr. Senthilverl is a Director of many quoted public Companies including Vidullanka PLC, CW Mackie PLC, Amana Takaful PLC, SMB Leasing PLC, The Finance Company PLC, FLC Hydro Power PLC and Nawaloka Hospitals PLC. He is also engaged in projection, construction and management of irrigation tanks and development of industrial turnkey projects, air and sea cargo, logistics and trading.

**Mr. Sunil Mendis\***

Desamanya Sunil Mendis was formerly the Chairman of Hayleys Group, and a former Governor of the Central Bank of Sri Lanka. He possesses around 50 years of wide and varied commercial experience, most of which has been in very senior positions. Mr. Mendis serves as a Member of the Company's Audit Committee and Chairman of the Remuneration Committee, and also serves on the boards of several other group companies.

**Mr. V. R. Page \*\***

Mr. V. Ranjit Page possesses over 30 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of super marketing to the Sri Lankan masses. He also serves on the boards of several other companies, and is the Deputy Chairman/Managing Director of the parent company, C T Holdings PLC.

\* Independent Non-Executive Director

\*\*Non- Executive Director

**Mr. S.C. Niles\*\***

Mr. Sanjay Niles is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants, UK. He is also the Director, Group Corporate Affairs of CT Holdings PLC and a Director of CT Properties Limited.

# Corporate Governance

Subject	Compliance Status	Remarks
<b>1. Non-Executive Directors</b>		
a) The Board shall include at least two non-executive directors; or one third of the total number of directors whichever is higher.	Complied	The Board of Directors consists of nine directors of whom seven are non-executive directors.
<b>2. Independent Directors</b>		
a) Two or one-third of non-executive directors appointed to the Board of Directors, whichever is higher, shall be independent.	Complied	Four directors out of the seven non-executive directors are independent.
b) The Board shall require each non-executive director to submit a declaration annually of his/her independence or non-independence in the prescribed format.	Complied	All non-executive directors submit signed declarations of independence / non-independence annually.
<b>3. Disclosures relating to Directors</b>		
a) The Board shall make a determination annually as to the independence or non-independence of each non-executive director and set out in the Annual Report, the names of the directors who are deemed to be 'Independent'.	Complied	Dr. T. Senthilvel, Mr. A.T.P. Edirisinghe, Mr. R. Selvaskandan and Mr. Sunil Mendis are independent directors of the Company.
b) In the event a director does not qualify as 'Independent' but if the Board, taking account of all the circumstances, is of the opinion that the director is nevertheless 'Independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report.	Complied	Mr. A.T.P. Edirisinghe, Dr. T. Senthilvel and Mr. R. Selvaskandan have served the Board for more than 9 years. Further, Mr. R. Selvaskandan, Mr. A.T.P. Edirisinghe and Mr. Sunil Mendis serve as Directors of the Holding Company, CT Holdings PLC, as well as other group companies. The Board of Directors, having considered their credentials and integrity has resolved that they are deemed independent.
c) The Board shall publish in its Annual Report, a brief resume of each director on its Board.	Complied	Disclosed in the Annual Report.
d) Upon appointment of a new director to its Board, the company shall forthwith provide to the Exchange, a brief resume of such director for dissemination to the public.	Complied	Not applicable.
<b>4. Remuneration Committee</b>		
a) A listed company shall have a Remuneration Committee comprising a minimum of two independent non-executive directors or exclusively by non-executive directors, a majority of whom shall be independent, whichever is higher.	Complied	The Remuneration Committee consists of three independent non-executive directors.

Subject	Compliance Status	Remarks
b) One non-executive director shall be appointed as Chairman of the Committee by the Board.	Complied	The chairman of the Remuneration Committee is an independent non-executive director.
c) The Remuneration Committee shall recommend the remuneration payable to executive directors and the chief executive officer, to the Board.	Complied	Disclosed in the Remuneration Committee Report.
d) The Annual Report should set out the names of directors comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	Complied	Disclosed under Corporate Information and in the Remuneration Committee report. Remuneration paid to directors is disclosed in Notes to the Financial Statements.
<b>5. Audit Committee</b>		
a) A listed company shall have an Audit Committee comprising a minimum of two independent non-executive directors or exclusively by non-executive directors, a majority of whom shall be independent, whichever is higher.	Complied	The Audit Committee consists of three independent non-executive directors.
b) One non-executive director shall be appointed as Chairman of the Committee by the Board.	Complied	The Chairman of the Audit Committee is an independent non-executive director.
c) Unless otherwise determined by the Audit Committee, the chief executive officer and chief financial officer of the listed company shall attend audit committee meetings.	Complied	The Deputy Chairman / Managing Director and Finance Director attend all Audit Committee meetings, except in the case of an inability to attend.
d) The chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied	The Chairman of the Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants, UK.
e) The Annual Report should set out the names of directors comprising the Audit Committee	Complied	Disclosed under Corporate Information and in the Audit Committee report.
f) The Committee shall make a determination of the independence of the Auditors and shall disclose the basis for such determination in the Annual Report.	Complied	Disclosed in the report of the Audit Committee.
g) The Annual Report shall contain a report by the Audit Committee, setting out the manner of compliance, during the period to which the Annual Report relates.	Complied	Disclosed in the report of the Audit Committee.

# Corporate Governance

Subject	Compliance Status	Remarks
<b>6. Related Party Transactions Review Committee</b>		
a) A listed company shall have a Related Party Transactions Review Committee comprising a combination of non-executive and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity.	Complied	The Related Party Transactions Review Committee consists of three independent non-executive directors.
b) One independent non-executive director shall be appointed as Chairman of the Committee by the Board.	Complied	The Chairman of the Related Party Transactions Review Committee is an independent non-executive director.
c) The Committee shall meet at least once a calendar quarter and shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Complied	The Committee met four times during the year under review. The Company Secretary functions as the Secretary to the Committee and ensures that the minutes of the meetings are properly documented and communicated to the Board of Directors.
d) The Listed Entity shall ensure that neither the Listed Entity nor any of its subsidiaries, acquires a substantial asset (exceeds 1/3 of the Total Assets) from, or disposes of a substantial asset to, any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution".	Complied	Not applicable.
e) The Listed Entity shall make an immediate announcement to the Exchange of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements or of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements.	Complied	Not applicable
f) The Listed Entity shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Entity, entered into with the same Related Party during the financial year.	Complied	Not Applicable

Subject	Compliance Status	Remarks
g) The Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income as per the latest Audited Financial Statements unless the transactions entered into are recurrent, of revenue or trading nature and are necessary for day-to-day operations of a Listed Entity or its subsidiaries.	Complied	Disclosed in the Notes to the Financial Statements.
h) The Annual Report shall contain a report by the Related Party Transactions Review Committee, in the prescribed format, setting out the manner of compliance.	Complied	Disclosed in the report of the Related Party Transactions Review Committee.
i) The members of the Related Party Transactions Review Committee should obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the Related Party Transaction under consideration. A person who is in the same group of the Listed Entity or who has a significant Interest in or financial connection with the Listed Entity or the relevant Related Party shall not be eligible to give such advice.	Complied	Not applicable.

# Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee of CT Land Development PLC consists of the following Non-Executive Directors –

Name	Non-Executive Directors
Mr. A. T. P. Edirisinghe - <i>Chairman</i>	Independent
Mr. S. Mendis	Independent
Mr. R. Selvaskandan	Independent

The Managing Director and Finance Director are ex-officio members of the Committee. The Company Secretary functions as the Secretary of the Committee.

The Committee is tasked with:-

- Reviewing Related Party Transactions,
- Calling for supporting documents and/or justification of the terms and conditions of such transactions and,
- Identifying & reporting on recurrent & non-recurrent transactions with related parties in line with the applicable CSE Rules.

Four meetings of the Committee were held during the current year. All the members of the Committee were present at these meetings.

The Committee noted that there were no non-recurrent transactions with related parties during the year. It also noted that in respect of recurrent transactions, the transactions were in the ordinary course of business, there were no changes to practices followed over the years and general terms and conditions applicable to rental agreements entered into with related parties are similar to those entered into with non-related parties taking into account, if any, due consideration of factors such as the long term nature of the occupancy, anchor tenancies, the extent and location of the area occupied and the ability of the entity concerned to attract customers into the complex. The observations of the Committee have been communicated to the Board of Directors.

The details of the recurrent transactions entered into with Related Parties are disclosed in Note 29 to the Financial Statements.



**A.T.P. Edirisinghe**

*Chairman – Related Party Transactions Review Committee*

30th July 2018



# The Remuneration Committee Report

The Remuneration Committee of CT Land Development PLC consists of the following Non-Executive Directors –

Name	Non-Executive Directors
Mr. Sunil Mendis - Chairman	Independent
Mr. A.T.P. Edirisinghe	Independent
Mr. R. Selvaskandan	Independent

The Deputy Chairman/Managing Director of the Company may also be invited to join in the deliberations as required.

The Committee is tasked with studying and recommending appropriate remuneration packages for the Executive Directors in line with applicable market values. The Committee also maintains the process of consultation with regard to the setting up of remuneration / compensation structures. After deliberations, its recommendations are forwarded for approval by the Board of Directors.

The Committee is authorized to carry out periodic reviews to ensure that the remunerations are in line with market conditions.

The Committee met once during the year.



**Sunil Mendis**  
*Chairman – Remuneration Committee*

30th July 2018

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# Annual Report of the Board of Directors

In compliance with the provisions of the Companies Act No. 07 of 2007, the Directors present their Report on the state of affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2018. The report also provides information as required by the Listing Rules of the Colombo Stock Exchange, best Accounting Practices and other disclosures deemed relevant to the stakeholders of the Company.

## Principal Activity

The principal activity of the Company is property development as approved by the Urban Development Authority.

## Review of Operations

The Chairman's Statement appearing on page 6 of the Annual Report gives a review of the operations carried out and the performance of the Company during the current financial year, and forms an integral part of this report.

## Financial Statements

The Audited Financial Statements of the Company for the financial year ended 31st March 2018 are given on pages 26 to 59 and form an integral part of the Annual Report.

## Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 30 to 41.

## Property, Plant & Equipment & Investment Property

The movement of property, plant and equipment is shown in note 14 to the financial statements. Investment property as shown in note 16 is stated at market value as at 31st March 2018. The current effective capital value of the investment property increased to Rs. 3.81Bn which sum the Board has adopted as the fair value of the investment property in accordance with LKAS 40 and, arising therefrom, the fair value gain on investment property of Rs. 215.7Mn is recorded in the Statement of Comprehensive Income for the year ended 31st March 2018.

## Stated Capital

The shareholders of the Company, at an Extra-ordinary General Meeting of the Company held on 20th March 2018, approved the issue of 32,500,000 ordinary voting shares in the Company credited as fully paid by capitalizing a sum of Rs. 1,495,000,000/- lying in the reserves of the Company in the proportion of Two (02) shares for every Three (03) shares held as at the Entitlement Date, at a consideration of Rs. 46.00 per share. The new shares rank pari passu in all respects with the existing issued ordinary shares of the Company, including the right to participate in any dividend declared after the date of allotment. All shareholders appearing in the Central Depository Systems (Pvt) Ltd (CDS) and the Share Register maintained by the Company as at end of trading on 20th March 2018 were allotted the capitalized shares as mentioned above.

Consequent to this share issue the Stated Capital of the Company at the balance sheet date amounted to Rs. 1,982,500,000/- (2017-Rs. 487,500,000/-) comprising 81,250,000 ordinary (voting) shares (2017 – 48,750,000).

## Directors

The directors indicated on page 8 have been Directors of the Company throughout the year under review.

Mr. Anthony A. Page, who has been a Director of the company since its inception on 09th March 1983, retires from the Directorate at the conclusion of the annual general meeting in terms of Section 210 (1) and (2) of the Companies Act, on attaining the age of 70 years on 21st March 2018.

Mr. R. Selvaskandan and Ms. M.G. Perera retire under Articles 103 and 104 of the Articles of Association of the Company and being eligible, offer themselves for re-election.

Pursuant to sections 210 and 211 of the Companies Act No. 7 of 2007 Dr. T. Senthilvel, Mr. A.T.P Edirisinghe and Mr. Sunil Mendis who are over 70 years of age offer themselves for re-election.

The re-election of the retiring Directors has the unanimous support of the other Directors.

Details of attendance at meetings:

Name	Board Meetings		General Meetings	
	Held	Attended	Held	Attended
Mr. R. Selvaskandan	4	4	2	2
Mr. J. C. Page	4	2	2	1
Ms. M. G. Perera	4	4	2	2
Mr. A. T. P. Edirisinghe	4	4	2	2
Mr. Sunil Mendis	4	3	2	2
Mr. S. C. Niles	4	4	2	2
Mr. Anthony A. Page (indisposed)	4	0	2	0
Mr. L. R. Page	4	0	2	0
Mr. V. R. Page	4	3	2	2
Dr. T. Senthilvel	4	4	2	2

### Directors' Interests in Contracts / Related Party Transactions

The Directors' interests in Contracts of the Company are included in Note 29 to the Financial Statements under related party transactions. The Directors have declared their interests at meetings of the Board. The Directors have no direct or indirect interest in any other contract or proposed contract of the Company.

The Related Party Transactions Review Committee appointed by the Board was tasked with reviewing Related Party Transactions, calling for supporting documents and/or justification of the terms and conditions of such transactions and identifying and reporting on recurrent and non-recurrent transactions with related parties in line with the applicable CSE Rules.

The said Committee has informed the Board that there were no non-recurrent transactions with related parties during the year. It also noted that in respect of recurrent transactions, the transactions were in the ordinary course of business, there were no changes to practices followed over the years and general terms and conditions applicable to rental agreements entered into with Related Parties are similar to those entered into with non-related parties taking into account, if any, due

consideration of factors such as the long term nature of the occupancy, anchor tenancies, the extent and location of the area occupied and the ability of the entity concerned to attract customers into the complex.

### Dividends

An Interim Dividend of Rs. 1.50 per share on 28th September 2017 and a second Interim Dividend of Rs. 2.00 per share on 12th March 2018 were paid to shareholders, for the year ended 31st March 2018.

### Directors' Shareholdings

The interests of the Directors in the shares of the Company at the Balance Sheet date were as follows.

	As at 31.03.2018	As at 31.03.2017
R. Selvaskandan	-	-
J.C. Page	1,018,007	610,804
M.G. Perera	-	-
A.T.P. Edirisinghe	5,000	3,000
Sunil Mendis	-	-
S.C. Niles	3,333	2,000
Anthony A. Page	1,090,440	654,264
L.R. Page	447,478	268,487
V.R. Page	-	-
Dr. T. Senthilvel	9,361,112	5,606,469
	<b>11,925,370</b>	<b>7,145,024</b>

### Donations

During the year the Company made charitable donations amounting to Rs. 2,565,000/- (2017-Rs. 2,614,671/-).

### Going Concern

The Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The financial statements of the Company have accordingly been prepared on a going concern basis.

# Annual Report of the Board of Directors

## Auditors

Messrs. KPMG, Chartered Accountants retire at the end of the meeting and have expressed their willingness to be re-appointed. A resolution to re-appoint them as Auditors and to authorize the Directors to determine their remuneration will be proposed at the General Meeting of the Company in terms of Section 158 of the Companies Act No. 7 of 2007.

The fees paid to the Auditors are disclosed in Note 9 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company.

For and behalf of the Board of Directors



R. Selvaskandan  
*Chairman*



A.T.P. Edirisinghe  
*Director*



Charuni Gunawardana  
*Secretary*

Colombo  
30th July 2018

# Statement of Directors' Responsibility

## Maintenance of Accounting Records

Under the provisions of the Companies Act No. 07 of 2007 ("the Act"), every company is required to maintain accounting records which correctly record and explain the Company's transactions, and will at any time enable the financial position of the Company to be determined with reasonable accuracy, enable the Directors to prepare financial statements in accordance with the Act and also enable the financial statements of the Company to be readily and properly audited.

## Preparation of Financial Statements of the Company and Group

The Act places the responsibility on the Board of Directors to ensure that financial statements are prepared within the prescribed time period in conformity with the Act. Such financial statements of a Company shall give a true and fair view of the state of affairs of the Company as at the reporting date and the profit or loss or income and expenditure, as the case may be, of the Company for the accounting period ending on that reporting date.

## Dividends

In the event of any distribution of dividends, the Board of Directors are required to satisfy themselves that the Company will, immediately after the relevant distribution is made, satisfy the solvency test, provided that such a certificate is obtained from the auditors.

## Annual Report

The Board of Directors are required to prepare an Annual Report on the affairs of the Company during the accounting period ending on the reporting date in the prescribed format and circulate the same to every shareholder of the Company within the time frame prescribed in the Act.

## Independent Audit

The Act requires the Company to appoint an Auditor to audit the financial statements of the Company for the reporting period. Accordingly, M/s KPMG presently function as the Auditors of the Company. Their responsibility with regard to the financial statements as auditors of the Company are set out in the Independent Auditors' Report set out on Page 23.

## Management

The Directors are responsible for the proper management of the resources of the Company. The internal control system has been designed and implemented to obtain reasonable but not absolute assurance that the Company is protected from undue risks, frauds and other irregularities.

## Compliance

Considering the present financial position of the Company and the foreseeable future, the Directors have adopted the going concern basis for the preparation of these financial statements.

The Directors confirm that:

- (a) The Company is in compliance with the requirements of the Act as aforementioned.
- (b) These financial statements have been prepared in accordance with the requirements of the Companies Act No. 07 of 2007 and applicable Sri Lanka Accounting Standards, which have been consistently applied and supported by reasonable and prudent judgments and estimates.
- (c) The Company has satisfied the solvency test, in respect of dividends declared during the year.
- (d) The Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange in respect of the related party transactions entered in to by the company during the year.
- (e) All statutory payments have been made up to date.

The Directors are satisfied that the control procedures within the Company operated effectively during the year.

By Order of the Board of Directors



Charuni Gunawardana  
Company Secretary

30th July 2018

# Audit Committee Report

The Audit Committee of C T Land Development PLC is appointed by the Board of Directors of the Company and reports directly to the Board. It consists of three Non-Executive Directors. The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The composition of the members of the Audit Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed Companies. They are:

Name	Non-Executive Directors
Mr. A. T. P. Edirisinghe - <i>Chairman</i>	Independent
Mr. S. Mendis	Independent
Mr. R. Selvaskandan	Independent

The Audit Committee is empowered to examine all matters pertaining to the financial affairs of the Company and assist the Board of Directors in effectively discharging their duties. The Committee also reviews the process of external reporting of financial information to ensure compliance with presentation and disclosure requirements in accordance with the prevailing legal and accounting framework and best practice.

The Audit Committee also reviews the adequacy and proper continuous functioning of the Internal Control Procedures of the Company to obtain reasonable assurances that the financial statements accurately reflect the state of affairs of the Company and the results for the period to which it relates. Independent internal audit reports are reviewed periodically and discussed with management with a view to further strengthening the internal control environment within the Company.

The Committee is also empowered to liaise directly with the External Auditors of the Company and study all matters brought to the attention of the Management by the External Auditors. The Committee met with the External Auditors once, to review matters pertaining to the Financial Statements of the previous year.

The regular Audit Committee meetings were held four times during the year, in addition to the meeting with the External

Auditors referred to above. All members of the Committee were in attendance at these meetings. In addition, where required, the quarterly financial statements were circulated, discussed and recommended to the Board prior to Board approval. In all instances, the Audit Committee obtained relevant declarations from relevant key officials stating that the respective financial statements are in conformity with the applicable Accounting Standards, Company Law and other Statutes including Corporate Governance Rules and that the presentation of such Financial Statements are consistent with those of the previous quarter or year as the case may be and listing any departures from financial reporting, statutory requirements and Group policies, if any.

The Managing Director and/or the Finance Director attend all Audit Committee meetings and other Senior Managers attend such meetings as and when requested to do so by the Audit Committee.

The Company Secretary acts as the Secretary to the Committee.

The Audit Committee is of the opinion that the control procedures and environment within the Company provide reasonable assurance regarding the monitoring of the operations, accuracy of the financial statements and safeguarding of assets of the Company.

The Audit Committee has assessed the independence and performance of the External Auditors, M/s. KPMG, Chartered Accountants, and recommends to the Board of Directors that they be reappointed as Auditors of the Company for the year ending 31st March 2019, subject to the approval by the shareholders at the Annual General Meeting.



A.T.P. Edirisinghe  
*Chairman – Audit Committee*

30th July 2018



# Independent Auditors' Report



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## Independent Auditors' Report To the Shareholders of CT Land Development PLC Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of CT Land Development PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other 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 and other explanatory information as set out on pages 26 to 59 of the annual report.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2018, and of its 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 Company 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.

### Emphasis of Matter

We draw attention to Note 24.2 of the financial statements wherein the Company has considered all land held and used in business as Investment Assets. Based on our understanding of the Inland Revenue Act and legal advice provided by the expert, there is significant judgment involved in determining whether the lands held by the entity and used in business are to be considered as capital assets or investment assets due to the uncertainties that exist with respect to the interpretation of the application. In the event the Company's position is not held by the Authorities, the impact on the Company's statement of profit or loss is disclosed in note 24.2 to the financial statements. Our opinion is not modified in respect of this matter.

### Key Audit Matters

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

### 01. Valuation of investment properties

As described in Note 3.6 (Accounting policies) and Note 16 (Investment properties), the fair value of investment properties amounted to Rs.3,805Mn as at 31 March 2018.

### Key audit matter

Management's assessment of fair value of the investment property is based on the valuation performed by a qualified independent property valuer in accordance with recognized industry standards.

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

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

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

# Independent Auditors' Report



The valuation of the property requires the application of significant judgment and estimation in the selection of the appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include market comparables used, taking into consideration for differences such as location, size and tenure. A change in the key assumptions will have an impact on the valuation.

## **Our audit procedures included,**

- Assessing the objectivity and independence of the external valuer and the competence and qualification of the external valuer.
- Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the investment properties.
- Discussions with management and the external valuer and compare the key assumptions used against externally published market comparables where available or with other benchmark data and challenging the reasonableness of key assumptions based on our knowledge.
- Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates

## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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 and fair presentation of the financial statements 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' 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 auditors' 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 Company's internal control.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

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 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 auditors' 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 engagement partner on the audit resulting in this independent auditors' report's Membership number is 1798.



**Chartered Accountants**  
Colombo, Sri Lanka

30 July 2018

# Statement of Profit or Loss & Other Comprehensive Income

For the Year ended 31st March	Note	Entity and Investee	
		2018 Rs. '000	2017 Rs. '000
Revenue	6	565,115	562,238
Other Income	7	238,236	285,099
Personnel Costs	8	(79,592)	(62,916)
Depreciation & Amortisation	14&15	(5,013)	(4,984)
Other Operating Costs		(168,060)	(174,449)
<b>Results from Operating Activities</b>	9	<b>550,686</b>	604,988
Finance Costs	10	(716)	(108)
Share of Profit/(Loss) of Equity Accounted Investee	17	(17,266)	13,740
<b>Profit before Taxation</b>		<b>532,704</b>	618,620
Income Tax Expenses	11	(122,692)	(115,799)
<b>Profit for the Year</b>		<b>410,012</b>	502,821
<b>Other Comprehensive Income</b>			
<b>Items that will not be Reclassified to Profit or Loss</b>			
Remeasurement of Defined Benefit Liability	23	(7,444)	14,670
Tax on Other Comprehensive Income		2,084	(4,108)
Equity Accounted Investee-Share of OCI	17	1,547	(103)
Gain on Fair Value of Long Term Investment	18	-	10,566
<b>Other Comprehensive Income for the Year</b>		<b>(3,813)</b>	21,025
<b>Total Comprehensive Income for the year</b>		<b>406,199</b>	523,846
Earnings Per Share	12	8.24	10.11

Figures in brackets indicate deductions

The notes on pages 30 to 59 form an integral part of these financial statements.

# Statement of Financial Position

As at 31st March	Note	Entity and investees	
		2018 Rs. '000	2017 Rs. '000
ASSETS			
Non Current Assets			
Property, Plant & Equipment	14	27,218	18,933
Intangible Assets	15	-	-
Investment Properties	16	3,805,700	3,590,000
Equity Accounted Investee	17	109,430	125,149
Investments-AFS	18	84,953	85,792
		4,027,301	3,819,879
Current Assets			
Trade and Other Receivables	19	107,255	102,552
Short Term Investments	20	193,034	151,882
Cash and Cash Equivalents	21	26,379	1,322
		326,668	255,756
Total Assets		4,353,969	4,075,635
EQUITY AND LIABILITIES			
Equity			
Stated Capital	22	1,982,500	487,500
Retained Earnings		1,616,983	2,876,409
AFS Reserve		10,566	10,566
		3,610,049	3,374,475
Non Current Liabilities			
Employee Benefits	23	39,440	27,410
Deferred Tax Liabilities	24	427,600	391,507
Security Deposits	25	195,962	179,621
Deferred Interest		16,763	30,225
		679,765	628,763
Current Liabilities			
Trade and Other Payables	26	39,323	41,813
Dues to Related Companies		1,368	-
Income Tax Payable	27	21,197	25,753
Bank Overdraft/(Secured)	21	2,267	4,831
		64,155	72,397
Total Equity and Liabilities		4,353,969	4,075,635

The notes on pages 30 to 59 form an integral part of these financial statements.

The financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Ms. M.G. Perera  
Finance Director

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
The Financial Statements have been approved by the Board on 30th July 2018.  
Signed for and on behalf of the Board.



R. Selvaskandan  
Chairman



A.T.P. Edirisinghe  
Director

# Statement of Changes in Equity

	Note	Stated Capital Rs.'000	Retained Earnings Rs.'000	Entity and Investee AFS Reserve Rs.	Total Rs.
Balance as at 01st April 2016		487,500	2,599,567	-	3,087,067
Profit for the Year		-	502,820	-	502,820
Other Comprehensive Income					
- Defined Benefit Plan Actuarial Gains (Losses) net of Tax		-	10,563	-	10,563
- Share of OCI of Equity Accounted Investee		-	(103)	-	(103)
- Gain on Fair Value of Long Term Investment		-	-	10,566	10,566
<b>Total Comprehensive Income</b>		-	513,280	10,566	523,846
Dividends Paid		-	(236,438)	-	(236,438)
<b>Transactions with owners of the company</b>		-	(236,438)	-	(236,438)
Balance as at 01st April 2017		487,500	2,876,409	10,566	3,374,475
Profit for the Year		-	410,012	-	410,012
Other Comprehensive Income					
- Defined Benefit Plan Actuarial Gains (Losses) net of tax		-	(5,360)	-	(5,360)
- Share of OCI of Equity Accounted Investee		-	1,547	-	1,547
- Gain on Fair Value of Long Term Investment		-	-	-	-
<b>Total Comprehensive Income</b>		-	406,199	-	406,199
Issue of Shares (Note 22)		1,495,000	(1,495,000)	-	-
Dividends Paid		-	(170,625)	-	(170,625)
<b>Transactions with owners of the company</b>		1,495,000	(1,665,625)	-	(170,625)
Balance as at 31st March 2018		1,982,500	1,616,983	10,566	3,610,049

# Statement of Cash Flows

For the year ended 31st March	Entity and Investee	
	2018 Rs'000	2017 Rs'000
<b>Cash flows from Operating Activities</b>		
Profit before Tax	532,703	618,619
<b>Adjustments for:</b>		
Depreciation & Amortization	5,013	4,984
Change in Fair Value of Investment Properties	(215,700)	(269,250)
Change in Fair Value of Financial Instruments	(1,151)	3,030
Impairment-Equity Investment	839	-
Dividend Received from Associate	-	(735)
Dividend Received-Short Term Investment	(18,460)	(16,150)
Provision for Defined Benefit Obligation	5,102	4,963
Share of Profit-Equity Accounted Investee	17,266	(13,740)
Gain/Loss on Disposal of PPE	(2,647)	(521)
Finance Cost	716	108
	<b>323,681</b>	<b>331,309</b>
<b>Working Capital Changes:</b>		
(Increase)/Decrease in Trade & Other Receivables	(4,703)	(10,086)
Increase/(Decrease) in Trade & Other Payables	(3,716)	4,159
Increase in Security Deposits	2,880	2,293
<b>Cash Generated from / (Used in) Operating Activities</b>	<b>318,142</b>	<b>327,675</b>
Interest Paid	(716)	(108)
Retirement Benefits Paid	(516)	-
Super Gains Tax Paid	-	-
Income Tax Paid	(89,072)	(100,909)
<b>Net Cash Generated from / (Used in) Operating Activities</b>	<b>227,838</b>	<b>226,657</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(13,293)	(835)
Sale of Property, Plant & Equipment	2,647	870
Investments on Financial Instruments	(40,000)	(30,000)
Purchase of Investments	-	-
Dividend Received	18,460	16,884
<b>Net Cash Generated from / (Used in) Investing Activities</b>	<b>(32,186)</b>	<b>(13,081)</b>
<b>Cash Flow from Financing Activities</b>		
Dividends Paid	(168,031)	(234,134)
<b>Net Cash Generated from / (Used in) Financing Activities</b>	<b>(168,031)</b>	<b>(234,134)</b>
<b>Net Increase/(Decrease) In Cash &amp; Cash Equivalents during The Year</b>	<b>27,621</b>	<b>(20,558)</b>
Cash & Cash Equivalents at the Beginning of the Year	(3,509)	17,049
Cash & Cash Equivalents at the End of the Year (Note 21)	24,112	(3,509)

# Notes to the Financial Statements

## 1. REPORTING ENTITY

CT Land Development PLC is a "Public Quoted Company" with limited liability incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The company's registered office is situated at No 10, Station Road, Colombo 04.

The staff strength of the company as at 31st March 2018 is 29 (2017 - 27).

The company is in the business of development of property, administration & maintenance.

The company is a subsidiary of CT Holdings PLC.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and the requirements of the Companies Act No 7 of 2007.

### 2.2 Approval of Financial Statements by Directors

The company's Financial Statements were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 30th July 2018.

### 2.3 Basis of Measurement

The financial statements have been prepared on a historical cost basis and accounting policies are applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following;

- Investment properties are measured at cost at the time of acquisition and subsequently at fair value.
- The liability for defined benefit obligation is recognized as the present value of the defined benefit obligation.

- Short term investments in Unit Trusts are measured at fair value.

### 2.4 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded up to the nearest rupee, unless stated otherwise.

### 2.5 Presentation of Financial Statements

The assets and liabilities of the Company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their liquidity and maturity pattern.

Assets and liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by an Accounting Standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

### 2.6 Use of Estimates and Judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are



recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the relevant notes.

- Note 14 – Property, Plant & Equipment
- Note 16 – Investment Properties
- Note 23 – Measurement of Defined Benefit Obligation
- Note 24 – Deferred Taxation

## 2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 3.1 Financial Instruments

#### 3.1.1 Non derivative Financial Assets

The company initially recognizes loans and receivables on the date when they are originated. All other financial assets are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that

is created or retained by the company is recognized as a separate asset or liability.

The company has the following non-derivative financial assets:

Financial Assets at Fair Value through Profit or Loss	A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.
Loans & Receivables	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. Loans and receivables of the company comprise trade and other receivables.
Available for Sale Assets	<p>These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on instruments, are recognized in OCI and accumulated in the fair value reserve. Dividend income on such instruments is recognized in profit or loss when the company becomes entitled to the dividend.</p> <p>When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.</p>

# Notes to the Financial Statements

## 3.1.2 Non derivative Financial Liabilities

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

The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

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

The company has the following other financial liabilities: bank overdrafts, trade & other payables and security deposits.

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

## 3.1.3 Fair value Measurement

SLFRS 13 defines fair value as 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.

A Fair value measurement requires an entity to determine all the following:

1. The particular asset or liability that is the subject of the measurement
2. For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
3. The principal (or most advantageous) market for the asset or liability

4. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same, to estimate the price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an

appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

### 3.1.4 Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

- Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

### 3.1.5 Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

## 3.2 Property, Plant and Equipment

### 3.2.1 Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes,

- the cost of materials and direct labour.
- any other costs directly attributable to bringing the asset to a working condition for their intended use.
- and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

### 3.2.2 Subsequent Costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company. Ongoing repairs and maintenance is expensed as incurred.

### 3.2.3 De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain and loss arising from de-recognition of an item of property, plant & equipment is included in profit and loss when the item is derecognized.

When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is

# Notes to the Financial Statements

derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspection is derecognized.

## 3.2.4 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

	Depreciation	Useful Life
Buildings	2%	50
Plant & Machinery-Light, A/C Equipment	10%	10
Plant & Machinery-Other	5%	20
Furniture and Equipment	10%	10
IT Equipment	25%	04
Motor Vehicles	25%	04

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## 3.3 Intangible Assets

### 3.3.1 Basis of Recognition

An intangible asset is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

### 3.3.2 Measurement

The cost of an intangible asset comprises of its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use.

Intangible assets that are acquired by the company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

### 3.3.3 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in statement of profit or loss as incurred.

### 3.3.4 Amortization

Amortisation is recognized in the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful life for intangible assets held by the company is as follows:

	Amortisation	Useful Life
Website	50%	2 years

## 3.4 Identification and Measurement of Impairment

### 3.4.1 Impairment of Financial Assets

At each reporting date the company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition costs, net of any principal repayment and amortisation, and the current fair value; less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

#### **3.4.2 Impairment of Non-Financial Assets**

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing

use that are largely independent of the cash inflows of other assets or CGU.

The company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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

#### **3.5 Equity Accounted Investee**

Equity accounted investees are those entities in which the company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the company holds between 20 and 50 percent of the voting power of another entity. Equity accounted investee is accounted for using the equity method. The Financial Statements include the company's share of income and expenses and equity movements of equity accounted investee from the date that significant influence commences until the date significant influence ceases. When the company's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the company has incurred obligations or has made payments on behalf of the investee.

A listing of the company's equity accounted investees is set out in Note 17 to the Financial Statements.

# Notes to the Financial Statements

## 3.6 Investment Property

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuation company, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on open market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property.

It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognized in profit or loss. Rental income from investment property is accounted for as described in the accounting policy.

When an item or property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognized in profit or loss immediately.

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

When the company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

## 3.7 Investment Property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development (development projects) and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. At the date of transfer, the difference between fair value and cost is recorded as income in profit or loss.

All costs directly associated with the purchase and construction of a property and all subsequent capital expenditure for the development qualifying as acquisition costs are capitalized. Related borrowing costs are recognized in profit or loss as they are incurred.

## 3.8 Liabilities and Provisions

### 3.8.1 Dividend payable

Provision for final dividends is recognized at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividends payable is recognized when the Board approves such dividend in accordance with the Companies Act No. 7 of 2007.

### 3.8.2 Provisions

Provisions are recognized when the company 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.

### **3.9 Stated Capital - Ordinary Shares**

Company's stated capital comprises of ordinary shares, which are classified as equity.

### **3.10 Employee Benefits**

#### **3.10.1 Defined Benefit Plan**

Defined Benefit Plan is a post-employment benefit plan other than defined contribution plan. The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the statement of financial position date. The defined benefit obligation is calculated annually by independent actuaries, using projected unit credit method, as recommended by LKAS 19 Employee Benefit. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The assumptions based on which the results of the actuarial valuation were determined are included in the note 23 to the Financial Statements.

This liability is not externally funded and the item is grouped under non-current liabilities in the statement of financial position. However, under the payment of gratuity Act No. 12 of 1983 the liability to an employee arises only on completion of five years of continued service.

The company recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in staff expenses in profit or loss.

#### **3.10.2 Defined Contribution Plan**

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to

pay any further amounts. Obligations for contributions to Employees Provident Fund and Employees Trust Fund covering all employees are recognized as an expense in the statement of comprehensive income, as incurred.

##### **(a) Employees' Provident Fund**

The company and employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund.

##### **(b) Employees' Trust Fund**

The company contributes 3% of the salary of each employee to the Employees' Trust Fund. The total amount recognized as an expense to the company for contribution to ETF is disclosed in the Note 8 to the financial statements.

##### **(c) Short-Term Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### **3.11 Commitments and Contingencies**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

### **3.12 Turnover**

The turnover of the company represents the gross rental, service charge, car park income and sundry income.

#### **3.12.1 Rental Income**

Rental income from investment property leased out under operating lease is recognized in profit or loss on a straight-line

# Notes to the Financial Statements

basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

## **3.12.2 Service Charge and Car Park Income**

Service charge and car park income are recognized on accrual basis in the profit or loss.

## **3.13 Other Income**

### **3.13.1 Dividends**

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

### **3.13.2 Others**

Other income is recognized on an accrual basis. Net gains and losses of a revenue nature on the disposal of plant and equipment and other non-current assets including investments have been accounted for in profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

## **3.14 Expenses**

Expenses are recognized in profit or loss as they are incurred, in the period to which they relate on an accrual basis.

## **3.15 Finance Cost**

Finance cost comprise of interest expense on borrowings, interest on overdrafts and other charges.

## **3.16 Taxation**

### **3.16.1 Current taxes**

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 10 of 2006 and subsequent amendments thereon.

### **3.16.2 Deferred Taxation**

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax is not recognized for the undistributed profits of associates as the Company has control over the dividend policy of its associates and distribution of those profits.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **3.16.3 Offsetting of Tax Assets and Liabilities**

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law.

## **3.17 Earnings per Share**

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.



### 3.18 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the “Indirect Method” of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 07-Statement of Cash Flows. Cash and cash equivalents include notes and coins on hand, balances with banks, money at call and short notice with less than three months maturity from the date of acquisition.

### 3.19 Events occurring after the Reporting Date

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in respective notes to the financial statements.

### 3.20 Comparative information

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the financial statements are amended, comparative amounts are reclassified unless it is impracticable.

### 3.21 Directors’ Responsibility Statement

The Board of Directors of the company is responsible for the preparation and presentation of these Financial Statements.

### 3.22 New accounting standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for the financial periods beginning after 1st January 2018. Accordingly, these standards have not been applied in preparing these financial statements.

#### SLFRS 9 - Financial Instruments

SLFRS 9 – “Financial Instruments” replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments

including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 9 is effective for annual periods beginning on or after 1st January 2018.

Impact: The Company does not expect significant impact on its financial statements resulting from the application of SLFRS 9.

#### SLFRS 15 – Revenue

Recognition from Customer Contracts SLFRS 15 – “Revenue from Contracts with Customers” establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance LKAS 18 Revenue and LKAS 11 Construction Contracts.

SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018.

Impact: Anticipated impact from SLFRS 15, is not expected to be material.

#### SLFRS 16 – ‘Leases’

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet financed leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual reporting periods beginning on or after 01 January 2019.

Impact: The Company has not assessed the impact arising from SLFRS 16.

# Notes to the Financial Statements

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Introduction and Overview

The company has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

### 4.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board consists of seven non-executive directors including four independent directors with wide financial and commercial knowledge and experience.

The Board discharges its governance responsibility through the Board of Directors and the Audit Committee. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures.

### 4.3 Credit Risk

Credit risk is the risk of financial loss to the company if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from tenants.

#### Trade and other Receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each tenant.

The Board of Directors has established a credit policy under which each new tenant is analysed individually for creditworthiness. The company's review includes review of financial position and bank references.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

### 4.4 Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

### 4.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### 4.6 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management within the company. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective

#### 4.7 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the company's approach to capital management during the year. The Company wishes to raise additional capital to invest in more diversified investments to mitigate the future operational risk.

# Notes to the Financial Statements

Entity and Investee	2018	2017
For the Year ended 31st March	Rs. '000	Rs. '000

## 6. Revenue

Rental Income	439,436	432,774
Service Charges	69,988	69,598
Car Park Income	14,966	15,806
Promotional Income	36,636	33,461
Sundry Income	4,089	10,599
	<b>565,115</b>	<b>562,238</b>

## 7. Other Income

Change in Fair Value of Investment Property	215,700	269,250
Change in Fair Value of Investment in Financial Assets	1,151	(3,030)
Impairment Allowance for Long Term Investment	(839)	-
Gain/Loss on Disposal of PPE	2,647	521
Interest Income-Money Market	1,117	1,473
Dividend Income from Investment in Financial Instruments	18,460	16,150
Dividend Income from Associate	-	735
	<b>238,236</b>	<b>285,099</b>

## 8. Personnel Cost

Salaries and Wages	50,692	39,272
Contribution to Employees Provident Fund	5,163	4,049
Contribution to Employees Trust Fund	1,290	1,012
Provision for Staff Retirement Benefits	5,102	4,963
Other	17,345	13,620
	<b>79,592</b>	<b>62,916</b>

## 9. Results from Operating Activities

Results from operating activities are stated after deducting all operating expenses including the following:

Directors Fees	11,709	9,185
Audit Fees & Audit Related Fees	600	450
Legal & Secretarial Fees	1,372	992
Professional Fees	1,960	772

For the Year ended 31st March	Entity and Investee	
	2018	2017
	Rs. '000	Rs. '000
<b>10. Finance Cost</b>		
Interest on Bank Overdraft	716	108
	716	108
<b>11. Income Tax Expense</b>		
<b>11.1 Tax recognised in the Statement of Comprehensive Income</b>		
a) Current Tax (Note 11.2)		
Current Year	84,515	87,254
	84,515	87,254
b) Deferred Tax Expense (Note 20)		
Origination and Reversal of Taxable Temporary Differences	39,461	29,935
Change in Recognized Deductible Temporary Differences	(1,284)	(1,390)
	38,177	28,545
<b>Total Tax Expense</b>	<b>122,692</b>	<b>115,799</b>
<b>11.2 Reconciliation of Accounting Profit and Taxable Income</b>		
Profit Before Tax	532,703	618,619
Add: Disallowable Expenses	16,156	18,054
Less: Allowable Expenses	(28,464)	(25,159)
Less: Exempt Income	17,266	(13,740)
<b>Less: Income from other sources</b>		
Dividend Income from Investment in Financial Instruments	(18,460)	(16,150)
Dividend Income from Associate	-	(735)
Impairment-Investment in Equity	839	-
Change in Fair Value of Investment Property	(215,700)	(269,250)
<b>Business Income</b>	<b>304,340</b>	<b>311,639</b>
<b>Income from Other Sources</b>	<b>-</b>	<b>-</b>
<b>Statutory Income</b>	<b>304,340</b>	<b>311,639</b>
<b>Assessable Income</b>	<b>304,340</b>	<b>311,639</b>
Less: Deductions	(2,500)	(20)
<b>Total Taxable Income</b>	<b>301,840</b>	<b>311,619</b>
<b>Tax Liability</b>		
Taxable Income at 28% (2017-28%)	84,515	87,254
<b>Total Taxable Liability</b>	<b>84,515</b>	<b>87,254</b>

# Notes to the Financial Statements

For the Year ended 31st March	Entity and Investee		
	2018		2017
	Rs. '000		Rs. '000
<b>11.3 Reconciliation of Effective Tax Rate</b>			
Profit before Income Tax	532,703		618,619
Less: Income from Other Sources	17,266		(13,740)
Profit from Business	549,969		604,879
Income Tax Using the Domestic Tax Rate	28%	149,156	173,213
Disallowable Expenses	3%	4,524	5,055
Change in Fair Value of Investment Property	-40%	(60,396)	(75,390)
Impairment-Investment in Equity	0%	235	-
Allowable Expenses	-5%	(7,970)	(7,044)
Exempt Income	-1%	(334)	(8,575)
Deductions	0%	(700)	(6)
Other Temporary Differences		38,177	28,546
Total Income Tax Expenses (Note 11.1)	23%	122,692	115,799

## 12. Earnings per Share

The calculation of the Earnings per share is based on the profit attributable to ordinary shareholders of the company divided by the weighted average number of ordinary shares in issue during the year.

Profit attributable to ordinary shareholders of the company	410,011	502,820
Weighted Average no. of Ordinary Shares (Nos.)	49,729	49,729
Earnings per share (Rs.)	8.24	10.11

Diluted Earnings per Share is same as computed above.

Weighted Average no. of Ordinary Shares:

Issued ordinary shares ('000)	48,750	48,750
Effect of shares issued during the year	979	979
Weighted average no. of ordinary shares at year end	49,729	49,729

On 20th March 2018, the Company issued 32,500,000 shares credited as fully paid by capitalizing a sum of Rs. 1,495,000,000 from the amounts lying in its Retained Earnings Reserve, in the proportion of Two (02) shares for every Three (03) shares held, at a consideration of Rs. 46.00 per share.

In accordance with LKAS 33, the current and prior period amounts for basic EPS are adjusted for the capitalization of reserves as if the capitalization of reserves had occurred at the beginning of the earliest period presented.

For the Year ended 31st March	Entity and Investee	
	2018	2017
	Rs. '000	Rs. '000

### 13. Dividends per Share

Dividends per share is based on the dividends paid during the year covered by the financial statements.

Final - Nil (2016/17 - Rs. 1.65 per share for 2015/16)	-	80,438
Interim 2017/18 Rs. 1.50 per share (2016/17 - Rs. 1.40 per share)	73,125	68,250
2nd Interim 2017/18 Rs. 2.00 per share (2016/17 - Rs. 1.80 per share)	97,500	87,750
	170,625	236,438
Dividends per share (Rs.)	3.43	4.85
Dividend Payout Ratio (%)	41.6%	48.0%

### 14. Property Plant & Equipment

	Entity and Investee						Total 2017
	Buildings	Plant & Machinery	Furniture & Equipment	Motor Vehicles	IT Equipment	Total 2018	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost/Valuation</b>							
As at 01st April	11,222	14,245	25,990	22,924	2,884	77,264	82,009
Additions	-	4,103	224	8,325	640	13,293	835
Disposals	-	-	-	(7,588)	-	(7,588)	(5,580)
As at 31st March	11,222	18,348	26,214	23,661	3,524	82,969	77,264
<b>Accumulated Depreciation</b>							
As at 01st April	4,959	8,741	19,082	22,924	2,620	58,326	58,588
Charge for the year	224	865	2,501	1,301	122	5,013	4,969
Disposals	-	-	-	(7,588)	-	(7,588)	(5,231)
As at 31st March	5,183	9,606	21,583	16,637	2,742	55,751	58,326
<b>Carrying Value</b>							
As at 31st March 2018	6,039	8,742	4,631	7,024	782	27,218	
As at 31st March 2017	6,263	5,504	6,908	-	264		18,938

Property, Plant and Equipment includes fully depreciated assets having a gross amount of Rs. 30Mn (2017 - Rs. 12Mn).

# Notes to the Financial Statements

## 15. Intangible Assets

	Entity and Investee	
	2018	2017
	Rs. '000	Rs. '000
<b>Cost</b>		
Balance as at 01st April	50	50
Additions	-	-
Balance as at 31st March	50	50
<b>Accumulated Amortization</b>		
Balance as at 01st April	50	35
Amortization	-	15
Balance as at 31st March	50	50
<b>Carrying amount</b>		
As at 31 March	-	-

## 16. Investment Property

### 16.1 Reconciliation of Carrying Amount

	Entity and Investee					
	Land		Buildings		Total	
	2018	2017	2018	2017	2018	2017
	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s
As at 01 April	2,064,250	1,818,111	1,525,750	1,502,639	3,590,000	3,320,750
Additions	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
Fair value gain	161,704	246,139	53,996	23,111	215,700	269,250
As at 31 March	2,225,954	2,064,250	1,579,746	1,525,750	3,805,700	3,590,000

Investment Property comprises a number of commercial properties that are leased to third parties and to a number of related companies. Each of the leases contains a maximum period of 4 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

In accordance with LKAS 40, a property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the company holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Changes in fair values are recognised as gains in profit or loss and included in Other Income (Note 7).



## 16.2 Measurement of Fair Values

### 16.2.1 Fair Value Hierarchy

The carrying amount of investment property is the fair value of property as determined by an external, independent property valuer, having an appropriate recognized professional qualification and recent experience in the location and the category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the company's investment property.

The fair value measurement for the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

### 16.2.2 Valuation Technique and Significant Unobservable Inputs

Address	Extent	Name of the Valuer	Date of Valuation	Market Value Rs. '000s
No 10, Station Road, Colombo 04	1A-2R-17.25P	Mr. T Weeratne (Incorporated Valuer)	31st March 2018	3,805,700

Description Investment Property	Fair Value at 31st March 2018 Rs. '000s	Valuation Technique(s)	Significant Unobservable Inputs	Inter-relationship between Key Unobservable Inputs & Fair Value Measurements
Land	2,225,954	Income Approach	Voids-8%; Annual Out-goings, rates & insurance - 45%; Capitalization - 5.4%; Income per Square Foot- According to agreements with tenants	The estimated fair value would increase / decrease if Voids rate was lower / higher, Capitalization rate was higher / lower, Annual outgoings, rates and insurance was lower / higher
Building	1,579,746			

## 17. Equity accounted Investee - Entity and Investee

The Entity and Investees' share of Profit/(Loss) in its equity accounted investee for the year was Rs. (15.7) Mn (2017 - Rs. 13.6Mn).

During the year, the Entity and Investee did not receive any dividend from its equity accounted investee (2017-Rs. 0.7Mn).

	2018	2017
<b>Ceylon Theatres (PVT) LTD</b>		
Ownership	45.00%	45.00%
Current Assets	59,195	65,208
Non current Assets	347,134	173,313
<b>Total Assets</b>	<b>406,329</b>	<b>238,521</b>

# Notes to the Financial Statements

	2018	2017
<b>17. Equity accounted Investee - Entity and Investee Contd.</b>		
Current Liabilities	124,564	54,822
Non current Liabilities	43,313	4,083
<b>Total Liabilities</b>	<b>167,877</b>	<b>58,905</b>
Net Assets	238,452	179,616
Income	420,909	448,184
Expenses	(455,840)	(417,880)
<b>Total Comprehensive Income</b>	<b>(34,931)</b>	<b>30,304</b>
Entity and Investee Share of Profit/(Loss)	(15,719)	13,637

The company's investment in its associate is Rs.135Mn (2017-Rs.135Mn). The following table analyses, in aggregate, the carrying amount and share of profit and OCI of the associate.

	<b>Entity &amp; Investee</b>	
	<b>2018</b>	<b>2017</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
As at 1st April	125,149	111,512
Shares Purchased during the year	-	-
Share of Profit / (Loss)	(17,266)	13,739
Share of OCI	1,547	(103)
As at 31st March	109,430	125,148

	<b>Entity &amp; Investee / Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
	<b>No. of Shares</b>	<b>% Share</b>
<b>18. Investments</b>		
CT Properties Ltd.	11,500,000	4.6%
As at 01st April	85,792	75,226
Additions / Disposals	-	-
Impairment Provision Gain / (Loss)	(839)	10,566
As at 31st March	84,953	85,792

Unquoted shares of C T Properties Ltd. are classified as available-for-sale financial assets.

Based on the valuation of the investment carried out at the reporting date, an impairment of Rs. 0.839 Mn was accounted for during the year.

For the year ended 31st March	Entity and Investee	
	2018 Rs. '000	2017 Rs. '000
<b>19. Trade and Other Receivables</b>		
Trade Receivables	44,769	27,797
Other Receivables	64,968	77,236
	109,737	105,034
Less: Provision for impairment	(2,482)	(2,482)
	107,255	102,552
<b>20. Short-term Investments</b>		
Investment in Unit Trust	193,034	151,882
<b>21. Cash and Cash Equivalents</b>		
Cash and Bank Balances	26,379	1,322
Bank Overdrafts	(2,267)	(4,831)
Cash and Cash Equivalents in the Statement of Cash Flows	24,112	(3,509)
<b>22. Stated Capital</b>		
On Issue as at 01st April	487,500	487,500
Issued during the year	1,495,000	-
Closing balance as at 31st March	1,982,500	487,500
81,250,000 Fully paid Ordinary Shares (2017-48,750,000)	1,982,500	487,500

The holders of ordinary shares are entitled to one vote per individual present at meetings of the shareholders and one vote per share in case of a poll and are also entitled to receive dividends as declared from time to time.

On 20th March 2018, the Company issued 32,500,000 shares credited as fully paid by capitalizing a sum of Rs. 1,495,000,000 from the amounts lying in its Retained Earnings Reserve, in the proportion of Two (02) shares for every Three (03) shares held, at a consideration of Rs. 46.00 per share. The new shares, will rank pari passu in all respects with the previously issued ordinary shares of the Company, including the right to participate in any dividend declared after the date of allotment.

# Notes to the Financial Statements

For the year ended 31st March	Entity and Investee	
	2018	2017
	Rs. '000	Rs. '000

## 23. Retirement Benefit Obligations

### 23.1 Movement in the Present Value of Defined Benefit Obligations

Liability for Defined Benefit Obligations as at 1st April	27,410	37,117
Current Service Cost	1,813	1,251
Interest Cost	3,289	3,712
Actuarial (Gain) / Loss immediately recognised	7,444	(14,670)
Payments made	(516)	-
Liability for Defined Benefit Obligations as at 31st March	39,440	27,410

### 23.1 (a) Amount Recognized in the Statement of Comprehensive Income

Current Service Cost	1,813	1,251
Interest Cost	3,289	3,712
Provision for Staff Retirement Benefit (Note 8)	5,102	4,963

### 23.1 (b) Amount Recognized in Other Comprehensive Income

Actuarial (Gain) / Loss arising from;		
- Experience Adjustment	2,613	(3,992)
- Financial Assumptions	4,831	(10,678)
- Demographic Assumptions	-	-
	7,444	(14,670)

### 23.1 (c) Actuarial Assumptions

The following are the principal actuarial assumptions at the reporting date

Retirement Age (Years)	55 / 65	55 / 65
Rate of Discount	11.0%	12.0%
Salary Increment Rate	12.5%	10.0%

An actuarial valuation of the Employee Benefit Obligation was carried out as at 31st March 2018 by a firm of professional actuaries. The valuation method used by the actuaries was the "Projected Unit Credit Method", the method recommended by the Sri Lanka Accounting Standard (LKAS 19) "Employee Benefits".

### Sensitivity of Assumptions Employed in Actuarial Valuation

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would affect the defined benefit obligation by the amounts shown below.

Change in Assumption	31st March 2018		31st March 2017	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount Rate (Change by 1%)	(1,567,246)	1,713,163	(1,155,740)	1,248,368
Salary Increment Rate (Change by 1%)	1,741,895	(1,620,316)	1,307,313	(1,228,287)

As at 31st March	Entity and Investee / Company					
	Assets		Liabilities		Net	
	2018 Rs.'000s	2017 Rs.'000s	2018 Rs.'000s	2017 Rs.'000s	2018 Rs.'000s	2017 Rs.'000s

### 24. Deferred Tax Liabilities

PPE & Investment Property	-	-	439,338	399,877	439,338	399,877
Defined Benefit Obligations	(11,043)	(7,675)	-	-	(11,043)	(7,675)
Intangible Assets	-	-	-	-	-	-
Bad Debt Provision	(695)	(695)	-	-	(695)	(695)
Net Deferred Tax (Assets) / Liabilities	(11,738)	(8,370)	439,338	399,877	427,600	391,507

### 24.1 Movement in Deferred Tax balances during year

	2017-2018				2016-2017			
	Balance as at 01st April	Recognized in Profit or Loss	Recognized in OCI	Balance as at 31st March	Balance as at 01st April	Recognized in Profit or Loss	Recognized in OCI	Balance as at 31st March
PPE & Investment Property	399,877	39,461	-	439,338	369,938	29,939	-	399,877
Defined Benefit Obligations	(7,675)	(1,284)	(2,084)	(11,043)	(10,393)	(1,390)	4,108	(7,675)
Intangible Assets	-	-	-	-	4	(4)	-	-
Bad Debt Provision	(695)	-	-	(695)	(695)	-	-	(695)
As at 31st March	391,507	38,177	(2,084)	427,600	358,854	28,545	4,108	391,507

# Notes to the Financial Statements

## 24.2 Deferred Tax on Land

The Income Tax Act No 24 of 2017 and new tax rates including capital gains taxes are effective from 1 April 2018. Accordingly the income tax charge for the year ended 31 March 2018 has been computed on rates applicable in the year of assessment 2017/2018. The provision for deferred tax at 31 March 2018 has been calculated at rates and on capital gains applicable post 1 April 2018. Due to uncertainties that exist on the interpretation of the new law relating to freehold land for tax purposes, significant judgement was exercised to determine the provision required for deferred taxes on capital gains applicable to freehold land.

Having sought independent professional legal advice, the Group is of the view that the freehold land used in the business falls under the category "investment Assets" and accordingly deferred tax has been provided on the related gain on revaluation. In the event it is deemed that freehold land be considered as "Capital Assets used in the business", the Company would have to make an additional deferred tax charge in the statement of profit or loss for the year ended 31st March 2018 amounting to Rs. 589.2 Mn with a consequential increase in the deferred tax liability on the statement of Financial Position.

For the year ended 31st March	Entity & Investee / Company	
	2018	2017
	Rs. '000	Rs. '000

## 25. Security Deposits

Related Companies	5,390	4,960
Others	190,572	174,661
	195,962	179,621

## 26. Trade & Other Payable

Trade Creditors	18,693	18,708
Other Payables	10,384	15,783
Dividends Payable	7,839	5,245
Accrued Expenses	2,407	2,077
	39,323	41,813

## 27. Income Tax Payable

As at 1st April	25,753	39,409
Less: Payments made during the year	(89,071)	(100,909)
Provision made during the year	84,515	87,253
As at 31st March	21,197	25,753

## 28. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

### Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arise principally from the company's receivables from customers.

The maximum exposure to credit risk at the reporting date was as follows;

### Carrying value

	Entity and Investee	
	2018	2017
	Rs.'000s	Rs.'000s
Trade & Other Receivables	107,255	102,552
Cash & Cash Equivalents	26,379	1,322

### Management of Credit Risk

#### Trade & Other Receivables

The company has a well-established credit control policy & process to minimize credit risk. Customers are categorized according to segments and credit limits have been fixed as per the security deposits given by the respective customer. Transactions will be started only when the company receives the security deposit from the customers and further invoicing will be done only for the customers whose outstanding balance do not exceed the security deposit.

# Notes to the Financial Statements

## Impairment losses

The aging of trade receivables at the reporting date that were not impaired was as follows;

### Carrying value

	<b>Entity and Investee</b>	
	<b>2018</b>	<b>2017</b>
	<b>Rs.'000s</b>	<b>Rs.'000s</b>
Below 31 days	27,882	20,319
31 - 62 days	11,717	5,852
63 - 93 days	3,324	1,222
94 - 124 days	1,337	404
Over 125	1,449	-
	<b>45,709</b>	<b>27,797</b>

The movement in the provision for impairment in respect of trade and other receivables during the year was as follows.

	<b>Entity and Investee</b>	
	<b>2018</b>	<b>2017</b>
	<b>Rs.'000s</b>	<b>Rs.'000s</b>
As at 1st April	2,482	2,482
Impairment loss recognised	-	-
As at 31st March	<b>2,482</b>	<b>2,482</b>

The company believes that the unimpaired amounts that are past due by more than 45 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk. Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

## Cash & Cash equivalents

The company held cash and cash equivalents of Rs. 26.3Mn at 31st March 2018 (2017-Rs.1.3Mn), which represents its maximum credit exposure on these assets.

## Corporate Guarantee

A Corporate Guarantee has been given by the company to Commercial Bank of Ceylon PLC, which has granted banking facilities not exceeding Rs.25,000,000 (Rs.25 Million) to Ceylon Theatres (Pvt) Ltd secured by the corporate guarantee given by the company.

## Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as



far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest.

The maturity analysis of Liabilities-Entity and Investee:

	Carrying Value Rs.'000s	Current Upto 1 year Rs.'000s	Upto 2 years Rs.'000s	Non Current Upto 5 years Rs.'000s	Above 5 years Rs.'000s
Bank Overdrafts	2,267	2,267	-	-	-
Trade and Other Payables	36,916	36,916	-	-	-
Income Tax Payable	21,197	21,197	-	-	-

### Capital Management

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The company monitors the return on capital, which the company defines as Results from Operating Activities divided by Total Shareholders' Equity. The company also monitors the level of dividends to ordinary shareholders.

The company's debt to adjusted capital ratio at the end of the reporting period was as follows.

	Entity & Investee	
	2018	2017
	Rs.'000s	Rs.'000s
Total liabilities	743,920	701,160
Less: cash and cash equivalents	(26,379)	(1,322)
<b>Net debt</b>	<b>717,541</b>	<b>699,838</b>
<b>Total equity</b>	<b>3,610,049</b>	<b>3,374,475</b>
Net debt to equity ratio at 31 March	0.20	0.21

There were no changes in the company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

### Accounting Classification and Fair Values

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

# Notes to the Financial Statements

31st March 2018	Carrying Amounts						Fair Values			
	Note	FVTPL	L&R	AFS	OFL	Total	Level 1	Level 2	Level 3	Total
		Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Financial Assets Measured at Fair Value</b>										
Investments	18	-	-	84,953	-	84,853	-	-	84,953	84,953
Short Term Investments	20	193,034	-	-	-	193,034	-	193,034	-	193,034
		193,034	-	84,953	-	277,987	-	193,034	84,953	277,987
<b>Financial Assets Not Measured at Fair Value</b>										
Trade and Other Receivables	19	-	107,255	-	-	107,255	-	-	-	-
Cash and Cash equivalents	21	-	26,379	-	-	26,379	-	-	-	-
		-	133,634	-	-	133,634	-	-	-	-
<b>Financial Liabilities Measured at Fair Value</b>										
Security Deposits	25	-	-	-	195,961	195,961	-	-	195,961	195,961
<b>Financial Liabilities Not Measured at Fair Value</b>										
Trade and Other Payables*	26	-	-	-	36,916	36,916	-	-	-	-
Dues to Cargills (Ceylon) PLC		-	-	-	1,368	1,368	-	-	-	-
Bank Overdraft/(Secured)	21	-	-	-	2,267	2,267	-	-	-	-
		-	-	-	40,552	40,552	-	-	-	-

31st March 2017	Note	FVTPL	L&R	AFS	OFL	Total	Level 1	Level 2	Level 3	Total
		Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
		Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Financial Assets Measured at Fair Value</b>										
Investments	18	-	-	85,792	-	85,792	-	-	85,792	85,792
Short Term Investments	20	151,882	-	-	-	151,882	-	151,882	-	151,882
		151,882	-	85,792	-	237,674	-	151,882	85,792	237,674
<b>Financial Assets Not Measured at Fair Value</b>										
Trade and Other Receivables	19	-	102,552	-	-	102,552	-	-	-	-
Cash and Cash equivalents	21	-	1,322	-	-	1,322	-	-	-	-
		-	103,874	-	-	103,874	-	-	-	-
<b>Financial Liabilities Measured at Fair Value</b>										
Security Deposits	25	-	-	-	179,621	179,621	-	-	179,621	179,621
<b>Financial Liabilities Not Measured at Fair Value</b>										
Trade and Other Payables*	26	-	-	-	39,736	39,736	-	-	-	-
Dues to Cargills (Ceylon) PLC		-	-	-	-	-	-	-	-	-
Bank Overdraft/(Secured)	21	-	-	-	4,832	4,832	-	-	-	-
		-	-	-	44,568	44,568	-	-	-	-

\* Accrued Expenses that are not Financial Liabilities are not included

FVTPL - Fair Value through Profit or Loss

L&R - Loans & Receivables

## 29. Related Party Transactions

### Parent and the Ultimate Controlling Party

The Company is a subsidiary of CT Holdings PLC, the ultimate parent, which owns 64.2% of the controlling interest of the Company.

### 29.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 - Related Party Disclosures, Key Management Personnel are those having authority for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors, and their immediate family members have been classified as Key Management Personnel of the Company.

The following Directors are Directors of CT Holdings PLC as well.

Mr. R. Selvaskandan

Mr J.C.Page

Mr A.T.P. Edirisinghe

Mr L. R. Page

Mr. Sunil Mendis

Mr. S. C. Niles

#### a. Loans given to Key Management Personnel

There are no loans given to Directors or Key Management Personnel during the year.

#### b. Key Management Personnel compensation for the period comprised of the following.

	2018	2017
Short term employee benefits	28,121	25,465
Post employment benefits	-	-
	28,121	25,465

#### c. Key Management Personnel and Directors transactions

Directors of the company control 14.7% of the voting shares of the company.

A number of key management personnel and their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably expected to be available, on similar transactions to non-key management personnel of related entities on an arm's length basis.

# Notes to the Financial Statements

There are no other transactions and outstanding balances with key management personnel except for the items mentioned in Note No. 29.1(b).

## 29.2 The aggregate value of transactions and outstanding balances related to Related Parties are as follows.

Parties Accommodated	Relationship	Transaction	Transaction Value for the year ended 31st March				Balance outstanding as at 31st March - Due From / (Due To) -	
			2018		2017		2018	2017
			Rs.'000	% of Total Revenue	Rs.'000	% of Total Revenue	Rs.'000	Rs.'000
Ceylon Theatres (Pvt) Ltd	Group Company	Rental & Service Charges	22,229	4.3%	21,210	4.5%	-	-
		Security Deposit					(1,667)	(1,667)
CT CLSA Securities (Pvt) Ltd	Group Company	Rental & Service Charges	8,320	1.6%	7,979	1.6%	-	-
		Security Deposit					(638)	(638)
CT CLSA Capital (Pvt) Ltd	Group Company	Rental & Service Charges	2,844	0.5%	2,728	0.6%	-	-
		Security Deposit					(218)	(218)
Comtrust Asset Management (Pvt) Ltd	Group Company	Rental & Service Charges	3,141	0.6%	3,009	0.7%	-	-
		Security Deposit					(249)	(249)
CT CLSA Holdings Ltd	Group Company	Rental & Service Charges	2,077	0.4%	1,992	0.4%	-	-
		Security Deposit					(159)	(159)
Cargills Foods Co. (Pvt) Ltd	Group Company	Rental & Service Charges	24,342	4.6%	23,104	4.7%	-	-
		Security Deposit					(1,862)	(1,862)
Cargills Food Processors (Pvt) Ltd	Group Company	Rental & Service Charges	13,347	2.5%	12,664	2.6%	-	-
		Security Deposit					(1,002)	(1,002)
Cargills (Ceylon) PLC	Group Company	Purchases/Mgmt Fees	44	-	3,004	-	-	-
Cargills Agrifoods Ltd	Group Company	Purchases	22	-	-	-	-	-
Cargills Foods Co. (Pvt) Ltd	Group Company	Purchases	32	-	150	-	-	-

Parties Accommodated	Relationship	Transaction	Transaction Value for the year ended 31st March				Balance outstanding as at 31st March - Due From / (Due To) -	
			2018		2017		2018	2017
			Rs.'000	% of Total Revenue	Rs.'000	% of Total Revenue	Rs.'000	Rs.'000
Millers Ltd	Group Company	Services Provided	514	-	530	-	5	(951)
Ceylon Theatres (Pvt) Ltd	Group Company	Dividend Received	-	-	735	-	-	-
Comtrust Asset Management (Pvt) Ltd	Group Company	Short Term Investment	193,034	-	151,882	-	193,034	151,882
		Income from Investment	18,460	-	16,150	-	-	-
CT Properties Ltd	Group Company	Services Provided	153	-	486	-	(153)	(437)
		Purchase of Vehicle	2,500	-	-	-	-	-

The rental and service charges are from the related parties who have occupied the investment property. The terms and conditions of the Related Party transactions are general terms applicable to all tenants taking into consideration factors such as the long term nature of the occupancy, the extent and location of the area occupied and the ability of the entity concerned to attract customers into the complex.

### 30. Litigation and Claims

There is no litigation and no claims against the Company as at the reporting date.

### 31. Employee and Industrial Relations Issues

There are no issues as at the reporting date.

### 32. Events after the reporting date

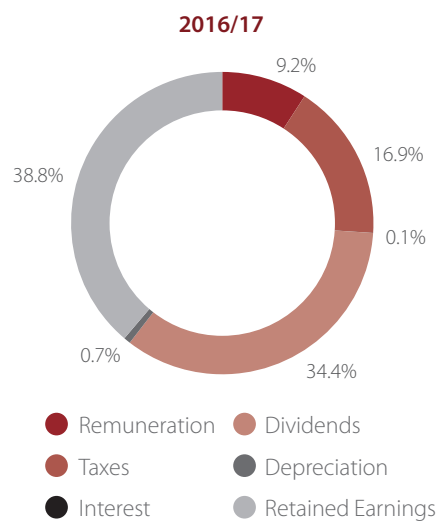
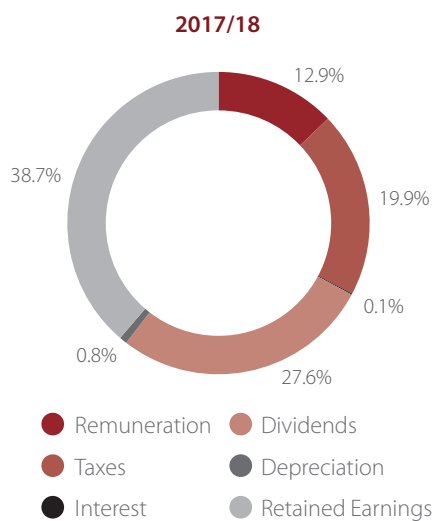
No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the Financial Statements other than those disclosed above.

### 33. Commitments and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control. There were no material capital commitments or contingencies outstanding as at the reporting date.

# Statement of Value Added

Company Year ended 31st March	2018		2017	
	% of Total	Rs. '000	% of Total	Rs. '000
<b>Creation of Value Added</b>				
Revenue		565,115		562,238
Operating Expenses		(168,060)		(174,449)
Value Added from Operations		397,055		387,789
Other Income		23,375		15,848
Change in Fair Value of Investment Property		215,700		269,250
Share of Profit/(Loss) of Equity Accounted Investee		(17,266)		13,740
Impairment-Investment in Equity		(839)		-
<b>Total Value Added</b>		<b>618,025</b>		<b>686,627</b>
<b>Distribution of Value Added</b>				
<b>To Associates</b>				
Salaries, Wages and related costs	12.88	79,592	9.16	62,916
<b>To Government</b>				
as Income Taxes	13.68	84,515	12.71	87,254
as Deferred Taxes	6.18	38,177	4.16	28,545
		122,692		115,799
<b>To Lenders of Capital</b>				
as Interest	0.12	716	0.02	108
<b>To Shareholders</b>				
as Dividends	27.61	170,625	34.43	236,438
<b>Retained for Growth</b>				
Depreciation	0.81	5,013	0.73	4,984
Retained Earnings	38.73	239,387	38.80	266,382
		244,400		271,366
	100.00	618,025	100.00	686,627



# Shareholder and Investor Information

## 1. Stock Exchange Listing

The issued ordinary shares of CT Land Development PLC are listed with the Colombo Stock Exchange.

## 2. Distribution of Shareholdings

Size of Shareholding	31st March 2018				31st March 2017			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,586	60.5	441,902	0.5	1,859	71.7	528,843	1.1
1,001 - 10,000	836	31.9	2,600,724	3.2	607	23.4	1,900,134	3.9
10,001 - 100,000	173	6.6	4,268,630	5.3	111	4.3	2,856,826	5.9
100,001 - 1,000,000	23	0.9	7,360,762	9.1	13	0.5	4,792,626	9.8
1,000,001 - Over	5	0.2	66,577,982	81.9	3	0.1	38,671,571	79.3
	2,623	100.0	81,250,000	100.0	2,593	100.0	48,750,000	100.0

## 3. Analysis of Shareholders

Categories of Shareholders	31st March 2018				31st March 2017			
	Non-Residents	Residents	Total	%	Non-Residents	Residents	Total	%
Individuals	1,061,615	11,911,557	12,973,172	15.97	651,737	7,070,200	7,721,937	15.84
Institutions & Corporate Holdings	314,468	67,962,360	68,276,828	84.03	171,611	40,856,452	41,028,063	84.16
	1,376,083	79,873,917	81,250,000	100.00	823,348	47,926,652	48,750,000	100.00



#### 4. Top 20 Shareholders

The holdings of the top 20 shareholders as at 31st March 2018 is given below:-

As at		31st March 2018		31st March 2017	
		Number of shares	%	Number of shares	%
1	CT Holdings PLC	55,139,348	67.9%	33,083,657	67.9%
2	Seylan Bank PLC/Thirugnanasambandar Senthilverl	4,983,462	6.1%	2,979,879	6.1%
3	Sampath Bank PLC/Dr. T. Senthilverl	4,346,725	5.3%	2,608,035	5.3%
4	Mr. A.A. Page	1,090,440	1.3%	654,264	1.3%
5	Mr. J.C. Page	1,018,007	1.3%	610,804	1.3%
6	Mrs. C.K. Muttukumar	850,007	1.0%	510,004	1.0%
7	Tudawe Brothers Limited	835,175	1.0%	501,105	1.0%
8	E.W. Balasuriya & Co. (Pvt) Ltd	692,302	0.9%	415,381	0.9%
9	Merrill J Fernando & Sons (Pvt) Limited	654,225	0.8%	392,535	0.8%
10	Mrs. T. Selvaratnam	626,355	0.8%	375,813	0.8%
11	Mr. A.M. Weerasinghe	502,043	0.6%	301,226	0.6%
12	Mrs. J.N. Mather	451,030	0.6%	270,618	0.6%
13	Mr. L.R. Page	447,478	0.6%	268,487	0.6%
14	Mr. P.G.K. Fernando	274,415	0.3%	164,649	0.3%
15	Dr. A.C. Visvalingam	231,067	0.3%	217,858	0.4%
16	Mr. S. Srikanthan	215,000	0.3%	109,882	0.2%
17	Orit Apparels Lanka (Pvt) Ltd	166,667	0.2%	100,000	0.2%
18	Hallsville Trading Group Inc.	161,058	0.2%	96,635	0.2%
19	Mrs. T.H. Fernando	150,000	0.2%	90,000	0.2%
20	Bank of Ceylon A/c Ceybank Century Growth Fund	137,470	0.2%	-	0.0%
	Mr. J.D. Bandaranayake	-	0.0%	98,174	0.2%
		72,972,274	89.8%	43,849,006	89.9%
	Others (2,603 Shareholders as at 31st March 2018)	8,277,726	10.2%	4,900,994	10.1%
	<b>TOTAL</b>	<b>81,250,000</b>	<b>100.0%</b>	<b>48,750,000</b>	<b>100.0%</b>

# Shareholder and Investor Information

## 5. Share Valuation

The market value of each Ordinary share on 31st March 2018 was Rs. 31.10 (2017-Rs. 44.00). The highest and lowest values recorded during the year ended 31st March 2018 were Rs. 63.90 and Rs. 31.00 respectively. The highest value was recorded on 19th March 2018 and the lowest value was recorded on 29th March 2018.

## 6. Share Trading

For the year ended 31st March	2018	2017
No. of Transactions	1,458	1,166
No. of Shares Traded	597,978	5,040,650
Value of Shares Traded (Rs.)	28,601,324	286,735,368

## 7. Dividends

An Interim Dividend of Rs. 1.50 per share was paid on 28th September 2018.

A Second Interim Dividend of Rs. 2.00 per share was paid on 12th March 2018.

## 8. Public Holding

The percentage of shares held by the public as at 31st March 2018 (2,607 shareholders) was 16.04% (31st March 2017 - 2,577 shareholders holding 16.07%).

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Fifth Annual General Meeting of the Company will be held at the Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 7 on 04th September 2018 at 9.30 a.m. in order to:

1. Receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2018 with the Report of the Auditors thereon.
2. Re-elect Directors who are due to retire by rotation and are eligible for re-election:
  - (a) Mr. R. Selvaskandan
  - (b) Ms. M. G. Perera
3. Re-elect Mr. Sunil Mendis who is over 70 years of age as a Director.
4. Re-elect Dr. T. Senthilverl who is over 70 years of age as a Director.
5. Re-elect Mr. A.T.P. Edirisinghe who is over 70 years of age as a Director.
6. Authorise the Directors to determine contributions to Charities.
7. Authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG, who are deemed reappointed as auditors at the General Meeting of the Company in terms of Section 158 of the Companies Act No. 7 of 2007.

By order of the Board,



Charuni Gunawardana  
Secretary

Colombo  
30th July 2018

# Notes

# Form of Proxy

For use at the Thirty Fifth Annual General Meeting

I / We .....  
.....  
of .....  
.....  
being a member/members of CT Land Development PLC hereby appoint  
.....  
of .....  
whom failing ..... of  
..... or failing him/her, the Chairman  
of the Meeting as my/our proxy to represent me/us and to vote on my/our behalf at the Thirty Fifth Annual General Meeting  
of the company to be held on 04th September 2018 and at any adjournment thereof and at every Poll which may be taken in  
consequence thereof in the manner indicated below. I/We, the undersigned, hereby authorize my/our Proxy to vote on my/our  
behalf in accordance with the preference indicated below:

## Ordinary Resolutions

Resolution No.	1	2(a)	2(b)	3	4	5	6	7
For								
Against								

Signed this ..... day of ..... Two Thousand and Eighteen.

.....  
Signature of Shareholder (s)

## NOTES:

- (a) Strike out whichever is not desired
- (b) Instructions as to completion of the Form of Proxy are set out on the reverse hereof
- (c) A Proxy holder need not be a member of the company
- (d) Please indicate with an "X" in the cage provided how your Proxy holder should vote. If no indication is given, or if there is, in the view of the proxy holder, any doubt (by reason of the manner in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder in his/her discretion may vote as he/she thinks fit

#### **Instructions as to Completion of the Form of Proxy**

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the company at No. 10, Station Road, Colombo 04 not less than 48 hours before the time appointed for holding the meeting.
2. In perfecting the form, please ensure that all details are legible. If you wish to appoint a person other than the Chairman as your Proxy, please fill in your full name and address and the name and address of the Proxy holder and sign in the space provided and fill in the date of the signature.
3. The instrument appointing a Proxy shall, in the case of an individual, be signed by the appointer or by his Attorney and in the case of a limited liability company must be executed under its Common Seal or in such other manner prescribed by its Articles of Association or other constitutional documents.
4. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
5. In the case of joint holders, only one needs to sign. The votes of the senior holder who tenders a vote will alone be counted.
6. In the case of non-resident Shareholders, the stamping will be attended to upon return of the completed form of proxy to Sri Lanka.

# Corporate Information

## Legal Form

A quoted public company with limited liability incorporated under the Companies Act No. 17 of 1982 on 09th March 1983 and re-registered under the Companies Act No. 07 of 2007.

## Registration No.

P Q 159

## Registered Office

10, Station Road, Colombo 4

## Contact Details

Tel: 011 2588827, 2508673-4

Fax: 011 2592427

E-mail: [info@majesticcity.lk](mailto:info@majesticcity.lk)

Web: [www.majesticcity.lk](http://www.majesticcity.lk)

## Stock Exchange Listing

Colombo Stock Exchange

## Board of Directors

Mr. R. Selvaskandan (Chairman)

Mr. J. C. Page (Deputy Chairman/Managing Director)

Ms. M. G. Perera (Finance Director)

Mr. A. T. P. Edirisinghe

Mr. Sunil Mendis

Mr. S. C. Niles

Mr. Anthony A. Page

Mr. L. R. Page

Mr. V. R. Page

Mr. T. Senthilverl

## Company Secretary / Legal Consultant

Ms. Charuni Gunawardana

## Management

Mr. J. C. Page (Deputy Chairman/Managing Director)

Ms. M. G. Perera (Finance Director)

Mr. I. A. Gunasekara (General Manager)

Mr. A. C. Hewage (Accounts Executive)

## Audit Committee

Mr. A. T. P. Edirisinghe (Chairman)

Mr. Sunil Mendis

Mr. R. Selvaskandan

## Remuneration Committee

Mr. Sunil Mendis (Chairman)

Mr. A. T. P. Edirisinghe

Mr. R. Selvaskandan

## Related Party Transactions Review Committee

Mr. A. T. P. Edirisinghe (Chairman)

Mr. Sunil Mendis

Mr. R. Selvaskandan

## Auditors

KPMG

Chartered Accountants

## Tax Consultants

KPMG

Chartered Accountants

## Bankers

Cargills Bank Ltd

Commercial Bank of Ceylon Ltd

Peoples Bank

## Holding Company

C T Holdings PLC



**CT Land Development PLC**  
10, Station Road, Colombo 4.