

RTA

Tel : +94-11-2682891
Fax : +94-11-2678439
E-Mail : samanrtcompany@sltnet.lk

RATNAYAKE T. A. & CO.
Chartered Accountants
17, Rodney Street,
Cotta Road,
Colombo 08
Sri Lanka.

Branch:
210/B, Mallika Building,
2nd Floor, Colombo Road,
Kurunegala
Sri Lanka

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HOUSING AND CONSTRUCTION LANKA (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Housing And Construction Lanka (Private) Limited, which comprise the statement of financial position as at 31st March, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 05 to 17.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- a) The Company has received notice termination from the Board of Investment of Sri Lanka, Letter dated 8th July 2016 as a result, there is an uncertainty of the business continuity.
- b) No confirmation was received from the Company's Lawyer to ensure Contingent Liabilities or assets of the company.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs above (a) & (b), the financial statements present fairly, in all material respects, the financial position of Housing And Construction Lanka (Private) Limited as at 31st March, 2017, and its financial performance and its cash flows for the period then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of matter

We draw attention to the above Qualified Opinion No (a) which describes an uncertainty related to going concern of the Company. Our opinion is not further qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by section 163(2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope limitations of the audit is as stated above.
- b) In our opinion
 - except for the effects of the matters described in the Basis for Qualified Opinion paragraphs above
 - (a) 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 financial statements of the Company, comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

Ratnayake T A & Co.
CHARTERED ACCOUNTANTS
Colombo
18th May 2017

OFFICE COPY
RIA

HOUSING & CONSTRUCTION LANKA (PVT) LTD
HORONA

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31st MARCH, 2017



Tel : +94-11-2682891
Fax : +94-11-2678439
E-Mail : samanrtcompany@sltnet.lk

RATNAYAKE T. A. & CO.
Chartered Accountants
17, Rodney Street,
Cotta Road,
Colombo 08
Sri Lanka.

Branch:
210/B, Mallika Building,
2nd Floor, Colombo Road,
Kurunegala
Sri Lanka

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HOUSING AND CONSTRUCTION LANKA (PRIVATE) LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of Housing And Construction Lanka (Private) Limited, which comprise the statement of financial position as at 31st March, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 05 to 17.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- a) The Company has received notice termination from the Board of Investment of Sri Lanka, Letter dated 8th July 2016 as a result, there is an uncertainty of the business continuity.
- b) No confirmation was received from the Company's Lawyer to ensure Contingent Liabilities or assets of the company.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs above (a) & (b), the financial statements present fairly, in all material respects, the financial position of Housing And Construction Lanka (Private) Limited as at 31st March, 2017, and its financial performance and its cash flows for the period then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of matter

We draw attention to the above Qualified Opinion No (a) which describes an uncertainty related to going concern of the Company. Our opinion is not further qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by section 163(2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope limitations of the audit is as stated above.
- b) In our opinion
 - except for the effects of the matters described in the Basis for Qualified Opinion paragraphs above (a) 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 financial statements of the Company, comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo

18th May 2017

HOUSING AND CONSTRUCTION LANKA (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2017

Page 1

	Note	2016/2017 Rs.	2015/2016 Rs.
Revenue	3	1,423,200	26,589,870
Other Operating Income	4	1,217,083	657,162
		<u>2,640,283</u>	<u>27,247,032</u>
Cost of Sales	5	(556,586)	(13,339,539)
General Construction Overheads	6	(80,636)	(1,651,513)
Gross Income		<u>2,003,061</u>	<u>12,255,980</u>
Marketing Expenses	7	(12,900)	(1,016,410)
Administration Expenses	8	(2,910,712)	(6,717,612)
Other Operating Expenses	9	(2,555,687)	(20,776)
		<u>(5,479,299)</u>	<u>(7,754,798)</u>
Profit from Operations		<u>(3,476,238)</u>	<u>4,501,182</u>
Finance Expenses	10	(8,708)	(8,400)
Net Profit before Taxation		<u>(3,484,946)</u>	<u>4,492,782</u>
Current Tax Provision		-	(1,093,965)
Net Profit for the year		<u>(3,484,946)</u>	<u>3,398,817</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>(3,484,946)</u>	<u>3,398,817</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 17 form an integral part of these financial statements.

18th May, 2017

Horana

HOUSING AND CONSTRUCTION LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017

Page 2

	Note	AS AT 31.03.2017 Rs.	AS AT 31.03.2016 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	11	34,331	42,914
		<u>34,331</u>	<u>42,914</u>
Current Assets			
Inventories	13	111,823,557	112,262,629
Trade & Other Receivables	14	-	75,000
Deposits & Prepayments	15	177,250	177,250
Cash & Cash Equivalents	16	1,664,314	7,216,527
Total Current Assets		<u>113,665,121</u>	<u>119,731,406</u>
TOTAL ASSETS		<u>113,699,452</u>	<u>119,774,320</u>
EQUITY AND LIABILITIES			
Equity			
Stated Capital	17	100,981,000	100,981,000
Accumulated Profit		1,918,533	5,403,479
Total Equity		<u>102,899,533</u>	<u>106,384,479</u>
Non-Current Liabilities			
Deferred Tax Liabilities	18	1,546	1,546
		<u>1,546</u>	<u>1,546</u>
Current Liabilities			
Trade and Other Payables	19	10,798,373	12,949,908
Tax Payable	20	-	438,387
Total Current Liabilities		<u>10,798,373</u>	<u>13,388,295</u>
Total Liabilities		<u>10,799,919</u>	<u>13,389,841</u>
TOTAL EQUITY AND LIABILITIES		<u>113,699,452</u>	<u>119,774,320</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 17 form an integral part of these financial statements.

Certification

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


.....
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board.

HOUSING & CONSTRUCTION LANKA (PVT.) LTD


.....
Director

18th May, 2017
Horana




.....
DIRECTOR
Director

HOUSING & CONSTRUCTION LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2017

Page 3

	Stated Capital Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01 st April, 2015	100,981,000	14,122,382	115,103,382
Dividends Declared	-	(12,117,720)	(12,117,720)
Net profit for the Year	-	3,398,817	3,398,817
Balance as at 31 st March, 2016	<u>100,981,000</u>	<u>5,403,479</u>	<u>106,384,479</u>
Balance as at 01 st April, 2016	100,981,000	5,403,479	106,384,479
Net profit for the Year	-	(3,484,946)	(3,484,946)
Balance as at 31 st March, 2017	<u>100,981,000</u>	<u>1,918,533</u>	<u>102,899,533</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 17 form an integral part of these financial statements.

18th May, 2017
Horana

HOUSING AND CONSTRUCTION LANKA (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017

Page 4

	2016/2017 Rs.	2015/2016 Rs.
Cash Flows from Operating Activities		
Net Profit/(Loss) before Taxation	(3,484,946)	4,492,782
Adjustment:		
Depreciation	8,583	10,729
Operating Profit Before Working Capital Changes	(3,476,363)	4,503,511
Working Capital Changes		
(Increase)/Decrease in Inventories	439,072	10,922,905
(Increase)/Decrease in Trade and Other Receivables	75,000	75,000
(Increase)/Decrease Deposits & Prepayment	-	6,185,240
Increase/(Decrease) Trade & Other Payable	(2,151,535)	(6,860,544)
Cash Generated from Operations	(5,113,826)	14,826,112
Less:		
Income Tax Paid	(438,387)	(1,859,976)
WHT Paid	-	(43,716)
Net Cash Flow from/(Used in) Operating Activities	(5,552,213)	12,922,420
Cash Flow from Investing Activities		
Net Cash Flow from Investing Activities	-	-
Cash Flow from Financing Activities		
Dividend Paid	-	(12,117,720)
Net Cash Flow from/(Used in) Financing Activities	-	(12,117,720)
Net Decrease in Cash and Cash Equivalents	(5,552,213)	804,700
Cash and Cash Equivalents at the Beginning of the Year	7,216,527	6,411,827
Cash and Cash Equivalents at the End of the Year	1,664,314	7,216,527
	31.03.2017	31.03.2016
	Rs.	Rs.
At the Beginning		
Cash at Bank	7,162,216	6,398,510
Cash in Hand	54,311	13,317
	7,216,527	6,411,827
At the End		
Cash at Bank	1,660,565	7,162,216
Cash in Hand	3,749	54,311
	1,664,314	7,216,527

Figures in brackets Indicate deductions.

The accounting policies and notes on pages 05 to 17 form an integral part of these financial statements.

18th May, 2017
Horana

1. CORPORATE INFORMATION

1.1 General

The Company is a limited liability Company incorporated and domiciled in Sri Lanka. The Registered Office of the Company is located at No. A-222, Perth Paradise, Gurugoda, Horana. The principal place of business is at the same place.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were selling of developed plots and constructed Luxury Apartments.

1.3 Parent Enterprise

The Company's parent undertaking is Ansal Housing & Construction Ltd (previously known as Ansal Housing & Construction Ltd) which holds 100 % of shares of Housing & Construction Lanka (Pvt) Ltd.

1.4 Date of Authorization for Issue

The financial of statements for the year ended 31st March, 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 18th May, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Accounting Policies

2.1.1 Basis of Preparation

These financial statements presented in Sri Lanka Rupees have been prepared under the historical cost basis in accordance with generally accepted accounting principles and the standards laid down by the Institute of Chartered Accountants of Sri Lanka.

2.1.2 Statement of Compliance

The statement of financial position, Statement of comprehensive income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes ("Financial Statements") of the company as at 31st March, 2017 and for the year then ended, comply with the Sri Lankan Accounting Standard for Small and Medium-sized Entities issued by the Institute of Chartered Accountants of Sri Lanka.

2.1.3 Going Concern

The directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.4 Comparative Information

The accounting policies have been consistently applied by the company and are consistent with those of the previous year. The previous years figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

2.1.5 Changes in Accounting Policies

The Accounting Policies adopted are consistent with those of the previous financial year.

2.1.6 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the translations were effected.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year end spot foreign exchange rates, the resulting gains or losses are accounted in the statement of comprehensive income.

Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gain or loss is accounted in the statement of comprehensive income.

2.1.7 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.

2.1.8 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at reporting date.

2.2 Assets and Bases of Their Valuation

2.2.1 Property, Plant and Equipment

a) Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and less any impairment in value.

b) Depreciation

Provision for depreciation is calculated by using written down value method of all property, plant and equipment other than leasehold land, in order to write off such amounts over the estimated useful lives of such assets.

The useful lives are as follows:

Motor Vehicles	4 years
Office Equipment	5 years
Furniture & Fittings	5 Years
Site Equipment	5 years

Depreciation of assets begins when it is available for use.

Freehold land is not depreciated.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year.

c) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

d) De-Recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-

recognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount.

2.2.1.1 Impairment of Assets

An asset is impaired when its carrying amount exceeds its recoverable amount. Any impairment loss is recognized immediately in the statement of comprehensive income.

2.2.2 Impairment of Non Financial Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units fair value less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risk specific to the asset. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation had, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.3 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula.

Finished Goods

Lower of cost or net realizable Value

Work-in-Progress

At the cost of direct materials and direct labour.

2.2.4 Financial Instruments
Financial Assets

Trade and Other Receivables, Investments, Amounts due from Related Parties and Cash and Cash Equivalents

These financial assets are recognized initially at the transaction price. Subsequently they are measured at amortized cost using the effective interest method, less provision for impairment. Sales are made on normal credit terms and trade receivables do not bear interest. Where there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognized in profit or loss.

Other Short-Term Financial Assets

Other short-term financial assets comprise refundable deposits and prepaid expenses. They are recognized initially at transaction price. Subsequently they are measured at cost, less provision for impairment

Financial Liabilities

The Company's financial liabilities include trade and other payables and amounts due to related parties. Financial liabilities are recognized initially at transaction price. After initial recognition they are measured at amortized cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

De-recognition

Financial assets are derecognized only when

- a) The contractual rights to the cash flows from the financial assets expire or are settled, or
- b) Transfer to another party substantially all of the risk and rewards of ownership.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, is cancelled or expires.

Impairment of Financial Assets

At the end of the each reporting period, all financial assets are assessed whether there is any objective evidence of impairment. If there is objective evidence of impairment, impairment loss is recognized in the statement of comprehensive income immediately.

2.2.5 Cash and Cash Equivalents

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

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

The cash flow statements are reported based on the indirect method.

2.3 Liabilities and Provisions

2.3.1 Liabilities

Liabilities stated under current liabilities in the statement of financial position are those expected to fall due within one year from the reporting date. Items stated as long term liabilities are those expected to fall due at point of time after one year from the reporting date.

2.3.2 Provisions

Provisions are recognized when the company has a present obligations (legal and 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.

2.3.2.1 Retirement Benefit Obligations

2.3.2.1.1 Defined Contribution Plans - EPF and ETF

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

2.3.2.2 Taxation

a) Current Taxes

The company has entered into an agreement with the board of investment of Sri Lanka under section 17 of the BOI Law No.04 of 1978. Provision has not been made for taxation as the activities of the company are exempted for the period of (06) years reckoned from the year of assessment in which the enterprise commences to make profit or any year of assessment not later than 02 years reckoned from the date of commencement of commercial operations whichever year is earlier as may be specified in a certificate issued by the Board.

2.4 Statement of Comprehensive Income

2.4.1 Revenue Recognition

- a) Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

Sale of Apartments

Revenue is recognized on apartment sales when the risks and rewards of ownership have passed to the buyers.

b) Other Income

Other income is recognized as the accrued on a time basis (taking into account the effective yield on the asset) unless collectability is in doubt.

2.4.2 Expenditure Recognition

a) Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of the statement of comprehensive income the directors are of the opinion that function of expenses method presents fairly the elements of the company's performance and hence, such presentation method is adopted.

c) Interest

Interest income is recognized as the interest accrued on a time basis (taking into account the effective yield on the asset) unless collectability is in doubt.

d) Dividend

Dividend income is recognized when the shareholder's right to receive payment has been established.

e) Others

Other income is recognized on an accrual basis.

2.5 Events after the Reporting Date

All material events occurring after the reporting date have been considered and where necessary, adjustments to or disclosures have been made in the respective notes to the accounts.

2.6 Contingencies & Unrecognized Contractual Commitments

Contingencies are possible assets or obligation that arise from past events and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the company's control which is described in note No.16 to the financial statements.

HOUSING AND CONSTRUCTION LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Page 11

	2016/2017 Rs.	2015/2016 Rs.
3. REVENUE		
Plots	1,423,200	17,289,870
Houses	-	9,300,000
	<u>1,423,200</u>	<u>26,589,870</u>
4. OTHER INCOME		
Interest Income (Interest on Late Payment)	-	220,000
Interest Income - FD	-	437,162
Forfeited Amount	1,217,083	-
	<u>1,217,083</u>	<u>657,162</u>
5. COST OF SALES		
Land Improvement & Construction Cost	<u>556,586</u>	<u>13,339,539</u>
6. GENERAL CONSTRUCTION OVERHEADS		
Site Security Expenses	40,000	1,262,214
Site Maintenance	24,663	137,057
Site Expenses - Survey	4,845	103,035
General Expenses - Site	3,675	-
Miscellaneous Expenses	3,800	144,641
Depreciation	3,653	4,566
	<u>80,636</u>	<u>1,651,513</u>
7. MARKETING EXPENSES		
Travelling Expenses	-	474,035
Vehicle Maintenance	3,900	117,648
Web Development	-	14,200
Brokerage	-	159,000
Sale Commission	-	79,287
Advertisement	-	125,440
Fuel Expenses	9,000	46,800
	<u>12,900</u>	<u>1,016,410</u>
8. ADMINISTRATIVE EXPENSES		
Salaries & Wages - Local Staff	1,344,000	1,560,975
EPF	161,280	187,317
ETF	40,320	46,830
Fees & Subscription	64,939	13,774
Salary Foreign Staff	-	1,904,000
Internet Charges	12,028	19,523
BOI Annual Charges & Premium	-	358,725
Conveyance & Transport	8,800	142,586
Photocopies & Printing	3,583	13,613
Computer Maintenance	-	25,950
Medical Reimbursement	-	119,000
LTC & Foreign Travelling	-	325,732
Bonus	112,000	125,000
Telephone	110,101	338,566
Electricity	122,648	252,247
Water	43,943	161,611

	2016/2017 Rs.	2015/2016 Rs.
8. ADMINISTRATIVE EXPENSES Cont.		
Staff Welfare	7,900	165,263
Printing & Stationery	6,243	36,941
Postage & Delivery Charges	138,830	194,342
Rent - (Office)	138,000	198,000
Rent - (Staff Accomodation)	-	117,000
Repairs & Maintenance	10,500	26,566
Office Maintenance	9,465	12,221
Professional Fee	337,291	110,727
Parking Fee	-	5,780
Worker Compensation	9,000	100,000
Secretary Fee	80,682	94,160
Ex-Gratia	20,000	-
Audit Fee	55,000	55,000
Depreciation	4,930	6,162
Gratuity	69,230	-
	<u>2,910,712</u>	<u>6,717,612</u>
9. OTHER OPERATING EXPENSES		
Entertainment	-	7,800
ETF Surcharge	-	3,976
Charity & Donation	-	9,000
Annual return Charges	200	-
Penalty On Late VAT Deposits	10,691	-
London Court - L C I A	2,544,796	-
	<u>2,555,687</u>	<u>20,776</u>
10. FINANCE COST		
Bank Charges	8,708	8,400
	<u>8,708</u>	<u>8,400</u>

HOUSING AND CONSTRUCTION LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT & EQUIPMENT

Description of Assets	COST				DEPRECIATION				W.D.V.	
	Balance as at 01.04.2016	Additions During the Year	Disposals During the Year	Balance as at 31.03.2017	Balance as at 01.04.2016	For the Year	On Disposal	Balance as at 31.03.2017	Balance as at 31.03.2016	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor Vehicle	401,335	-	-	401,335	401,335	-	-	401,335	-	-
Furniture & Fittings	1,640,058	-	-	1,640,058	1,615,409	4,930	-	1,620,339	19,719	24,649
Office Equipment	917,229	-	-	917,229	917,229	-	-	917,229	-	-
Site Equipment	1,261,329	-	-	1,261,329	1,243,063	3,653	-	1,246,716	14,612	18,266
	4,219,950	-	-	4,219,950	4,177,036	8,583	-	4,185,619	34,331	42,914

	AS AT 31.03.2017 Rs.	AS AT 31.03.2016 Rs.
12. DEFERRED TAX ASSET		
Balance at 1st April 2015	-	9,498
Deferred Taxation Charge	-	(11,044)
	-	(1,546)
13. INVENTORIES		
Work in Progress at 1st April 2016	8,320,254	8,511,581
Land Capital Cost & Stamp Duty	103,942,375	114,673,953
Land Improvement & Construction cost	112,262,629	123,185,534
Add :		
Improvement & Construction Cost During the Year	13.1 117,514	2,416,634
	112,380,143	125,602,168
Less :		
Land Capital Cost & Stamps Duty	(18,338)	(191,327)
Improvements & Construction Cost	(538,248)	(13,148,212)
	111,823,557	112,262,629
BALANCE CARRIED FORWARD		
Land Capital Cost & Stamp Duty	8,320,254	8,511,581
Balance at 1st April 2016	(18,338)	(191,327)
Less :		
Charged to Profit of the Year	8,301,916	8,320,254
Land Improvement & Construction cost		
Balance at 1st April 2016	103,942,375	114,673,953
Add :		
Improvement & Construction	117,514	2,416,634
	104,059,889	117,090,587
Less :		
Charged to Profit of the Year	(538,248)	(13,148,212)
	103,521,641	103,942,375
	111,823,557	112,262,629

	AS AT 31.03.2017 Rs.	AS AT 31.03.2016 Rs.
13.1 IMPROVEMENT & CONSTRUCTION COST		
Storm Water Drain	-	560,183
Earth Work	-	-
House Construction	189,164	2,453,263
Swimming Pool	-	-
Septic Tank & Soakage	-	405,000
	189,164	3,418,446
Others		
Development A/c	-	113,143
Horticulture Expenses	-	-
Labor Charges	12,600	302,300
Architect Fee	-	7,828
Contractor Payable	31,173	410,003
	43,773	833,274
	232,937	4,251,720
Less :		
Reimbursement (Various Charges)	(115,423)	(1,835,086)
	117,514	2,416,634
14. TRADE & OTHER RECEIVABLES		
Contractor Advance	-	75,000
	-	75,000
15. DEPOSITS & PREPAYMENT		
Other Deposit	2,250	2,250
Deposit With National Water Board	175,000	175,000
	177,250	177,250
16. CASH & CASH EQUIVALENTS		
Bank Balances		
Commercial Bank A/C No. 1220000591	1,644,363	7,145,514
State Bank of India - A/C No. 400432	16,202	16,702
Petty Cash Imprest	3,749	54,311
	1,664,314	7,216,527
17. STATED CAPITAL		
Fully Paid up Ordinary Shares		
10,098,100 No of Ordinary Shares	100,981,000	100,981,000
18. DEFERRED TAX LIABILITIES		
Provision for Differd Tax Liability	1,546	1,546
	1,546	1,546

	2016/2017	2015/2016
	Rs.	Rs.
19. TRADE & OTHER PAYABLES		
Other Creditors	19.1 3,064,985	4,471,369
Accrued Expenses	19.2 416,125	659,934
Contractors Payable	19.3 7,306,572	7,275,399
Amount Payable to Contractor/Supplier	-	414,442
VAT Payable	10,691	89,092
NBT Payable	-	39,672
	<u>10,798,373</u>	<u>12,949,908</u>
19.1 OTHER CREDITORS		
Deposits Received from Customers	1,800,000	3,017,093
Retention Payable	32,800	205,324
Horana Regional Secretarial - Revenue Tax	1,232,185	1,217,953
Maintenance Charges Received in Advance	-	30,999
	<u>3,064,985</u>	<u>4,471,369</u>
19.2 ACCRUED EXPENSES		
EPF	44,800	52,885
ETF	6,720	7,933
Salary - Local Staff	102,480	117,973
Audit Fee Payable	55,000	55,000
Payee Tax Payable	1,120	560
Legal Fee Payable	-	43,000
Lawyer Fees	-	13,750
Telephone Payable	-	34,607
Secretarial Chargers	-	7,925
Survey Plan Fee Payable	-	35,947
Water	86,610	71,986
Electricity	7,395	53,367
Bonus Payable	112,000	125,000
Security Charges	-	40,000
	<u>416,125</u>	<u>659,934</u>
19.3 BALANCE WORK PROVISION		
Balance as at 01.04.2016	7,275,399	6,865,396
Add :		
Provision during the year	31,173	410,003
	<u>7,306,572</u>	<u>7,275,399</u>
20. TAXATION		
Balance at 1st April 2016	438,387	1,259,158
Add:		
Provision for the year	20.1 -	1,082,921
	438,387	2,342,079
Less :		
Income Tax Paid	(438,387)	(1,859,976)
WHT	-	(43,716)
	<u>-</u>	<u>438,387</u>

	2016/2017 Rs.	2015/2016 Rs.
20.1 Tax Provision		
Provision for Income Tax	-	532,103
Provision/(Reversal) for Deferred Tax	-	11,044
Balance for Previous Year	-	550,818
	-	<u>1,093,965</u>

21. Contingent Liability

21.1 The land allocate by BOI for the company for development is on leasehold for 10 years.
The liability position of the lease is as follows.

Total Aria allocated :1046 Acres.

Total Lease at Rs.75,185.75 per Acre: Rs.78,644.34

Lease applicable to the area 863 Acre (to be handed over in future by steps) is Rs.64,885,336.77

21.2 Sub Lease balance

It is resolved to treat the disputed sub lease advance of Rs.10,000,000 as Income of financial years as below subject to the probable reversal of the same in case of any adverse judgment through any legal proceedings.

2001/2012	Rs.4,000,000
2012/2013	Rs.4,000,000
2013/2014	Rs.2,000,000

HOUSING AND CONSTRUCTION LANKA (PRIVATE) LIMITED
 TAX COMPUTATION
 FOR THE YEAR OF ASSESSMENT 2016/2017

	<u>Rs.</u>
Net Profit as per Account	(3,484,946)
Less :	
Other Income-Forfeited Amount	<u>1,217,083</u> (1,217,083)
Add:	<u>(4,702,029)</u>
Disallowable Expenses	
Secretary Fee	80,682
Depreciation	8,583
Gratuity	69,230
Annual Return Surcharges Surcharge	<u>200</u> 158,695
	<u>(4,543,334)</u>
Less:	
Depreciation Allowances on Additions to the Property, Plant & Equipment	
2009/2010	
Office Equipment 12.5% of Rs. 27,250	3,406
Site Equipments 12.5% of Rs. 13,950	1,744
2010/2011	
Office Equipment 12.5% of Rs. 43,680	5,460
Site Equipments 12.5% of Rs. 34,250	4,281
2011/2012	
Office Equipment 12.5% of Rs. 14,400	1,800
2013/2014	
Office Equipment 33 1/3% of Rs. 21,740	7,246
Site Equipments 33 1/3% of Rs. 24,100	<u>8,033</u> (31,970)
Adjusted Trade (Loss)	<u><u>(4,575,304)</u></u>