

Kreston MNS & Co

Our Ref: 1997 / A817 / SB / KA

Chartered Accountants
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FINANCIAL STATEMENTS OF
WELWORTH LANKA (PVT) LTD.
FOR THE YEAR ENDED
31ST MARCH 2012

AUDITORS' REPORT TO THE MEMBERS OF WELWORTH LANKA (PVT) LTD.

We have audited the accompanying Financial Statements of **WELWORTH LANKA (PVT) LTD**, which comprise the Balance Sheet as at 31st March 2012, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of Significant Accounting Policies and other explanatory Notes, as exhibited on pages 2 to 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

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

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151 (2) of the Companies Act No. 07 of 2007.

Kreston MNS & Co.
**CHARTERED ACCOUNTANTS
COLOMBO**

SB/KA/bn
SB-WelworthLanka-cd1c9



Partners:

Ms Y Shirani de Silva, FCA, FCMA
Ms Sivaselvi Balachandran, FCA, FCMA
S Rajanathan, FCA, FCMA (UK)
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Kreston MNS & Co

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Correspondent firm within Grant Thornton International Ltd (Grant Thornton International)
Grant Thornton International and the member and correspondent firms are not a worldwide partnership.

INCOME STATEMENT

FOR THE YEAR ENDED

		31.03.2012 Rs.	31.03.2011 Rs.
	Note		
Other Operating Income		-	-
Administrative Expenses		(7,871,895.79)	(8,233,620.86)
Profit / (Loss) from Operations	1	(7,871,895.79)	(8,233,620.86)
Taxation	2	-	-
Profit / (Loss) after Tax		(7,871,895.79)	(8,233,620.86)

The Accounting Policies and the Notes on pages 6 to 11 from an Integral part of these Financial Statements.



BALANCE SHEET AS AT

		31.03.2012 Rs.	31.03.2011 Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment	3	1,701,066.29	1,799,317.09
		<u>1,701,066.29</u>	<u>1,799,317.09</u>
Current Assets			
Inventories - Land	4	124,790,688.65	124,790,688.65
Work in Progress	5	22,663,458.00	14,506,708.00
Trade & Other Receivables	6	4,372,608.00	4,372,608.00
Cash at Bank	7	6,668,677.71	2,181,256.76
		<u>158,495,432.36</u>	<u>145,851,261.41</u>
Total Assets		<u>160,196,498.65</u>	<u>147,650,578.50</u>
EQUITY & LIABILITIES			
Capital & Reserves			
Stated Capital	8	130,000,000.00	130,000,000.00
Retained Profit / (Loss)		(42,915,327.25)	(35,043,431.46)
		<u>87,084,672.75</u>	<u>94,956,568.54</u>
Non Current Liabilities			
Advance Received for Allotment of Shares		27,700,000.00	27,700,000.00
		<u>27,700,000.00</u>	<u>27,700,000.00</u>
Current Liabilities			
Trade & Other Payables	9	1,675,683.15	671,884.21
Amounts due to Related Companies	10	43,736,142.75	24,322,125.75
		<u>45,411,825.90</u>	<u>24,994,009.96</u>
Total Equity & Liabilities		<u>160,196,498.65</u>	<u>147,650,578.50</u>

The Accounting Policies and the Notes on pages 6 to 11 from an Integral part of these Financial Statements.

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

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Finance Officer

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

Signed for and on behalf of the Board by

1.

Directors

2.

Date: 16-08-2012



STATEMENT OF CHANGES IN EQUITY

	Ordinary Share Capital Rs.	Retained Profit / (Loss) Rs.	Total Rs.
Balance as at 31st March 2010	130,000,000.00	(26,809,810.60)	103,190,189.40
Profit / (Loss) for the year	-	(8,233,620.86)	(8,233,620.86)
Balance as at 31st March 2011	130,000,000.00	(35,043,431.46)	94,956,568.54
Profit / (Loss) for the year	-	(7,871,895.79)	(7,871,895.79)
Balance as at 31st March 2012	130,000,000.00	(42,915,327.25)	87,084,672.75

The Accounting Policies and the Notes on pages 6 to 11 from an Integral part of these Financial Statements.



CASH FLOW STATEMENT

FOR THE YEAR ENDED

		31.03.2012 Rs.	31.03.2011 Rs.
	Note		
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (Loss) before Taxation		(7,871,895.79)	(8,233,620.86)
Adjustments:			
Depreciation	3	98,250.80	98,250.80
Operating Profit / (Loss) before Changes in Working Capital		<u>(7,773,644.99)</u>	<u>(8,135,370.06)</u>
(Increase) / Decrease in			
Work in Progress	5	(8,156,750.00)	(641,708.00)
Trade & Other Receivables	6	-	(2,841,600.00)
Increase / (Decrease) in			
Amount due to Related Companies	10	19,414,017.00	14,187,000.00
Trade & Other Payables	9	1,003,798.94	(456,343.37)
Cash Generated from / (used in) Operations		<u>12,261,065.94</u>	<u>10,247,348.63</u>
Net Cash from / (used in) Operating Activities		<u>4,487,420.95</u>	<u>2,111,978.57</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of Property, Plant & Equipment	3	-	-
Net Cash from / (Used in) Investing Activities		<u>-</u>	<u>-</u>
Net Increase / (Decrease) in Cash & Cash Equivalents		<u>4,487,420.95</u>	<u>2,111,978.57</u>
Cash & Cash Equivalents at the beginning of the year		<u>2,181,256.76</u>	<u>69,278.19</u>
Cash & Cash Equivalents at the end of the year	6	<u>6,668,677.71</u>	<u>2,181,256.76</u>

The Accounting Policies and the Notes on pages 6 to 11 from an Integral part of these Financial Statements.



SIGNIFICANT ACCOUNTING POLICIES

1 General Policies

1.1 Basis of Preparation and Compliance

The Financial Statements of the Company comply with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

These Financial Statements presented in Sri Lanka Rupees have been prepared on a historical cost basis.

1.2 Foreign Currency Transactions

Transactions in foreign currencies are translated into Sri Lanka Rupees at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

1.3 Events Occurring after the Balance Sheet Date

All material post Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

1.4 Taxation

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 amendments thereto.

1.5 Borrowing Costs

Borrowing costs are transferred to Income Statement in the period in which such costs are incurred.



SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2. ASSETS AND BASES OF THEIR VALUATION**

Assets classified as current assets on the Balance Sheet are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the Balance Sheet date, whichever is shorter. Non-Current assets are those which the Company intends to hold beyond a period of one year from the Balance Sheet date.

2.1 Property, Plant & Equipment

Property, Plant & Equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Advance paid towards acquisition of Property, Plant & Equipment before the period end are classified as capital work in progress.

Borrowing costs directly attributable to acquisition or construction of those Property, Plant & Equipment which necessarily take a substantial period of time to get ready for their intended use are capitalised. Property, Plant & Equipment purchased in foreign currency are recorded at the actual rupee cost incurred.

Expenditure directly relating to expansion is capitalised only if it increases the life or functionality of an asset beyond its original standard of performance.

Depreciation

Depreciation on Property, Plant & Equipment is provided on the straight line method, from the month of purchase using following rates.

<i>Item Category</i>	<i>Rate</i>
Building	1.63%
Plant & Machinery	4.75%
Computer Pheripharals	16.21%
Office Equipments	4.75%
Furniture & Fittings	6.33%
Vehicles	9.50%
Shuttering Materials	14.29%
Intangible Assets	16.21%

Assets individually costing less than Rs. 5,000/- are fully depreciated in the year of purchase.

2.2 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

2.3 Cash & Cash Equivalents

Cash and cash equivalents comprise of cash at bank and in hand. Bank overdrafts that are repayable on demand and form an integral part of the Company cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

The Cash Flow Statement has been prepared using the indirect method.



SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**3. LIABILITIES AND PROVISIONS**

- 3.1** Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the Balance Sheet date. Non current liabilities are those balances that fall due for payment later than one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing the Financial Statements.

3.2 Provisions, Contingent Assets and Contingent Liabilities

Provision is recognised in the Balance Sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote.

All contingent assets are disclosed where inflow of economic benefits is probable.

3.3 Trade and Other Payables

Trade and other payables are stated at their cost.

3.4 Capital Commitments

Capital commitments of the Company are disclosed in the respective Notes to the Financial Statements.

4. INCOME STATEMENT

For the purpose of presentation of the Income Statement, the function of expense method is adopted, as it represents fairly the elements of Company's performance.

4.1 Turnover

Gross Turnover represents the invoiced value of goods and services to customers.

4.2 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes.

4.3 Expenditure

- 1)** Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income.
- 2)** All 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 revenue in arriving at the profit for the year.



In the Notes all Amounts are shown in Sri Lanka Rupees

NOTES TO FINANCIAL STATEMENTS

31.03.2012
Rs.31.03.2011
Rs.

NOTE 1 - PROFIT / (LOSS) FROM OPERATIONS

is stated after charging all expenses including

Depreciation	98,250.80	98,250.80
Audit Fees	137,088.00	125,664.00
Staff Cost	3,300,000.00	3,300,000.00
EPF & ETF	315,000.00	315,000.00

NOTE 2 - TAXATION

Income Tax

In accordance with the agreement entered into with Board of Investment of Sri Lanka (BOI) on 22.12.2005, the Company is entitled to a five year tax holiday commencing from the year in which the Company makes profit or any year of assessment not later than two years from the date of commencement of commercial operations, which ever occurs earlier.

The Company is entitled for 10% concessionary tax rate for further two years immediately after tax holiday period.

After the expiration of period of concessionary tax rate, the Company is liable to tax at 20%.

Income Tax has not been provided in view of the assessable loss for the year.

Deferred Tax has not been provided since there is a deductible temporary difference.

NOTE 3 - PROPERTY PLANT & EQUIPMENT

Cost	As at 01.04.2011	Addition during the year	As at 31.3.2012
Furniture and Fittings	125,513.00	-	125,513.00
Telephone	115,000.00	-	115,000.00
Interior Work	1,786,175.00	-	1,786,175.00
	2,026,688.00	-	2,026,688.00

Accumulated Depreciation

	As at 01.04.2011	Charge for the year	As at 31.3.2012
Furniture and Fittings	19,200.34	7,944.96	27,145.30
Telephone	13,201.06	5,462.52	18,663.58
Interior Work	194,969.51	84,843.32	279,812.83
	227,370.91	98,250.80	325,621.71

Written Down Value

	As at 31.3.2012	As at 31.3.2011
Furniture and Fittings	98,367.70	106,312.66
Telephone	96,336.42	101,798.94
Interior Work	1,506,362.17	1,591,205.49
	1,701,066.29	1,799,317.09



In the Notes all Amounts are shown in Sri Lanka Rupees

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 4 - INVENTORIES

	31.03.2012 Rs.	31.03.2011 Rs.
Land	124,790,688.65	124,790,688.65

NOTE 5 - WORK In PROGRESS

Balance Brought Forward	14,506,708.00	14,506,708.00
Expenditure incurred during the period	8,156,750.00	-
Balance carried forward	22,663,458.00	14,506,708.00

NOTE 6 - TRADE & OTHER RECEIVABLES

Rent Deposit	1,342,608.00	1,342,608.00
Electricity Deposit	30,000.00	30,000.00
Advance given for allotment of shares	3,000,000.00	3,000,000.00
	4,372,608.00	4,372,608.00

NOTE 7 - CASH AT BANK

Cash at Bank	6,668,677.71	2,181,256.76
	6,668,677.71	2,181,256.76

NOTE 8 - STATED CAPITAL

Number of Ordinary Shares issued & fully paid	13,000,000	13,000,000
Stated Capital on 31st March	130,000,000.00	130,000,000.00

The total amount received by the company or due and payable to the company in respect of the issue of shares are referred to as Stated Capital.

NOTE 9 - TRADE & OTHER PAYABLES

Varners	160.00	160.00
Electricity Charges	3,478.50	6,027.00
EPF Payable	35,000.00	35,000.00
PAYE Payable	18,855.00	18,855.00
Salary Payable	142,120.00	142,120.00
Rent Payable	-	0.78
Travelling Expenses Payable	100,000.00	100,000.00
Retention on Land Clearing	31,380.00	31,380.00
Telephone Payable	1,401.61	14,989.47
ETF Payable	5,250.00	5,250.00
Care Taker Fees Payable	20,000.00	20,000.00
Stamp Duty Payable	1,150.00	850.00
Payable- Miscellaneous (Overseas reality)	46,922.56	46,922.56
Kreston MNS & Co. - Audit Fees & Tax fees	137,088.00	148,512.00
-Tax Fees	25,132.80	-
- Accounting Charges	92,407.40	101,817.40
-Return Filling Charges	8,225.28	-
Secretarial Charges	7,112.00	-
Pearl Investment(Pvt)Ltd	1,000,000.00	-
	1,675,683.15	671,884.21



In the Notes all Amounts are shown in Sri Lanka Rupees

NOTES TO FINANCIAL STATEMENTS (CONTD.)

31.03.2012
Rs.31.03.2011
Rs.

NOTE 10 - AMOUNTS DUE TO RELATED COMPANIES

Welworth Lanka Holding (Pvt) Ltd.

43,736,142.75

24,322,125.75

43,736,142.75

24,322,125.75

NOTE 11 - POST BALANCE SHEET EVENTS

No Circumstances have arisen since the Balance Sheet date which require adjustments to or disclosure in the Financial Statements.

NOTE 12 - COMMITMENTS & CONTINGENCIES

There were no Significant Commitments and/or Contingencies as at Balance Sheet date.

NOTE 13 - RELATED PARTY TRANSACTIONS

There have been no Related Party Transactions during the year.

NOTE 14- CORPORATE INFORMATION

Name of the Company

: Welworth Lanka (Pvt)Ltd(Formely Puravankara
Project Lanka (Pvt) Ltd.)

Domicile & Legal Form

: A Limited Liability Company incorporated in Sri Lanka
under the Companies Act No. 17 of 1982.

Date of Incorporation & Registration Number : 05.12.2005, N(PVS) 44177

Registered Office

: Level 8, East Tower,
World Trade Centre,
Echelon Square,
Colombo 01.

Nature of Operations

: Property Development

Parent Company

: Welworth Lanka Holdings(Private)Limited (Formely Puravankara
Lanka Holding (Pvt) Ltd.)

Number of Employees as at year end

: Nil



SCHEDULES

31.03.2012
Rs.31.03.2011
Rs.

SCH 1 - ADMINISTRATIVE EXPENSES

Secretarial Charges	98,291.00	41,290.22
Accounting Charges	45,696.00	41,429.20
Tax Fees	25,132.80	22,848.00
Audit Fees	137,088.00	125,664.00
Debit Tax	-	12,387.02
Bank Charges	26,500.00	22,850.00
Care taker Fees	240,000.00	260,000.00
Electricity	(219.00)	5,331.00
Return Filing Charges (EPF & ETF)	8,225.28	13,776.60
ETF Expenses	63,000.00	63,000.00
EPF Expenses	252,000.00	252,000.00
Local Authority Charges	-	(36,960.00)
Salary	2,100,000.00	2,100,000.00
Reimbursement of Travelling Expenses	1,200,000.00	1,200,000.00
Telephone Charges	7,080.13	19,770.10
Depreciation	98,250.80	98,250.80
Legal Fees	-	854,410.00
Stamp Fees	30,120.00	26,900.00
Rent	3,137,457.28	3,098,880.92
ETF Penalty	-	6,025.00
Overseas Reality Administration Expenses.	13,408.00	5,768.00
Application Form	45,528.00	-
Book Charges	14,000.00	-
Fees For Planning Approval	243,000.00	-
Pradesha Sabha Expenses	72,900.00	-
Rates & Taxes	14,437.50	-
	<u>7,871,895.79</u>	<u>8,233,620.86</u>

SCH 2 - CASH AT BANK

HNB - A/c No. 0030665438

6,668,677.712,181,256.76

YEAR OF ASSESSMENT 2011/2012

Net Profit / (Loss) as per Accounts	(7,871,896)
Add : Disallowed Expenses	-
Depreciation	98,251
	(7,773,645)
Less : Allowable Deductions - Capital Allowances (Annex 1)	(396,713)
Adjusted Business Profit / (Loss)	(8,170,358)
Add : Other sources of Income	-
Total Statutory Income (Loss)	(8,170,358)
Less : Qualifying Payments	-
Assessable / Taxable Income	(8,170,358)
Income Tax Loss brought forward from 2010/2011	32,697,268
Income Tax Loss for the year	8,170,358
Income Tax Loss carried forward to 2012/2013	40,867,626



ANNEXURES

ANNEX 1 - CAPITAL ALLOWANCES

2008/2009	Cost	Rate	Balance as at 01.04.2011	Capital Allowance for the year	Balance as at 31.03.2012	Tax W as at 31.03.20
Furniture & Fittings	125,513	20%	75,309	25,103	100,412	25,10
Telephones	115,000	12.5%	43,125	14,375	57,500	57,50
Interior Works	1,677,966	20%	1,006,779	335,593	1,342,372	335,59
	<u>1,918,479</u>		<u>1,125,213</u>	<u>375,071</u>	<u>1,500,284</u>	<u>418,19</u>
2009/2010						
Interior Works	108,209	20%	43,284	21,642	64,926	43,28
	<u>2,026,688</u>		<u>1,168,497</u>	<u>396,713</u>	<u>1,565,210</u>	<u>461,47</u>

ANNEX 2 - SHAREHOLDERS AS AT YEAR ENDED

Name & Address	No. of Shares
Ashish Puravankara	01
Puravankara Lanka Holding (Pvt) Ltd Level 8, East Tower, World Trade Centre, Echelon Square, Colombo 01.	12,999,99
	<u>13,000,00</u>



ANNEXURES

ANNEX 3 - DEFERRED TAX PROVISION

Accounting written down value of Property, Plant & Equipment (Note - 3)	1,701,066
Tax written down value of Property, Plant & Equipment (Annex - 1)	(461,478)
	<hr/>
	1,239,588
Income Tax loss carried forward	(40,867,626)
	<hr/>
Deductible temporary difference	(39,628,038)
	<hr/>

No deferred tax provision is required since there is a deductible temporary difference.

