

# 2023 Annual Report

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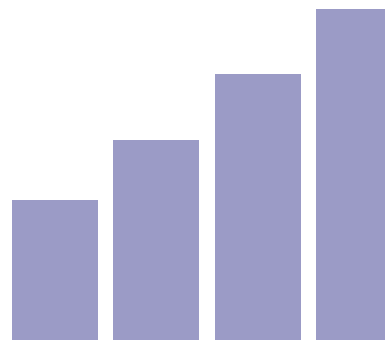


**Ocean View Development Company  
Private Limited**



# Shaping Spaces, Enriching Lives

As we navigate through dynamic market landscapes and embrace emerging trends, we remain steadfast in our pursuit of excellence. With a focus on innovation, collaboration, and adaptability, we continue show our presence in the future of real estate.



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# About the Company

Ocean View Development Company (Private) Limited (OVDC) in the real estate property development with the vision of "To be on the top of the excellence in property development" is a 100% government entity directly under the purview of the Ministry of Urban Development and Housing.

This entity was incorporated in 1996 under the Companies Act 17 of 1982 prevailed then. The main shareholders therein were National Housing Development Authority (NHDA) and Urban Development Authority (UDA). Having its prevailing registered office at the „Tower Building“, at No. 25 ½, Station Road, Bambalapitya, Colombo 04, name and the share holdings, OVDC was compelled to reregister with the Registrar General of Companies in the year 2007 in line with the requirements of the present Companies Act No 07 introduced by the Government in 2007.

A long before establishing the OVDC, the National Housing Development Authority Started the construction of the tower building presently occupying. Whilst the construction work was in progress, as a decision taken by the cabinet, UDA was entrusted with the finishing work of this building.

As specified in the cabinet memorandum in 1993, NHDA has invested Rs.120, 520, 369/- for initial constructions whereas UDA has invested Rs 92, 672,321/- for finishing work of the tower building. In view of above, it was suggested that the NHDA and UDA should form a Joint Venture to hold the possession of the tower building and for attending to future constructions in similar nature. Establishing of the OVDC has been taken place accordingly whilst allocating the shares thereof proportionate to the total investment of each party. Rs 10/- was the amount valued at each share and therefore NHDA and UDA received 12 million and 9.2 million shares respectively.

In order to achieve the primary objectives laid down in the Company's Articles of Association, property developments such as acquiring, owning, building, developing, managing, renting-out, leasing-out and selling-out land and properties are being carried out whilst maintaining the Government Policy and statutory requirements envisioning the success of its own development plans and to set up efficient management system utilizing the limited resources available so as to strive to reach positive results as an oriented organization to cater the customers' expectations in a socially responsible manner.

Up till to date, the Ocean View Development Company (Private) Limited has successfully completed the projects known as Dream House – Kahathuduwa (HarithaKedilla), Dream House – Mattegoda (HarithaKedilla), Park Road Housing Project and Palkelele Housing Project. Currently sale of land and houses at kahathuduwa project is ongoing and Delkanda site will be open for Investors in the near future. OVDC is also in the process of commencing proposed projects named as, Bambalapitiya Ocean Tower 2, according to corporate plan within the next 10 years,



## Our Vision

**“To be in the top of Excellence in the Property Development Sector”**

## Our Mission

**“To enhance the quality of life of our customers by providing a high pace, through a relentless focus on execution and innovation at affordable prices and while providing excellent customer service.”**





# QUALITY POLICY

We, Ocean View Development Company (pvt) Ltd, established in 1994 under the Companies Act no. 17 of 1982 and re-registered in 2010 under the Companies Act no. 07 of 2007, with the vision “to be in the top of Excellence in Property Development”

To ensure this, we

- Continuously focus on improving our service quality, real estate property development, productivity, and committed to achieve Company’s overall objective.
- Always meet our stakeholder’s needs and expectations.
- Maintain effectiveness and efficiency in all our processes.
- Adhere to the statutory and regulatory requirements.
- Manage the Company in socially responsible manner.

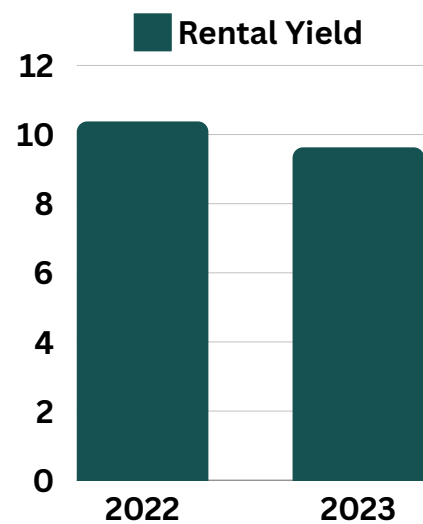
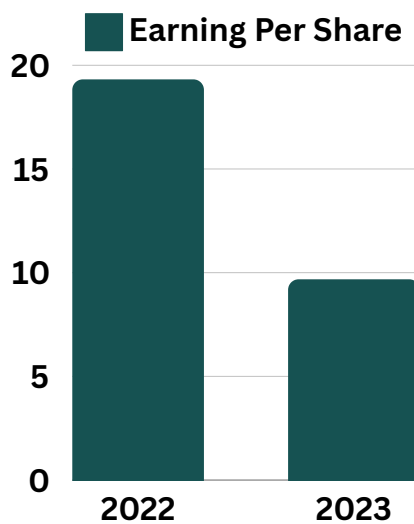
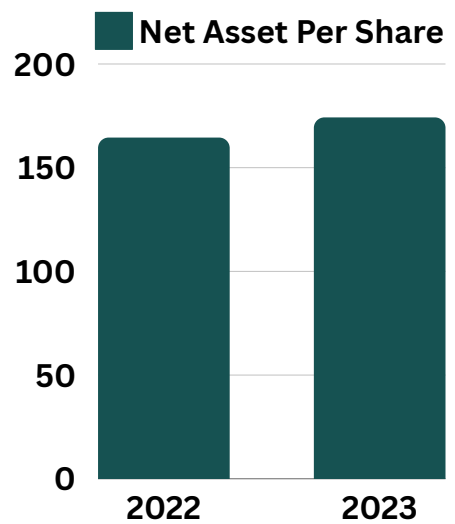
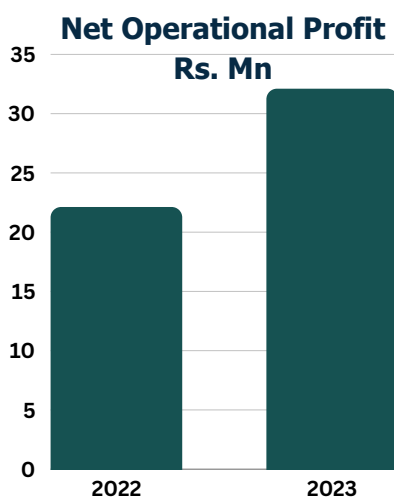
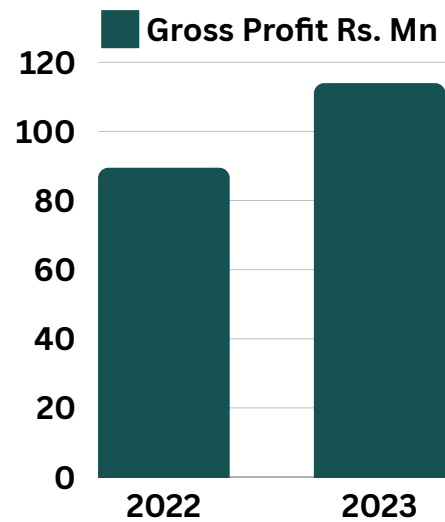
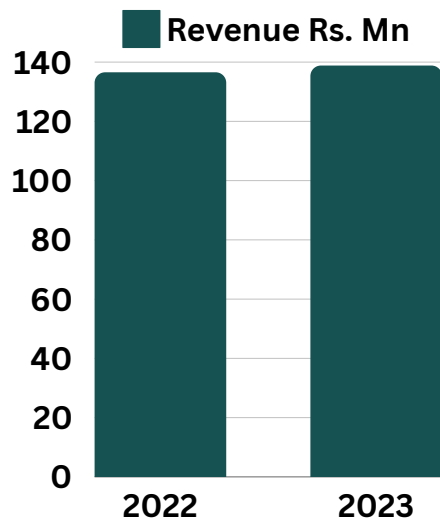
In doing so, we strictly comply with



ISO 9001:2015

Quality Management System and continually improve same.

# COMPANY AT A GLANCE



# FINANCIAL HIGHLIGHTS

| Year ended 31st December                 | 2023        | 2022        |
|------------------------------------------|-------------|-------------|
| Revenue                                  | 138,840,123 | 136,569,138 |
| Gross Profit                             | 113,963,653 | 89,485,800  |
| Fair Value Gain & Reversal of impairment | 193,813,550 | 391,419,086 |
| Profit before Tax                        | 225,919,819 | 413,544,071 |
| Profit After Tax                         | 205,199,028 | 409,564,924 |
| Net Operational Profit before tax        | 32,106,269  | 22,124,985  |

## STATEMENT OF FINANCIAL POSITION

|                      |               |               |
|----------------------|---------------|---------------|
| Total Assets         | 3,865,953,732 | 3,653,529,693 |
| Investment Property  | 3,448,000,000 | 3,214,000,001 |
| Total Liabilities    | 172,024,056   | 165,568,040   |
| Loans and Borrowings | -             | 2,555,018     |
| Financial Position   |               |               |
| Stated Capital       | 212,004,020   | 212,004,020   |
| Reserves             | 3,481,925,656 | 3,275,957,634 |

## FINANCIAL RATIOS

|                      |        |        |
|----------------------|--------|--------|
| Gross Profit Margin  | 82%    | 66%    |
| Earnings Per Share   | 9.68   | 19.32  |
| Return on Equity     | 5.56%  | 11.74% |
| Debts Equity Ratio   | 5%     | 5%     |
| Net Assets Per Share | 174.24 | 164.52 |
| Rental Yield         | 9.65%  | 10.38% |



# Chairman's Message



Every year comes with its own share of challenges, but I believe it is safe to say that the year under review arrived with more than its fair share of trials. On behalf of the Board of Directors I am pleased to say that we have able to achieve Rs.32.1 Mn Operational profit for the year under review.

In year 2022 we have paid 15% of distributable profit amounting to Rs.2.2Mn as dividend and for year 2023 we have already paid 30% of distributable profit for the first time as dividend to our shareholders. As a chairman and Managing Director I must reiterate the fact that every effort is made to be compliant with all applicable regulatory requirement and best practices in line with the industry.

While ensuring our people remain safe and secure despite the challenging economic conditions and we are proud to have been able to continue providing them with all salaries and benefits due to them.

I take this opportunity to express my sincere thanks to all members of the Board for contributing their knowledge and expertise. I also thank the Hon.Minister and Secretary to the Ministry of Housing and Urban Development and also The Hon.state Minister of Ministry of Housing and Urban Development for the continuous support and guidance offered during the year. Finally my profound appreciation to chairman's of National Housing Development Authority and Urban Development Authority for their trust and support all times.

Dinith Chintaka Karunaratne  
Chairman/ Managing Director

# General Manager's Message



It is with great pleasure that I share with you a milestone achievement. Our company has realized a remarkable profit increase of approximately 40% over the previous year, 2022. This success was achieved due to the leadership of the Chairman/Managing Director and Board of directors as well as team effort of the entire Staff.

The achievement of a 40% increase in profit compared to last year is a testament to the strength and potential of our collective endeavor. As we look ahead, we are energized and optimistic about the future. We are well positioned for continued success, with a clear strategy and a commitment to sustainability and excellence.

I take this opportunity to express my gratitude to Chairman/Managing Director and Board of directors for the valuable leadership in a challenging year. I also thank to National Housing Development Authority , Urban Development Authority and Tenants and Stakeholders of "Ocean tower" for the continued trust and investment have enabled us to pursue ambitious goals, leading to this outstanding financial outcome. And I convey my sincere appreciation to Ministry of Urban Development & Housing for guidance and fullest corporation and OVDC team members who given fullest support in driving sustainable growth of the company.

Together, we will continue to build on this foundation of success for our company.

Eng.D.M.N.Vijitha Disawe  
General Manager

# Board of Directors



**Mrs Preethi Neranjala**  
Non-Executive Director



**Mr Kalum Jayasumana**  
Non-Executive Director



**Mr Lalith Wijayarathne**  
Non-Executive Director



**Mr Gawesha Sanirathne**  
Non-Executive Director



**Dinith Chintaka Karunaratne**  
Chairman/ Managing Director



**Mr Kapila Padmakumara**  
Non-Executive Director



**Mr Damitha Pushpakumara**  
Non-Executive Director



**Mr Piyum Darshana**  
Non-Executive Director



**Mrs Dammika Kumari Pathiraja**  
Non-Executive Director



**Mr Eranga Ranathunga**  
Non-Executive Director



# Board of Directors

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## **MR. DINITH CHINTAKA KARUNARATHNA**

CHAIRMAN / MANAGING DIRECTOR

Bsc in Bio Science - University of Kelaniya  
Mass Media Studies - Santa Monica High School  
- Los Angeles, California

## **MR KALUM JAYASUMANA**

NON-EXECUTIVE DIRECTOR

National Diploma on Professional guidance  
Chairman of Expressway transport company (Ministry of Highway)

## **MR KAPILA PADMAKUMARA**

NON-EXECUTIVE DIRECTOR

Higher National Diploma in Human Rights at University of Colombo  
Diploma in Human Rights Certificate in  
Awareness, International Ship & Ports Security

## **MR ERANGA RANATHUNGA**

NON-EXECUTIVE DIRECTOR

## **MR DAMITHA PUSHPAKUMARA**

NON-EXECUTIVE DIRECTOR

Businessmen

## **MR LALITH WIJAYARATHNE**

NON-EXECUTIVE DIRECTOR

BSc(University of Sri Jayawardanapura  
MSc (Oxford Brookes University, UK)

## **MRS PREETHI NERANJALA**

NON-EXECUTIVE DIRECTOR

Attorney at Law & Notary Public,  
Sri Lanka Law College Colombo

## **MR.GAWESHA SANIRATHNA**

NON-EXECUTIVE DIRECTOR

Graduate & Diploma  
Director - National Housing Development Authority  
Director - Cooperative bank - Gampaha

## **MRS DAMMIKA KUMARI PATHIRAJA**

NON-EXECUTIVE DIRECTOR

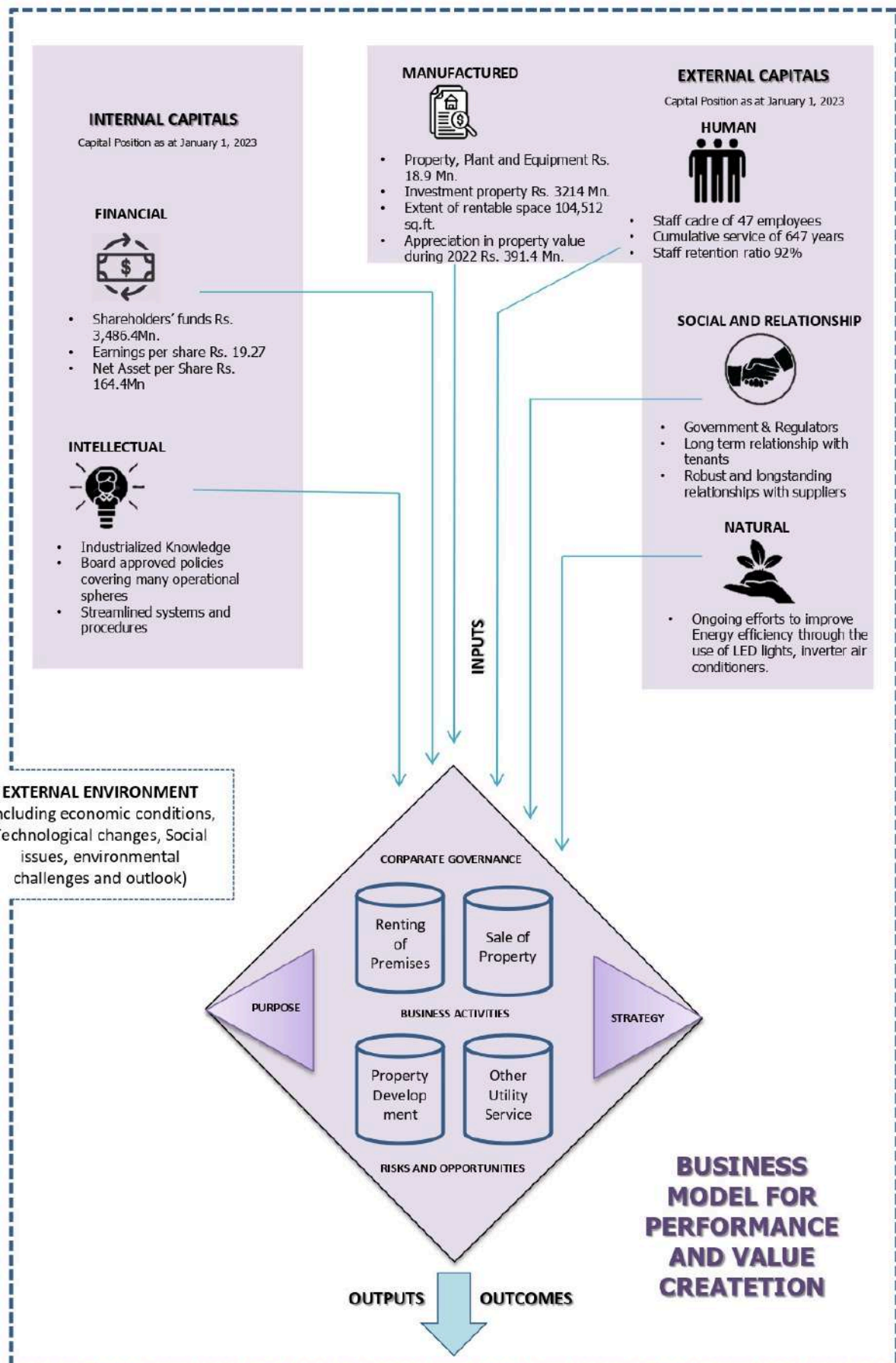
National Diploma in Engineering Sciences  
Civil Building & Structural Engineering in Institute of  
Engineering technology - Katunayake

## **MR PIYUM DARSHANA**

NON-EXECUTIVE DIRECTOR

Non-Executive Director  
Vice chairman of Minuwangoda cooperative society  
Businessmen

## BUSINESS MODEL FOR PERFORMANCE AND VALUE CREATION





| <b>OUTPUTS</b><br><b>To STAKEHOLDERS</b>                                                                                                                                                                                                                                                 |  | <b>OUTCOMES</b><br><b>Capital Position as at January 1, 2023</b>                                                                                                                                                                                                                                              |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <b>SHAREHOLDERS</b><br> <ul style="list-style-type: none"> <li>Profit after tax Rs. 205.2 Mn.</li> <li>Net assets value per share Rs. 174.24</li> <li>Earning per share Rs. 9.68</li> </ul>             |  | <b>FINANCIAL</b><br> <ul style="list-style-type: none"> <li>Shareholders' funds Rs. 3693.9 Mn.</li> <li>Total Income Rs.138.8Mn</li> <li>Total Assets. 3651.9Mn.</li> </ul>                                                  |  |
| <b>GOVERNMENT INSTITUTIONS / REGULATIONS</b><br> <ul style="list-style-type: none"> <li>Taxes paid Rs. 7.2 Mn.</li> <li>Fully compliant with the Company's Act of Srilanka</li> </ul>                   |  | <b>INTELLECTUAL</b><br> <ul style="list-style-type: none"> <li>Institutionalised knowledge</li> <li>Board approved policies covering operations</li> <li>Streamlined systems and procedures</li> </ul>                       |  |
| <b>TENANTS</b><br> <ul style="list-style-type: none"> <li>Reliable, responsive and resourceful service in an economically viable, socially responsible and environmentally friendly manner</li> </ul> |  | <b>MANUFACTURED</b><br> <ul style="list-style-type: none"> <li>Property, Plant and Equipment Rs. 15.9 Mn.</li> <li>Investment property Rs. 3,404 Mn.</li> <li>Extent of rentable space 104,512 sq.ft.</li> </ul>           |  |
| <b>EMPLOYEES</b><br> <ul style="list-style-type: none"> <li>Total remuneration of Rs. 54.9 Mn.</li> <li>Training and Development Rs. 0.38 Mn.</li> <li>Enhanced employee productivity</li> </ul>      |  | <b>HUMAN</b><br> <ul style="list-style-type: none"> <li>Staff cadre of 45 employees</li> <li>Cumulative service of 647 years</li> <li>Staff retention ratio 92%</li> </ul>                                                 |  |
| <b>BUSINESS PARTNERS</b><br> <ul style="list-style-type: none"> <li>OPEX paid for services Rs. 93.7 Mn.</li> <li>CAPEX paid for plant and equipment Rs. 0.5 Mn.</li> </ul>                            |  | <b>SOCIAL AND RELATIONSHIP</b><br> <ul style="list-style-type: none"> <li>Government &amp; Regulators</li> <li>Long term relationship with tenants</li> <li>Robust and longstanding relationships with supplier</li> </ul> |  |
| <b>COMMUNITY</b><br> <ul style="list-style-type: none"> <li>CSR activities</li> </ul>                                                                                                                 |  | <b>NATURAL</b><br> <ul style="list-style-type: none"> <li>Ongoing efforts to improve energy</li> <li>Efficiency through use of LED lights</li> <li>Collecting/disposing garbage in a responsible manner</li> </ul>         |  |



# STAKEHOLDER ENGAGEMENT

We have clearly identified the different stakeholder expectations and have formulated our responses accordingly. This varies from effective management that delivers sustainable wealth, service innovation, performance link remuneration, transparent procurement policies, effective and efficient use of resources etc.

Our goal for this report is to address the issues of our stakeholders such as customers, Investors, employees, supplier community who cares about most and to inform anyone looking for information about our progress as a responsible company in a clear, comprehensive and accessible way

Value creation is the net result of value delivered to stakeholders and value derived from them and as such we remain committed to maintaining positive stakeholder relationships.

Key stakeholder groups identified by the Company are:

- Shareholders
- Tenants
- Employees
- Suppliers and business partners
- Government and regulatory authorities
- Society and environment

To effectively engage with said groups, we are committed to ensuring the free flow of quality information between the Company and its stakeholders. For instance, we share information on Company performance through the monthly and annual financial statements.

We also engage with stakeholders through various other means and at various frequencies as outlined further on in the report. The level of engagement depends on the potential impact on or by the stakeholders and the nature of relationships.

This type of meaningful interaction helps us to understand stakeholders and their expectations better, including the quality of our services and any gaps, empowering us to provide continuous improvements. It also enhances the quality of our governance, risk management and compliance efforts while helping us to identify new business opportunities.

Formal mechanisms for stakeholder engagement continue to be in place, even though every point of stakeholder contact remains a shared responsibility across the Company. These mechanisms and our understanding of stakeholder concerns are outlined below.

| Stakeholder                    | Topics of concern              | Engagement method                       | Frequency            |
|--------------------------------|--------------------------------|-----------------------------------------|----------------------|
| Shareholders                   | Financial performance          | Board Meetings / Annual General Meeting | Monthly / Annual     |
|                                | Shareholder returns            | Annual Report                           | Annual               |
|                                | Governance                     | Board Meeting                           | Monthly              |
|                                | Risk management                | Financial Statements                    | Monthly              |
|                                | Expansion                      | Board meetings / Management Meetings    | As required          |
| Tenants                        | Transparency                   | Internal and external audits            | Ongoing and annual   |
|                                | Rent and other charges         | Review meetings                         | As required          |
|                                | Facilities and utilities       | Feedback evaluation                     | As required          |
|                                | Maintenance, security          | Correspondence                          | As required          |
|                                | Service quality                | Periodic updates                        | As required          |
| Employees                      | Staff training / development   | In-house training / Workshops           | As required          |
|                                | Fire drills / risks associated | Announcements                           | At least once a year |
|                                | Waste management               |                                         |                      |
|                                | Attractive remuneration        | Direct reporting                        | As required          |
|                                | Employee development           | Staff meetings                          | Weekly / Monthly     |
| Government & Regulatory Bodies | Job security                   | E mail / Notices                        | As required          |
|                                | Health & Safety requirement    |                                         |                      |
|                                | Organizational ethics          |                                         |                      |
|                                | Compliance                     | Representations through Associations.   | As required          |
|                                |                                | Acts and Circulars                      |                      |
| Communities                    | Waste disposal                 | Correspondence                          | As required          |
|                                | Potential for future growth    | Discussions                             | As required          |
|                                | Energy efficiency              |                                         |                      |
| Suppliers                      |                                |                                         |                      |
|                                | Price fluctuations             | Visits and meetings                     | As required          |
|                                | Quality of service             | Negotiations                            |                      |
|                                | Delay in delivery              | Fair and transparent tender process     |                      |



# MANAGEMENT DISCUSSION AND ANALYSIS

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Sri Lanka's overall real estate market has bounced back from many downturns. Increasing the land values in Colombo District reflects the resilience of the real estate market and solid growth prospects. In 2023, the biggest threat to economic growth and stability is geopolitical instability. Many countries are tightening policies to reduce inflation which is expected to slow down economic activity going forward.

During latter part of 2023, the Sri Lankan economy started to show signs of gradual recovery recording the first positive economic growth in the third quarter following consecutive contractions since the first quarter of 2022. This marked a turning point in the aftermath of a turbulent year, and promises to mark the beginning of a long journey towards stability.

In conclusion despite setbacks stemming from issues such as difficulty in accessing certain building materials, price escalations, etc Sri Lanka's real estate market remains resilient and viable for both residential buyers and Investors.

## Revenue

During the financial year 2023 the Company recorded Sum of Rs. 138.8 Mn revenue compared with previous financial year 136.5Mn.

## Cost of Sale

Cost of sale of the Company come down from Rs.47Mn to Rs.24.8Mn in the year 2023. This mainly due to land sales which comprises lower cost and higher margin compared to higher cost of sales relating to sale of houses.

## Profitability

The Company was able to record a operational profit before tax of Rs.32 Mn which is 45% growth compared to the same of previous year.

## Financial Position

As the Company's core business is engaged in renting apartments, ground office space and sale of houses and lands, 88% from the total assets represents Investment Properties as at the end of the current financial year. Current Assets include Financial Assets worth of Rs.58 Mn, which consists of Investment in fixed deposits amounting Rs.57.7 Mn and treasury bills amounting to Rs.0.3 Mn.

## Future Outlook

We are confident to continue operations of the Company successfully and hope to bring our core business of renting apartments and office spaces in to a most demanded place in Sri Lanka while looking at some other Investment opportunities.

# MANAGEMENT OF CAPITALS

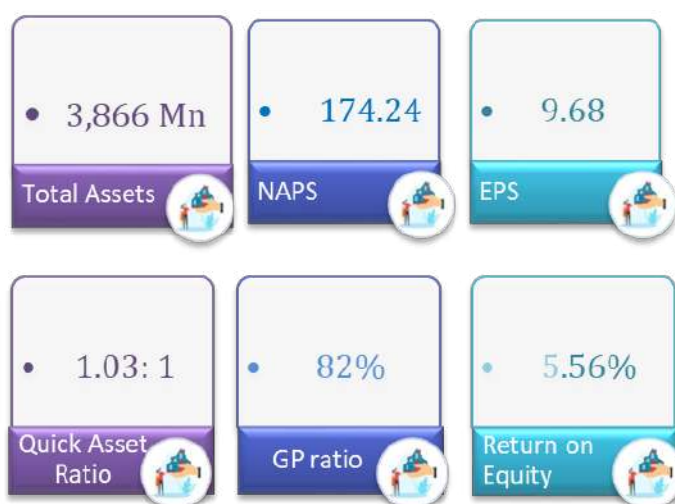
**Effective utilization of the Company's Capital is a key to driving the Company's objective and plays a vital role in ensuring sustainable returns to stakeholders...**

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

## FINANCIAL CAPITAL

**2023 was a year in which the Company retaliated challenges that came its way by difficult external conditions, to record enhanced performance. The information described below shows our efforts to achieve improved financials during the year 2023.**

The financial statements and financial highlights appearing in pages 30 to 56 and 4 to 5 provide information on the role of financial capital in value creation and, the ways in which the capital has been utilized to generate results achieved.



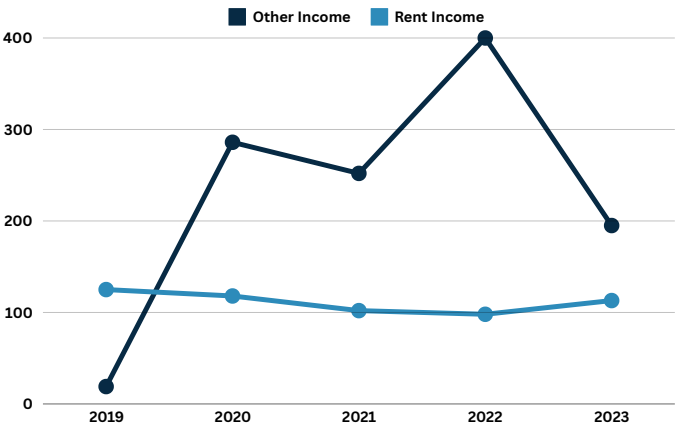
**In spite of the turbulent macro conditions that prevailed through the year Ocean View Development Company (Pvt) Ltd delivered improved year compared to year 2022**

| Highlights                                                                                                                                                     | Challenges                                                                                                                                                                                                                             | Way Forward                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Increase in operational Profits 45%</b><br><br><b>EPS Rs.9.68</b><br><br><b>NAPS Rs.174.24</b><br><b>Dividend Rs.2.28Mn -2022</b><br><b>Rs.6.7Mn – 2023</b> | Maintaining Occupancy rate of apartments. Finding buyers for houses at kahathuduwa.<br>High Maintenance cost, Refurbishment and Capital replacement.<br><br>Business downturn in real estate industry with sluggish economic condition | Company has commenced to refurbish apartments to match the changing demand.<br><br>Replace major components with the advice of relevant consultants to improve the efficiency and to minimize the risks associated. |

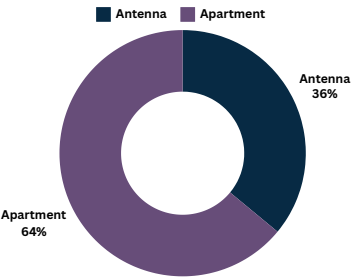


**Revenue**

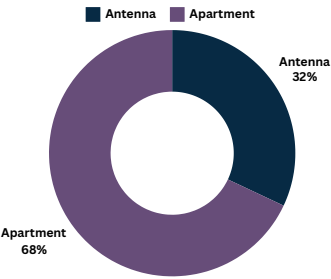
The Company’s main revenue source is derived from leasing space at the Ocean Towers. The Company’s rental income recorded Rs: 113.4 Mn reflecting a increment of 16% compared to previous year.



**Rent Income 2022**



**Rent Income 2023**



**Other Income**

Main component of other income is fair value gain of investment property which shows smaller increase in year 2023 compared to 2022. Other components which comprises other income is legal fee , supplier registration fees etc. are very much smaller compared to fair value gain of investment property which is Rs.189.36 million compared to Rs.391.4 million in year 2022.

**Future Revenue Generation**

**Kahathuduwa**



There are 20 land plot, and partly constructed houses available for sale during the year 2024 and onwards. In addition there are 3 completed houses available for sale during the year as well.

**Delkanda**



There isa 100 perch land in highly residential area in Delkanda which is available for sale or housing project with a investor.



## Cost Management

Ongoing focus on increasing efficiencies and strong cost control measures enabled the Company to maintain its Administration cost at Rs. 93.7 Mn during the year. Administrative expenses shows a increase of 8% mainly due to increase in maintenance and repair expenses as a result of sharp increase in material prices.

## Financial Strength

Despite the turbulent macro-economic conditions prevailed through the year Ocean View Development delivered outstanding year with impressive performance and improved financial results.

### Highlights

Increased Revenue 2%

Increased Gross Profit 27%

Dividend 30% of Distributable profit

## Gross Profit

The Company gross profit of Rs.113.9 Mn is 27% higher than previous year mainly due to lower cost of sale relating to land sales compared to previous year.

## Scale of Operations

As at 31st December 2023 total assets of the company was Rs.3.86 Bn and total equity of the company exceeds Rs.3bn and stood at Rs.3.69 Bn. During the year under review company recorded net operating profit before tax Rs.32 Mn excluding fair value gain.

Share holders' funds

The Company's business model is focused on creating value to our stake holders by delivering quality service to increase revenue.Net asset per share reflected that improvement and stood at Rs.174.24 at the end of year showing 6% increase over the last year.

**Facilities, infrastructure and technology are key aspects of our customer value proposition & competitive edge and playing a vital role in enhancing ability to attract and retain tenants...**

**"Ocean Towers" located in a prime location in the heart of Colombo and provides affordable residential and commercial premises for tenants are integral components of our value creation process.**

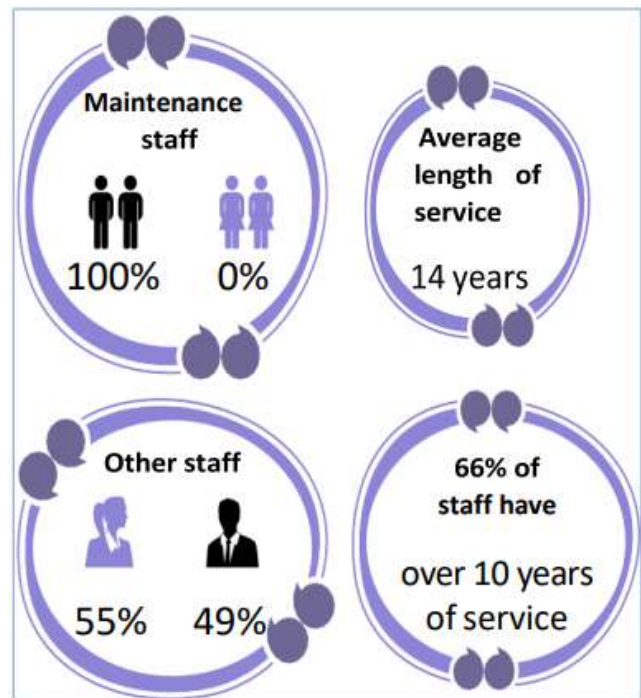
| Highlights                                                                                        | Challenges                                                                                       | Way Forward                                                                                    |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| <b>Refurbishment of Apartments</b>                                                                | High Cost of refurbishment and replacement.                                                      | Identify the requirement in advance priorities based on risks and importance.                  |
| <b>On going investment in enhancing technology and structural improvements in tower building.</b> | Technological obsolescence.                                                                      | Perform technical evaluations and obtained consultant advices prior to investment decisions.   |
|                                                                                                   | Emerging competition in the industry.                                                            |                                                                                                |
|                                                                                                   | Lack of prospective buyers for houses in the middle income range due to increase interest rates. | Use digital media, various social media platforms to market the properties available for sale. |



## HUMAN CAPITAL

In an industry such as ours, the customer satisfaction is facilitated by employees and as such they play a vital role in creating an environment in which tenants feel comfortable and cared for.

People are also a source of competitive edge in the industry and we offer a unique value proposition aimed at attracting, motivating and retaining the talented Employees.



In order to improve the employee value proposition and the Company's HR pipeline, we implemented a best-in- Key Performance Indicators System (KPI). Covering all staff members including maintenance Staff.

The new KPI's allows HR administrators, employees and managers to track, measure, and report on performance more effectively. The Company ensures that all employees receive the opportunity to discuss career progression plans with their line manager during the mid-year and end-of-year performance reviews.

### Employee well being

Between the effect of Covid- 19 pandemic and prevailing economic downturn, OVDC has been providing with staff members with regular annual increments to help mitigate effects of soaring inflation to an extent

There were no health and safety related incidents during the year. Considering the financial hardships faced by lower/middle level employees all salaries were elevated in 2023 based on recently approved system of recruitment by Board of Directors. As a Company operating in these highly uncertain economic conditions, the decision to offer benefits to its staff could be considered bold especially considering that many leading Companies are currently in the process of reducing facilities for their staff members.

## A statistical analysis of permanent employees

### Gender analysis – 2023

| Gender | No. | %  |
|--------|-----|----|
| Male   | 33  | 73 |
| Female | 12  | 27 |

### Analysis of employees by grade - 2023

| Grade               | Male | Female |
|---------------------|------|--------|
| Executive staff     | 5    | 6      |
| Non-Executive staff | 27   | 7      |
| Total               | 32   | 13     |

### Training and development by grade - 2023

| Grade               | Male | Female |
|---------------------|------|--------|
| Executive staff     | 3    | 2      |
| Non-Executive staff | 11   | 5      |
| Total               | 14   | 7      |

### Employee turnover by grade - 2023

| Grade               | Male | Female |
|---------------------|------|--------|
| Executive staff     | -    | -      |
| Non-Executive staff | 2    | -      |
| Total               | 2    | -      |

### Employee turnover by age and gender – 2023

| Age group     | Total | Male | Female |
|---------------|-------|------|--------|
| 18-20 years   | -     | -    | -      |
| 21-30 years   | 2     | 1    | 1      |
| 31-40 years   | -     | -    | -      |
| 41-50 years   | -     | -    | -      |
| 51-55 years   | -     | -    | -      |
| Over 55 years | 2     | 2    | -      |
| Total         | 4     | 3    | 1      |

### Training & development by area of focus - 2023

| Programme                     | No. of sessions |
|-------------------------------|-----------------|
| Workshop on New Audit Act     | 1               |
| Work shop on ISO 9001-2015    | 1               |
| Workshop on Digital Marketing | 1               |

### Age analysis of permanent employees - 2023

|               | Total | %    | Male | %  | Female | %  |
|---------------|-------|------|------|----|--------|----|
| 18-20 years   | -     | -    | -    | -  | -      | -  |
| 21-30 years   | 2     | 4.4  | 1    | 2  | 1      | 2  |
| 31-40 years   | 14    | 31.2 | 7    | 16 | 7      | 16 |
| 41-50 years   | 17    | 37.8 | 15   | 33 | 2      | 4  |
| 51-55 years   | 6     | 13.3 | 5    | 11 | 1      | 2  |
| Over 55 years | 6     | 13.3 | 5    | 11 | 1      | 2  |
| Total         | 45    | 100  | 33   | 73 | 12     | 27 |

### Analysis of employees by types of employment - 2023

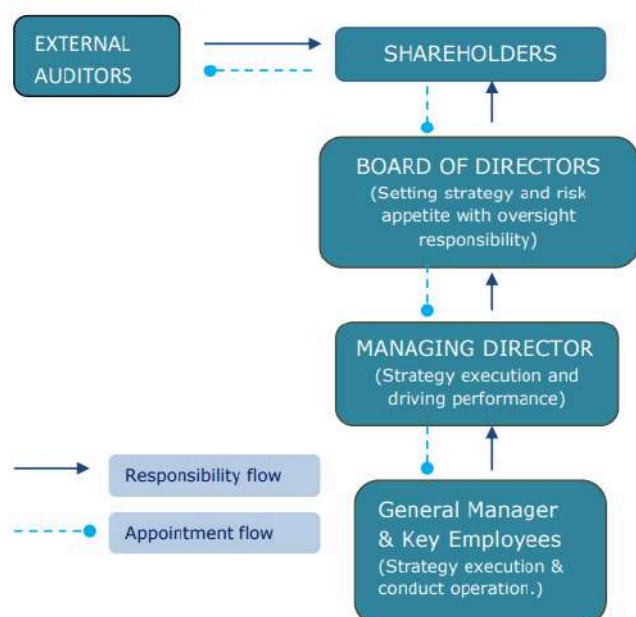
| Type of employment | Total | Male | %  | Female | %  |
|--------------------|-------|------|----|--------|----|
| Permanent          | 44    | 32   | 73 | 12     | 27 |
| Contract           | -     | -    | -  | -      | -  |
| Total              | 44    | 32   | 73 | 13     | 27 |

# CORPORATE GOVERNANCE

The system through which corporate entities are directed, managed and controlled is what we define as Corporate Governance and at Ocean View Development Company (OVDC) we strive to implement this system in an accountable and transparent manner. Our Board collectively takes responsibility for OVDC's success, ensuring stakeholders remain center-stage at all times and following best practice in corporate governance to increase its effectiveness. It is this system that enables delivery of value to OVDC's stakeholder groups, even as the Company derives value from them.

To ensure that the system remains robust, OVDC takes into account the legitimate interests and expectations of all stakeholders, emerging developments and opportunities.

Under the leadership of the Board, we have implemented a sound governance framework across all levels. It consists of a culture built on strong corporate values. A comprehensive code of conduct an efficient operating model and proven performance management system across all levels. Company ensures fairness, transparency and integrity of its Management practices. The Company's governance structure is simply illustrated in the diagram below.



## Governance Framework

### External regulatory Benchmarks

- Company's Act No.07 of 2007
- Sri Lanka Accounting and Auditing Standard Act No.15 of 1995
- Inland Revenue (Amendment) Act No 45 of 2022.
- Shop & Office Act, EPF and ETF Acts, Gratuity payment Act

### Internal Benchmarks

- Article of Association
- Internal Control System
- Assurance of Financial Statements – Independent Audit.

They also charge Management with the responsibility for implementing strategy, driving performance and conducting operations.

In this Corporate Governance Report we outline the Company's governance structure and the extent to which we focus on enhancing shareholder value. We do so while following best practices for maintaining the highest standards of integrity, accountability, transparency and business ethics in the governance of Company activities.

Adhering to principles of good governance is of critical importance to the Company which strives to ensure strict compliance with statutory provisions contained in the Companies Act No. 07 of 2007 and amendments thereto. The Company continuously reviews all systems and procedures to ensure transparency and accountability and continued adherence to the stipulated guidelines.

#### THE BOARD OF DIRECTORS

Our governance structure is derived from an independent, engaged and committed Board of Directors. The governance structure's aim is to satisfy the legitimate claims of all stakeholders and to fulfill the Company's corporate governance responsibilities in a transparent manner.

In overseeing the Company's performance, the Board of Directors acts as representatives of the shareholders ensuring that OVDC continues to operate in the best interest of all stakeholders.

#### THE COMPOSITION OF THE BOARD AND THE BOARD BALANCE

As at December 31, 2023, the Company's Board of Directors consisted of ten eminent personnel from a wide variety of fields. Their expertise range from Business, corporate management and corporate law, real estate Business with varied professional experience, enabling them to successfully direct, lead and control the Company's business activities. The Board is sufficiently diverse to enhance its effectiveness, promote healthy and constructive exchange of views and create an environment where diverse perspectives are embraced

The names and "Executive/Non-Executive" and "Independence" status of the Directors as of December 2023 are as follows.

| Name of the Director             | Executive/Non executive status | Status of Independence |
|----------------------------------|--------------------------------|------------------------|
| Mr Dinith Chinthaka Karunarathna | Non-Executive                  | Independent            |
| Mr.Gawesha Sanirathne            | Non-Executive                  | Independent            |
| Mrs Preethi Neranjala            | Non-Executive                  | Independent            |
| Mr Kapila Padmakumara            | Non-Executive                  | Independent            |
| Mr Piyum Darshana                | Non-Executive                  | Independent            |
| Mrs Dhammika Kumari Pathiraja    | Non-Executive                  | Independent            |
| Mr Eranga Ranathunga             | Non-Executive                  | Independent            |
| Mr. Lalith Wijerathna            | Non-Executive                  | Independent            |
| Mr. Damitha Pushpakumara         | Non-Executive                  | Independent            |
| Mr. Kalum Jayasumana             | Non-Executive                  | Independent            |



## STATUS OF DIRECTORS' ATTENDANCE AT MEETINGS

The names of the Directors and their attendance at Board meetings and Audit & Management Committee meetings

| No. | Name of the director            | Main Board         |          | Audit & Management Committee |                |
|-----|---------------------------------|--------------------|----------|------------------------------|----------------|
|     |                                 | Eligible to attend | Attended | Eligible to attend           | Attended       |
| 01  | Mr Dinith Chinthaka Karunaratna | 12                 | 12       | 4                            | 4              |
| 02  | Mr.Gawesha Sanirathne           | 12                 | 12       | Not Applicable               | Not Applicable |
| 03  | Mrs Preethi Neranjala           | 12                 | 12       | 4                            | 4              |
| 04  | Mr Kapila Padmakumara           | 12                 | 11       | 4                            | 4              |
| 05  | Mr Kalum Jayasumana             | 12                 | 12       | Not Applicable               | Not Applicable |
| 06  | Mrs Dhammika Kumari Pathiraja   | 12                 | 12       | 4                            | 3              |
| 07  | Mr Eranga Ranathunga            | 12                 | 12       | Not Applicable               | Not Applicable |
| 08  | Mr. Lalith Wijerathna           | 12                 | 12       | Not Applicable               | Not Applicable |
| 09  | Mr. Damitha Pushpakumara        | 12                 | 10       | Not Applicable               | Not Applicable |
| 10  | Mr. Piyum Darshana              | 12                 | 11       | Not Applicable               | Not Applicable |



# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## 1. GENERAL

The Directors have pleasure in presenting to the members their Report together with the Audited Financial Statements for the year ended December 31, 2023 of the Ocean View Development Company (Pvt) Ltd, ("the Company") and the Independent Auditors' Report on these Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007 ('the Companies Act') and amendments thereto.

This Report was approved by the Board of Directors on February 28, 2024. The appropriate number of copies of the Annual Report will be submitted to the Auditor General and Ministry of Urban Development & Housing.

The Company is a Private limited liability company incorporated in Sri Lanka on July 13, 1994 under the Companies Act No.17 of 1982 and re-registered as per the requirements of the Companies Act No 07 of 2007, under the Company Registration No. PV 17667.

The registered office of the Company is situated at No. 25 1/2, Station Road Colombo 04, Sri Lanka.

## 2. REVIEW OF BUSINESS

Review on operations of the Company

The "Chairman's Message", "General Manager's Message" and the "Management Discussion and Analysis" appearing on pages 6, 7, and 13 provide an overall assessment on the financial performance and financial position of the Company and the state of the affairs as required by the Section 168 of the Companies Act and the recommended best accounting practices.

### Principal business activities

The nature of the principal business activities of the Company is given in Note 1.2 to the Financial Statements on page 41. There were no significant changes in the nature of the principal business activities of the Company during the financial year under review.

## Financial Statements

The Financial Statements of the Company prepared in compliance with the requirements of the Sections 151 and 168 (1) (b) of the Companies Act, are given on pages 37 to 63.

### Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that the Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 30 to 56 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards.

### Independent Auditors' Report

The "Independent Auditors' Report" on the Financial Statements for the year ended December 31, 2023, is given on pages 30 to 36.

### Significant Accounting Policies and changes during the year

The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are stated on pages 42 to 48. There were no changes to the Accounting Policies adopted by the Company during the year.

### Directors' Remuneration

Directors' remuneration, in respect of the Company for the financial year ended 31 December, 2023 is given in Note 08 to the Financial Statements on page 49 as required by the Section 168 (1) (f) of the Companies Act.

## 3. GROSS INCOME

The gross income of the Company for 2023 was Rs. 138.8 Mn., (Rs. 136.5 Mn., in 2022).

#### 4.DIVIDENDS AND RESERVES

##### Distributable Profit

Details of distributable profit of the Company for the year ended 31 December 2023 are given below:

| For the year ended December 31                                        | 2023<br>Rs. '000 | 2022<br>Rs. '000 |
|-----------------------------------------------------------------------|------------------|------------------|
| Profit from operations for the year                                   | <b>215,003</b>   | 402,508          |
| <b>Profit before tax</b>                                              | <b>225,920</b>   | 413,544          |
| Less: Income Tax Liability                                            | <b>(9,180)</b>   | (6,761)          |
| <b>Net profit after taxation</b>                                      | <b>216,740</b>   | 406,783          |
| less: Cost of acquisition of capital Assets during the year           | <b>(509)</b>     | (100)            |
| Less: Fair Value gain on Investment Property & reversal on impairment | <b>(193,814)</b> | (391,420)        |
| Distributable profit                                                  | <b>22,417</b>    | 15,263           |

##### Provision for taxation

Income tax expense has been computed at the rate of 30% for the year 2023. Given in Note 10 to the Financial Statements on page 50.

The Company has also provided for deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard – LKAS 12 on “Income Taxes”.

##### Dividend on ordinary shares

The Company proposed dividend of 30% of distributable profit for the year 2023, on 28th February 2024 to be paid in year 2024.

##### Reserves

A summary of the Company's reserves is given below:

| As at December 31,                      | 2023<br>Rs. '000 | 2022<br>Rs'000 |
|-----------------------------------------|------------------|----------------|
| Fair Value Reserve –Investment Property | <b>189,365</b>   | 391,419        |
| Retained Earnings                       | <b>15,141</b>    | 15,890         |
| <b>Total</b>                            | <b>204,506</b>   | 407,309        |

#### 5.PROPERTY, PLANT AND EQUIPMENT

Details on Capital expenditure on property, plant and equipment are given in Note 12 to the Financial Statements on page 52.

##### Investment Property

The land and buildings held to earn rental income and for capital appreciation are classified as Investment Property. Investment property is stated at “Fair Value” based on the valuations carried out by professional valuer and the difference between the carrying values and the fair values had been taken to the Income Statement. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of the property.

Details of the investment property are given in Note 14 to the Financial Statements on page 53.

#### 6.INFORMATION ON SHARES

##### Stated capital

The stated capital as at December 31, 2023 was Rs.212Mn. consisting of 212,000 ordinary shares and this remained unchanged during the year under review.

##### Shareholdings

National Housing Development Authority holds 12,000,000 Shares (56.6%) and Urban Development Authority holds 9,200,000 (43.4%)

#### 7.DIRECTORS

##### List of directors

Names of the Directors of the Company as at the end of 2023 are given below:

Mr Dinith Chintaka Karunaratne (Chairman/ Managing Director)  
 Mr Kelum Jayasumana ( Director)  
 Mr Gawesha Sanirathne (Director)  
 Mr Damitha Pushpakumara (Director)  
 Mr Lalith Wijayarathne (Director)  
 Ms Preethi Neranjala (Director)  
 Mr Kapila Padmakumara (Director)  
 Mr Piyum Dharshana (Director)  
 Ms Dhammika Kumari pathiraja (Director)  
 Mr Eranga Ranathunga (Director)



### **Directors' interests in contracts or proposed contracts**

Directors 'do not have any interests in contracts or proposed contracts with the Company, "Related Party Disclosures" are given on Note No. 27.3 to the Financial Statements.

### **8.COMPLIANCE WITH LAWS AND REGULATIONS**

The Company has not engaged in any activities contravening the laws and regulations.

### **9.ENVIRONMENTAL PROTECTION**

The Company has not, to the best of its knowledge, engaged in any activity which is harmful to the environment.

### **10.STATUTORY PAYMENTS**

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments to the Government, other regulatory institutions and related to the employees have been made in time

# REPORT OF THE BOARD AUDIT COMMITTEE

## Composition of the Committee:

| Serial No. | Name                               | Position                    | Position of the Committee |
|------------|------------------------------------|-----------------------------|---------------------------|
| 01         | Mr. Dinith Chintaka Karunaratne    | Chairman/ Managing Director | Committee Chairman        |
| 02         | Mrs. Pathiraja Mudiyansele         | Company Director            | Member                    |
| 03         | Mrs. Preethi Niranjala Ekanayake   | Company Director and Lawyer | Member                    |
| 04         | Mr. Kanewalage Kapila Padma Kumara | Company Director            | Member                    |
| 05         | Mrs . SDRH Senanayaka              | Company Internal Auditor    | Convener                  |

## The following members are nominated as observers for the committee.

- The chief internal auditor of the Ministry of Urban Development and Housing
- An officer from the Audit Generals Department.

## Meeting Attendance

| Director                           | Attendance |
|------------------------------------|------------|
| Mr. Dinith Chintaka Karunaratne    | 4/4        |
| Mrs. Pathiraja Mudiyansele         | 4/4        |
| Mrs. Preethi Niranjala Ekanayake   | 4/4        |
| Mr. Kanewalage Kapila Padma Kumara | 4/4        |

### **Terms of reference:**

According to the public enterprise circular no 55, an AMC should consist of at least (03) three non-executive board members.

### **Primary responsibilities of the Audit Committee include,**

Reviewing the financial reporting systems adopted by the company in the preparation of quarterly and annual financial statements focusing to ensure that the financial statements presented to the Management & External Auditors are reliable constant with the Accounting policies adopted, free from material misstatements and its compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the provisions of the Companies Act of 2007

Review and ensure the adequacy of internal control systems and risk management

Ensure adherence to all policies and procedures set out by the Board of Directors

Monitor the independence and performance of internal and External Audit functions and follow up with the management on their findings and recommendations

### **FINANCIAL REPORTING**

The Board has delegated its responsibility of financial reporting to the Audit Committee. The committee reviewed and approved the Interim financial statements of the Company before it was sent for Board approval and then submitted to the line ministry. Further, the Audit Committee checked and approved the annual financial statements.

The Committee reviewed and discussed Financial Reporting systems adopted by the Company in the preparation of annual financial statements. The main focus is to ensure that the financial statements presented are reliable, consistent with the accounting policies adopted, free from material misstatements, and compliant with the Sri Lanka Accounting Standards (SLFRS/ LKAS) and the provisions of the Companies Act No.7 of 2007.

### **Role of the internal audit**

The role of an internal audit is to provide independent assurance that an organization's risk management, governance, and internal control processes are operating effectively.

### **How it creates value for the organization**

Internal auditors deal with issues that are fundamentally important to the survival and prosperity of any organization. Unlike external auditors, they look beyond financial risks and statements to consider wider issues such as the organization's reputation, growth, its impact on the environment, and the way it treats its employees.

In sum, internal auditors help organizations to succeed. We do this through a combination of assurance and consulting. The assurance part of our work involves communicating with managers and governors about how to design the systems and processes well to keep the organization on track are working. Then, we offer to consult help to improve those systems and processes where necessary.

### **ROLE OF THE AUDIT COMMITTEE**

One of the main functions of the Audit Committee is to review and approve the quarterly financial statements and recommended to the Board of directors to approve the same before submission to Line ministry. Furthermore, the Committee reviews the year the financial statements.

### **Role of the internal audit**

The role of an internal audit is to provide independent assurance that an organization's risk management, governance, and internal control processes are operating effectively.

### **INTERNAL CONTROLS, RISK MANAGEMENT, AND GOING CONCERN**

The Audit Committee is responsible for reviewing the effectiveness of the internal controls as well as risk management procedures adopted by the Company. The Committee also assesses the Company's ability to continue as a going concern in the foreseeable future

### **Regulatory Compliance**

Procedures were in place to ensure compliance with statutory regulations. The Committee reviewed the quarterly compliance to ensure that the Company has complied with all statutory requirements. Furthermore, the Committee monitors and evaluates the letters received from regulatory institutions to ensure compliance.

### **External Audit**

The Company appointed a government auditor as the External Auditor and the Committee reviews the independence, performance, and the objective of such External Auditors.

### **Committee Evaluation:**

An independent evaluation of the effectiveness of the Audit Committee was carried out by the other Members of the Board during the year.

### **Conclusion:**

The Audit Committee is satisfied that the accounting policies, operational controls, and risk management process of the company provide reasonable assurance that the affairs of the company are managed satisfactorily in financial reporting, statutory & regulatory compliance, and safeguarding the assets.





# RISK MANAGEMENT REPORT

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## RISK MANAGEMENT

Risk Management refers to the process of identifying, assessing and managing potential risks in order to minimize the impact they may have on an organisation.

Its' significance is measured in terms of the probability of occurrence. At Ocean View Development, we follow a coordinated effort of application of the resources to monitor and control the probability of avoidance or occurrence of unfortunate events with the view to reduce the impact, thus mitigating the damages.

## OBJECTIVES

- The primary objectives of the Company's risk governance framework and the risk management function are:
- To establish the necessary organisational structure for the management and oversight of risk;
- To develop strategies and execute them for managing risk;
- To institutionalize a strong risk culture within the Company;
- To establish functional responsibility for decisions relating to accepting, transferring, mitigating and minimizing risks and recommending ways of doing so;
- To periodically evaluate the risk exposures on an ongoing basis; and
- To estimate potential losses that could arise from its risk exposures.

## RISK ENVIRONMENT

During the year under review the Company operated in a challenging environment due to economic, social and market changes. The Company had to face a number of unexpected events for e.g. high interest rates resulting in the sale of houses being extremely difficult and economic downturn affecting occupancy rates of tower buildings.

## PLANS FOR 2024

Major initiatives relating to risk governance and risk management for the year 2024 include:

- Evaluate possibility of introducing ERP system.
- Podium area water proofing project

## RISK RATING & MITIGATING STRATEGIES

| Likelihood Key                                                                                                                         | C = Certain   | L = Likely | P = Possible                                                                                                                                                                                                                                                                                                        | U = Unlikely | R =Rare |
|----------------------------------------------------------------------------------------------------------------------------------------|---------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------|
| Impact Key                                                                                                                             | V = Very high | H = High   | M = Medium                                                                                                                                                                                                                                                                                                          | L = Low      |         |
| Risk                                                                                                                                   | Risk Rating   |            | Mitigation strategies                                                                                                                                                                                                                                                                                               |              |         |
|                                                                                                                                        | Likelihood    | Impact     |                                                                                                                                                                                                                                                                                                                     |              |         |
| Strategic Risk                                                                                                                         |               |            |                                                                                                                                                                                                                                                                                                                     |              |         |
| Failure to meet strategic goals                                                                                                        | U             | M          | <ul style="list-style-type: none"><li>Function as per the business plan approved by the Board of Directors<ul style="list-style-type: none"><li>Annual budget is approved by the Board of Directors prior to commencement of respective financial year</li><li>Variances are reviewed regularly</li></ul></li></ul> |              |         |
| Natural Disasters and Fires                                                                                                            |               |            |                                                                                                                                                                                                                                                                                                                     |              |         |
| Natural disasters and fires can cause damage to the property of the Company and thereby have an overall negative impact on the Company | P             | M          | <ul style="list-style-type: none"><li>Insurance policies are taken out to minimise the risk of such disasters</li><li>Regular refilling of fire extinguishers</li></ul>                                                                                                                                             |              |         |
| Credit Risk                                                                                                                            |               |            |                                                                                                                                                                                                                                                                                                                     |              |         |
| Credit risk arises mainly when the Company is unable to collect the rental dues from the tenants on time                               | L             | M          | <ul style="list-style-type: none"><li>A dedicated officer is in place to monitor the debtors regularly, which minimises the risk of default</li></ul>                                                                                                                                                               |              |         |
| Human Capital Risk                                                                                                                     |               |            |                                                                                                                                                                                                                                                                                                                     |              |         |
| The Company will not be able to attract and retain qualified, experienced key staff                                                    | U             | L          | <ul style="list-style-type: none"><li>Create a better working environment</li><li>Continuous training and development relating to the staff</li></ul>                                                                                                                                                               |              |         |

## Risk Management Report

| Risk Management Report                                                                                                     |             |        |                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------|-------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk                                                                                                                       | Risk Rating |        | Mitigation strategies                                                                                                                                                                                                                                                              |
|                                                                                                                            | Likelihood  | Impact |                                                                                                                                                                                                                                                                                    |
| Risk of Fraud                                                                                                              |             |        |                                                                                                                                                                                                                                                                                    |
| Risk due to inadequate internal controls, processes and systems which may lead to misappropriation of the Company's assets | R           | L      | <ul style="list-style-type: none"><li>Implement different levels of authorisation and cross-department recommendation processes to eliminate the risk of fraud.</li></ul>                                                                                                          |
| Interest Rates                                                                                                             |             |        |                                                                                                                                                                                                                                                                                    |
| Risk of increase in the cost of borrowing                                                                                  | R           | L      | <ul style="list-style-type: none"><li>Monitoring and managing the cash flow on a daily basis</li><li>Negotiation of favourable interest rates and terms regarding the borrowings</li></ul>                                                                                         |
| Health & Safety                                                                                                            |             |        |                                                                                                                                                                                                                                                                                    |
| Risk from threats to personnel, staff, tenants                                                                             | U           | M      | <ul style="list-style-type: none"><li>The Company complies with all Industrial Safety Requirements. The Company performs proper training programs and workplace safety practices. The Company has obtained all required Insurance covers pertaining to industrial safety</li></ul> |
| Brand & Reputation Risk                                                                                                    |             |        |                                                                                                                                                                                                                                                                                    |
|                                                                                                                            |             |        | <ul style="list-style-type: none"><li>keeping in mind the safety of its employees, tenants and During the current year, there were no workplace accidents recorded.</li><li>Preventive maintenance programs, e.g. water quality testing</li></ul>                                  |
| Risk relating to timely delivery and service Standards                                                                     | L           | M      | <ul style="list-style-type: none"><li>Maintaining high quality service standards</li><li>Regular reviews of customer comments and feedback</li></ul>                                                                                                                               |
| Key Suppliers                                                                                                              |             |        |                                                                                                                                                                                                                                                                                    |
|                                                                                                                            | U           | M      | <ul style="list-style-type: none"><li>Entered into comprehensive maintenance Agreement for elevators, generators, and other services essential for smooth functioning.</li></ul>                                                                                                   |

# INDEPENDENT AUDITOR'S REPORT

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HUD/A/OVDC/01/2023/09 31 May 2024

Chairman

Ocean View Development Pvt Ltd

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ocean View Development Company Private Limited for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

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## 1. Financial Statements

### 1.1 Qualified Opinion

The audit of the financial statements of the Ocean View Development Company Private Limited (“Company”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### 1.2 Basis for Qualified Opinion

a. Although the deferred tax liability for the year under review was Rs.1,256,262, the current liabilities had been recorded as Rs.4,187,538 in the statement of financial position and the income tax expense for the year was overcalculated by Rs.2,931,276.

b. According to Section 37 of Sri Lanka Accounting Standard No. 38, contingent liability had not been disclosed relating to a case filed by a company in compensation for a sum of Rs.130 million.

c. Although cash flow from operating activities before working capital adjustments in the cash flow statement was Rs. 26,480,572, the institution had shown a sum of Rs.21,147,340. As a result, cash flow from operating activities before working capital adjustments had been understated by Rs.5,333,232

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### 1.3 Other information included in the Company's 2023 Annual Report.

The other information comprises the information included in the Company's 2023 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider



whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2023 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

### 1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

### 1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 the management.

Conclude on the appropriateness of the 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

·my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### 2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year , except for the observations mentioned in section 1.2 (a) as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

**2.2.2** to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

**2.2.3** to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

**2.2.4** to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

### **2.3 Other Matters**

a. There were 21 shops in Park Road building had been sold by the company to Main Land Global Company for a sum of Rs.70,025,000 in 2019. As at the end of the year under review, a sum of Rs. 20,025,000 had been receivable from buyer for that. The buyer had filed a case against the company in the Colombo District Court demanding a compensation of Rs. 130 million due to the fact that cases had been filed against the shops and they could not use the shops due to the non-provision of electricity and water. Also, it was observed that these 21 shops, which were completed in the year 2005, had been closed for 19 years until the audited date of 28 February 2024, as a result of inefficient management decisions.

b. The amount of refundable deposits amounting to Rs.9,125,000 received from investors for the first phase of the Ocean View Podium building had not been settled even though a period of 04 to 08 years had passed. A suitable investor has not been selected for this construction and the construction work had not started.

c. A retained balance amounting to Rs. 2,628,407 included in other payable balances remained unsettled for a period of 03 to 09 years. Further, the retained amount of Rs.2,191,375 for the construction of the Matthegeoda housing project had also not been settled since the year 2014 even though the construction had been completed.

## INDEPENDENT AUDITOR'S REPORT - Continued

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d. At the end of the year under review, the unrecovered debtor balance for a period of 01-05 years was Rs.4,975,913, and the unrecovered debtor balance for a period of 05-11 years was Rs.9,071,144. However, these residents had vacated the rented houses by the audited date and the files relating to an amount of Rs.1,385,526 which was due from the tenants had also been missed.

e. Although 10 months to 06 years had passed since the contracts of 09 housing units were cancelled, it was observed that the rented house owners are staying without entering into new contracts.

f. Withholding tax amounting to Rs.1,697,777 shown under receivables in the financial statements of the company had not been recovered for more than 10 years.

Signed/ W.P.C. Wickramaratne  
Auditor General



# FINANCIAL REPORTS

| OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED                                          |      |                    |                           |
|-------------------------------------------------------------------------------------------|------|--------------------|---------------------------|
| STATEMETN OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME                                |      |                    |                           |
| <i>For the Year Ended 31 December,</i>                                                    |      |                    |                           |
|                                                                                           | Note | 2023<br>Rs.        | 2022<br>Rs.<br>(Restated) |
| Revenue                                                                                   | 6    | 138,840,123        | 136,569,138               |
| Cost of Sales                                                                             | 8    | (24,876,470)       | (47,083,338)              |
| Gross Profit                                                                              |      | <b>113,963,653</b> | <b>89,485,800</b>         |
| Other Income                                                                              | 7    | 194,823,211        | 399,878,809               |
| Administrative Expenses                                                                   | 8    | (93,783,430)       | (86,856,771)              |
| Operating Profit                                                                          |      | <b>215,003,433</b> | <b>402,507,837</b>        |
| Finance Income                                                                            |      | 11,045,324         | 11,584,945                |
| Finance Costs                                                                             |      | (128,938)          | (548,712)                 |
| Net Finance (Cost) Income                                                                 | 9    | <b>10,916,386</b>  | <b>11,036,234</b>         |
| Profit before Tax                                                                         |      | <b>225,919,819</b> | <b>413,544,071</b>        |
| Income Tax Credit/(Expense)                                                               | 10   | (20,720,792)       | (3,979,147)               |
| Profit from Continuing Operations                                                         |      | <b>205,199,028</b> | <b>409,564,924</b>        |
| Other Comprehensive Income                                                                |      |                    |                           |
| Items that may be reclassified to profit or loss                                          |      |                    |                           |
| Revaluation gain on Owner-Occupied Property                                               | 14   | 3,751,140.00       | 11,400,000                |
| Items that will not be reclassified to profit or loss                                     |      |                    |                           |
| Remeasurement (Loss)/Gain on Defined Benefit Liability                                    | 23   | (989,405)          | (988,604)                 |
| Deferred Tax Relating to Remeasurement of Retirement Benefit Obligation                   |      | 296,822            | 296,581                   |
| Other Comprehensive Income for the year                                                   |      | <b>3,058,557</b>   | <b>10,707,977</b>         |
| Total Comprehensive Income for the year                                                   |      | <b>208,257,584</b> | <b>420,272,901</b>        |
| Basic Earnings Per Share                                                                  | 11   | 9.68               | 19.27                     |
| The notes to the Financial Statement form an integral part of these Financial Statements. |      |                    |                           |
| Figures in brackets indicate deductions.                                                  |      |                    |                           |

| OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED                                                                                                                                                           |      |                      |                        |                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|----------------------|------------------------|----------------------|
| STATEMENT OF FINANCIAL POSITION                                                                                                                                                                            |      |                      |                        |                      |
| As at                                                                                                                                                                                                      |      | 12/31/2023           | 12/31/2022<br>Restated | 1/1/2022             |
|                                                                                                                                                                                                            | Note | Rs.                  | Rs.                    | Rs.                  |
| <b>ASSETS</b>                                                                                                                                                                                              |      |                      |                        |                      |
| <b>Non-Current Assets</b>                                                                                                                                                                                  |      |                      |                        |                      |
| Property, Plant and Equipment                                                                                                                                                                              | 12   | 15,904,863           | 18,911,540             | 21,995,384           |
| Intangible Assets                                                                                                                                                                                          | 13   | -                    | -                      | -                    |
| Investment Property                                                                                                                                                                                        | 14   | 3,404,248,861        | 3,214,000,001          | 2,822,400,001        |
| Owner-Occupied Property                                                                                                                                                                                    | 14   | 43,751,140           | 40,000,000             | 28,600,000           |
| Deferred Income Tax Asset                                                                                                                                                                                  | 10   | -                    | 2,256,498              | 758,871              |
|                                                                                                                                                                                                            |      | <b>3,463,904,864</b> | <b>3,275,168,039</b>   | <b>2,873,754,256</b> |
| <b>Current Assets</b>                                                                                                                                                                                      |      |                      |                        |                      |
| Inventories                                                                                                                                                                                                | 15   | 235,316,350          | 244,168,504            | 244,450,590          |
| Trade and Other Receivables                                                                                                                                                                                | 16   | 61,810,294           | 54,796,117             | 52,446,887           |
| Investments Carried at Fair Value Through Profit or Loss                                                                                                                                                   | 17   | 386,615              | 387,935                | 381,050              |
| Held to Maturity Investments                                                                                                                                                                               | 18   | 57,727,719           | 58,930,486             | 76,328,075           |
| Cash and Cash Equivalents                                                                                                                                                                                  | 19   | 42,466,361           | 15,737,082             | 20,950,086           |
| Amount Due from Related Parties                                                                                                                                                                            | 20   | 4,341,529            | 4,341,529              | -                    |
|                                                                                                                                                                                                            |      | <b>402,048,868</b>   | <b>378,361,653</b>     | <b>394,556,688</b>   |
| <b>Total Assets</b>                                                                                                                                                                                        |      | <b>3,865,953,732</b> | <b>3,653,529,693</b>   | <b>3,268,310,944</b> |
| <b>Equity</b>                                                                                                                                                                                              |      |                      |                        |                      |
| Stated Capital                                                                                                                                                                                             | 21   | 212,004,020          | 212,004,020            | 212,004,020          |
| Retained Earnings                                                                                                                                                                                          |      | 3,459,423,016        | 3,257,206,134          | 2,849,894,872        |
| Revaluation Surplus                                                                                                                                                                                        |      | 22,502,640           | 18,751,500             | 7,351,500            |
|                                                                                                                                                                                                            |      | <b>3,693,929,676</b> | <b>3,487,961,654</b>   | <b>3,069,250,392</b> |
| <b>Liabilities</b>                                                                                                                                                                                         |      |                      |                        |                      |
| <b>Non Current Liabilities</b>                                                                                                                                                                             |      |                      |                        |                      |
| Lease Liabilities                                                                                                                                                                                          | 22   | -                    | -                      | 2,555,028            |
| Employee Benefits                                                                                                                                                                                          | 23   | 9,577,557            | 8,672,812              | 8,300,394            |
|                                                                                                                                                                                                            |      | <b>9,577,557</b>     | <b>8,672,812</b>       | <b>10,855,422</b>    |
| <b>Current Liabilities</b>                                                                                                                                                                                 |      |                      |                        |                      |
| Trade and Other Payables                                                                                                                                                                                   | 24   | 154,204,115          | 151,943,010            | 180,984,531          |
| Lease Liabilities                                                                                                                                                                                          | 22   | -                    | 2,555,018              | 3,189,185            |
| Amount due to Related Parties                                                                                                                                                                              | 25   | -                    | -                      | 672,301              |
| Current Income Tax Liabilities                                                                                                                                                                             | 26   | 4,054,846            | 2,397,200              | 3,359,113            |
| Deferred Income Tax Liability                                                                                                                                                                              | 10   | 4,187,538            | -                      | -                    |
|                                                                                                                                                                                                            |      | <b>162,446,499</b>   | <b>156,895,228</b>     | <b>188,205,130</b>   |
| <b>Total Liabilities</b>                                                                                                                                                                                   |      | <b>172,024,056</b>   | <b>165,568,040</b>     | <b>199,060,552</b>   |
| <b>Total Equity and Liabilities</b>                                                                                                                                                                        |      | <b>3,865,953,732</b> | <b>3,653,529,693</b>   | <b>3,268,310,944</b> |
| The notes to the Financial Statement form an integral part of these Financial Statements.                                                                                                                  |      |                      |                        |                      |
| I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.                                                                       |      |                      |                        |                      |
| <br>.....<br><b>Senior Manager - Accounts</b>                                                                           |      |                      |                        |                      |
| The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These financial statements were approved and signed for and on behalf of the Board of Directors. |      |                      |                        |                      |
| <br>.....<br><b>Director</b>                                                                                            |      |                      |                        |                      |
| <br>.....<br><b>Director</b>                                                                                           |      |                      |                        |                      |

**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

*For the Year Ended 31 December,*

|                                                           | Stated Capital     | Retained Earnings    | Revaluation Surplus | Total                |
|-----------------------------------------------------------|--------------------|----------------------|---------------------|----------------------|
|                                                           | Rs.                | Rs.                  | Rs.                 | Rs.                  |
| <b>Balance as at 1 January 2022</b>                       | <b>212,004,020</b> | <b>2,848,333,232</b> | <b>7,351,500</b>    | <b>3,067,688,752</b> |
| <b>Comprehensive Income for the Year</b>                  |                    |                      |                     |                      |
| Profit for the Year                                       |                    | 409,564,924          |                     | 409,564,924          |
| Prior Year Adjustments                                    |                    | -                    |                     | -                    |
| Dividend Paid                                             |                    | (2,289,562)          |                     | (2,289,562)          |
| Other Comprehensive (Expense)/Income                      | -                  | (692,023)            | 11,400,000          | 10,707,977           |
| <b>Total Comprehensive Income for the Year - Restated</b> | <b>212,004,020</b> | <b>406,583,339</b>   | <b>11,400,000</b>   | <b>417,983,339</b>   |
| <b>Balance as at 01 January 2023</b>                      | <b>212,004,020</b> | <b>3,254,916,571</b> | <b>18,751,500</b>   | <b>3,485,672,092</b> |
| <b>Comprehensive Income for the Year</b>                  |                    |                      |                     |                      |
| Profit for the Year                                       | -                  | 205,199,028          |                     | 205,199,028          |
| Other Comprehensive (Expense)/Income                      | -                  | (692,584)            | 3,751,140           | 3,058,557            |
| <b>Total Comprehensive Income for the Year</b>            | <b>-</b>           | <b>204,506,444</b>   | <b>3,751,140</b>    | <b>208,257,584</b>   |
| <b>Balance as at 31 December 2023</b>                     | <b>212,004,020</b> | <b>3,459,423,016</b> | <b>22,502,640</b>   | <b>3,693,929,677</b> |

The notes to the Financial Statement form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*



## OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED

### STATEMENT OF CASH FLOWS

*For the Year Ended 31st December*

|                                                                  | 2023<br>Rs.        | 2022<br>Rs.         |
|------------------------------------------------------------------|--------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>                      |                    | <b>(Restated)</b>   |
| Profit Before Tax                                                | 225,919,819        | 413,544,071         |
| <i>Adjustments for;</i>                                          |                    |                     |
| Depreciation                                                     | 3,176,797          | 3,186,711           |
| Fair Value Gain on Investment Property                           | (189,365,160)      | (391,419,086)       |
| PPE Written off                                                  | 365,062            | -                   |
| Provision of Impairment for Trade & Other Recievables            |                    | 2,794,131           |
| Reversal of Provision for Imparement                             | (4,448,390)        | -                   |
| Decrease in Pre Paid staff Cost                                  | (106,000)          |                     |
| Fair Value Gain/(Loss) form Investments Carried at FVTPL         | (549)              | (16,335)            |
| Provision for Employee Benefits                                  | 1,854,830          | 1,503,527           |
| Interest Expenses                                                | (128,389)          | (532,377)           |
| Income Tax set off                                               | (5,075,355)        | -                   |
| Interest Income                                                  | (11,045,324)       | (11,584,945)        |
| <b>Operating (Loss)/Profit before Working Capital Changes</b>    | <b>21,147,340</b>  | <b>17,475,697</b>   |
| Decrease/(Increase) in Inventories                               | 8,852,154          | 282,086             |
| Decrease/(Increase) in Trade and Other Receivables               | (2,459,787)        | (5,143,360)         |
| Increase/(Decrease) in Trade and Other Payables                  | 2,261,105          | (29,041,522)        |
| Decrease/ (Increase) from Amounts due from Related Parties       | -                  | (5,013,830)         |
| <b>Cash Generated from/(Used in) Operating Activities</b>        | <b>29,800,812</b>  | <b>(21,440,929)</b> |
| Interest Paid                                                    | 128,389            | 532,377             |
| Employee Benefits Paid                                           | (1,939,490)        | (2,119,713)         |
| Income Tax Paid                                                  | (7,246,933)        | (6,142,105)         |
| Dividend Paid                                                    | (2,289,562)        | (1,561,640)         |
| <b>Net Cash Generated from/(Used in) Operating Activities</b>    | <b>18,453,217</b>  | <b>(30,732,010)</b> |
| <b>Cash Flows from Investing Activities</b>                      |                    |                     |
| Purchases of Property, Plant and Equipment                       | (535,180)          | (102,868)           |
| Net proceeds from Investments Carried at FVTPL                   | 1,110              | 26,397              |
| Net proceeds from Investments Carried at Held to Maturity        | -                  | 20,000,000          |
| Interest Received                                                | 12,248,851         | 8,965,587           |
| Additions to Investment Property                                 | (883,700)          | (180,914)           |
| <b>Net Cash (Used in) Investing Activities</b>                   | <b>10,831,081</b>  | <b>28,708,202</b>   |
| <b>Cash Flows from Financing Activities</b>                      |                    |                     |
| Net (payment)/additions of Finance Lease                         | (2,555,018)        | (3,189,195)         |
| <b>Net Cash (Used in)/Generated from Financing Activities</b>    | <b>(2,555,018)</b> | <b>(3,189,195)</b>  |
| Net (Decrease)/Increase in Cash and Cash Equivalents             | 26,729,279         | (5,213,003)         |
| Cash and Cash Equivalent at the beginning of the year            | 15,737,082         | 20,950,085          |
| <b>Cash and Cash Equivalent at the end of the year (Note 19)</b> | <b>42,466,361</b>  | <b>15,737,082</b>   |

The notes to the Financial Statement form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*

## **1. REPORTING ENTITY**

### **1.1 Domicile and Legal form**

The Company was incorporated in Sri Lanka on 13 July 1994 under Section 145 of Companies Act, No: 17 of 1982 and was registered with the Companies Act, No: 07 of 2007. The registered office of the Company is situated at No. 25 ½, Tower Building, Station Road, Bambalapitiya, Colombo 04.

### **1.2 Principal Activities and Nature of Operations**

Principal activity of the Company is the renting of apartments and property development for sale.

### **1.3 Parent Enterprise and Ultimate Parent Enterprise**

The Company is a jointly controlled entity of Urban Development Authority and National Housing Development Authority, which are owned by the Government of Democratic Socialist Republic of Sri Lanka. Accordingly, Urban Development Authority and National Housing Development Authority, hold 43.4% and 56.6% joint controlling power over Ocean View Development Company respectively.

### **1.4 Number of Employees**

The number of employees of the Company as at 31 December 2023 was 45 (2022: 46)

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except following items, which are measured on an alternative basis on each reporting date:

- Investment Carried at Fair Value Through Profit or Loss
- Investment Property is measured at fair value
- Employee benefits

### **2.3 Functional and presentation currency**

The financial statements of the Company is presented in Sri Lankan Rupees, which is the Company's functional currency.

### **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 estimates are revised and in any future period affected.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in these financial statements are included in the following notes.

- Note 3.2.1 - Impairment of Trade Receivables
- Note 3.3.3 - Provision for Depreciation
- Note 3.4 - Amortization of Intangible Assets
- Note 3.10 - Employee Benefit Obligations
- Note 3.11 - Contingent Liabilities
- Note 3.17 - Deferred Taxation

### **a) Measurement of Fair Value**

A number of the Company's accounting policies and disclosures requires the measurement of fair values, for both financial and non-financial assets and liabilities.

Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in fair value hierarchy in which such valuations should be classified.

When measuring the fair of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liability.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Input for the assets or liability that are not based on observable market data (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1 Foreign currency transactions**

Transactions in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate prevailing as at the reporting date. Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates of the transactions.

Non-monetary assets & liabilities that are stated at fair value denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates that the values were determined.

Foreign exchange differences arising on translation are recognized in the Statement of Profit or Loss.

#### **3.2 Financial instruments**

##### **3.2.1 Non derivative financial assets and financial liabilities – Recognition and derecognition**

The company initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities 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 derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

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



### 3.2.2 Non derivative financial assets – Measurement

#### 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. A financial asset at fair value through profit or loss includes investment in Treasury Bills.

#### Held-to-Maturity financial assets

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. A Held-to-maturity financial asset includes investment in Fixed Deposits.

#### Loans and receivables

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. This includes Trade and other receivables and Cash and cash equivalents.

### 3.2.3 Non derivative financial liabilities – Measurement

Non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

## 3.3 Property, plant and equipment

### 3.3.1 Recognition and Measurement

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

### 3.3.2 Subsequent Expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

### 3.3.3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

|                         |          |
|-------------------------|----------|
| Office Equipment        | 10 years |
| Office Furniture        | 10 years |
| Machinery and Equipment | 10 years |
| Motor Vehicles          | 10 years |

Depreciation has been charged from the date the assets are available for use and up to the date of disposal. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### Change in Accounting Estimate

|                           |                                                                                       |
|---------------------------|---------------------------------------------------------------------------------------|
| <b>Name of the Change</b> | Useful life time of the motor vehicles change from 5 years to 10 years from rear 2021 |
|---------------------------|---------------------------------------------------------------------------------------|

# FINANCIAL REPORTS

## 3.3.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognized as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a lease Liability (finance lease obligation). Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

## 3.4 Intangible Assets

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply of goods or services, or for administrative purpose.

### Basis of recognition

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

### Amortization

Intangible assets of the Company include Computer Software which are amortized over their estimated useful economic life on a straight-line basis. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful lives for the current and comparative periods are as follows:

|          |          |
|----------|----------|
| Software | 10 Years |
|----------|----------|

Amortization methods, useful lives and residual values are reviewed at each reporting date.

### De-recognition

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

## 3.5 Investment Property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Company provides ancillary services such as security and maintenance to the occupants of property it holds. Company treats such a property as investment property since the services are insignificant to the arrangement as a whole.

## 3.6 Inventories

Inventories consist of land, completed houses and work in progress as at reporting date.

Inventories are measured at the lower of cost and net realizable value. The cost of Inventories is based on the actual cost, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Work in progress refers to jobs remaining incomplete as at the reporting date and is stated at cost as the finish products in which they will be incorporate are expected to be sold at or above cost. Cost includes all expenditure directly related to specific projects.

### 3.7 Impairment

#### 3.7.1 Non derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor.
- Restructuring of an amount due to the company on terms that the company would not consider otherwise,
- Indications that a debtor or issuer will enter bankruptcy,
- Adverse changes in the payment status of borrowers or issuers,
- The disappearance of an active market for a security because of financial difficulties,
- Observable data indicating that there is a measurable decrease in the expected cash flows from a company of financial assets.

#### Financial assets measured at amortized cost

The company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

#### 3.7.2 Non financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets 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 CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortization, if no impairment loss had been recognized.

### 3.8 Liabilities

Liabilities are recognized in Statement of Financial Position when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economics benefits. Obligation payable on demand or within one year of the reporting date are treated as current liabilities in the Statement of Financial Position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the Statement of Financial Position.

### 3.9 Provisions

A provision is recognized in the Statement of Financial Position 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 benefit will be required to settle the obligation.

### 3.10 Employee Benefits

#### a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

Employees are eligible for Employees' Provident Fund contributions and Employees Trust Fund contributions in line with respective statutes and regulations. The Company contributes 15 per cent and 3 per cent of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively

#### b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983. The liability recognized in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 -'Employee Benefits' Such actuarial valuations will be carried out every year. The liability is not externally funded. All Actuarial gains or losses are recognized under other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

### 3.11 Capital commitments & contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitment and contingent liabilities of the Company are disclosed in the respective notes to the Financial Statements.

### 3.12 Events after the reporting date

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

## STATEMENT OF COMPREHENSIVE INCOME

### 3.13 Revenue

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.



#### **a) Rental Income**

Rental income from investment properties is recognized on a straight-line basis over the respective lease term.

#### **b) Service Charges, Antenna Income and Parking Income**

Income is recognized on accrual basis. The Revenue represents the invoiced value of services rendered to customers.

#### **c) Income from the Sale of Houses**

Revenue from the Sale of Houses is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

#### **d) Construction Contracts**

Construction contract revenue recognized results from the development of a number of housing units for some of the company's customers. These housing units are constructed based on specifically negotiated contracts with customers. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

### **3.14 Other Income**

Other income is recognized on an accrual basis.

### **3.15 Expenses**

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

The profit earned by the company before taxation as shown in the Statement of Profit or loss and Other Comprehensive Income is after making provision for all known liabilities and for the depreciation of property, plant & equipment.

### **3.16 Finance Income and Costs**

Finance income comprises gross interest income on the loan given to staff, fixed deposits and treasury bills. Interest income is recognized as it accrues in the Statement of Comprehensive Income.

Finance cost comprise interest expense on lease, Interest on investor's fund, Fair value loss of financial assets.

### **3.17 Income Tax**

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Tax expense is recognized directly in Statement of Profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in Other Comprehensive Income.





#### **a) Current income tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

#### **b) Deferred income tax**

Deferred tax is provided using the liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date. Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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.

### **3.18 Basic Earnings per Share**

The Company presents basic 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 in issue during the period.

## **4. STATEMENT OF CASHFLOW**

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of Statement of Cash Flow.

## **5. COMPARATIVE INFORMATION**

The comparative information is re classified wherever necessary to confirm with the current year's presentation in order to provide a better presentation.

| OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED                            |                    |                    |
|-----------------------------------------------------------------------------|--------------------|--------------------|
| NOTES TO THE FINANCIAL STATEMENTS                                           |                    |                    |
| For the Year Ended 31 <sup>st</sup> December                                |                    |                    |
|                                                                             | 2023<br>Rs.        | 2022<br>Rs.        |
| <b>6 Revenue</b>                                                            |                    |                    |
| Investment Property Rentals                                                 | 69,850,868         | 57,191,308         |
| Service Charges                                                             | 4,481,863          | 3,815,833          |
| Antenna Income                                                              | 36,392,411         | 34,833,361         |
| Parking Income                                                              | -                  | 45,000             |
| Equipment Room Income                                                       | 2,710,262          | 2,183,636          |
| Income from Sale of Houses- Kahathuduwa                                     | 17,251,078         | 38,500,000         |
| Income from Sale of Land -                                                  | 8,153,642          | -                  |
|                                                                             | <b>138,840,123</b> | <b>136,569,138</b> |
| <b>7 Other Income</b>                                                       |                    |                    |
| Increase in Fair Value of Investment Property (Note 14)                     | 189,365,160        | 391,419,086        |
| Legal Fees                                                                  | 904,914            | 2,229,718          |
| Other Income                                                                | 104,747            | 6,230,005          |
| Reversal of Provision of Impairment                                         | 4,448,390          | -                  |
|                                                                             | <b>194,823,211</b> | <b>399,878,809</b> |
| <b>8 Expenses by Nature</b>                                                 |                    |                    |
| The following items have been charged in arriving at operating profit:      |                    |                    |
| Depreciation Expenses                                                       | 3,176,797          | 3,186,711          |
| Amortization of Intangible assets                                           | -                  | -                  |
| Personnel Costs (Note 08.1)                                                 | 54,983,513         | 51,203,736         |
| Auditors' Remuneration                                                      | 792,600            | 1,134,993          |
| Professional Charges                                                        | 1,099,873          | 621,990            |
| Directors' Remuneration                                                     | 3,491,000          | 2,675,000          |
| Chairman's Emoluments                                                       | 1,460,845          | 1,434,390          |
| Legal fee                                                                   | 1,950,028          | 1,140,000          |
| Sales Commission                                                            | -                  | 100,000            |
| Insurance                                                                   | 1,576,876          | 1,599,648          |
| Printing & Stationary                                                       | 1,345,819          | 1,102,970          |
| Project expenses                                                            | 6,650              | 58,671             |
| Repair and maintenance (Electrical Eqp. Maint., Vehicle Maint, Lift Maint.) | 3,282,740          | 3,095,780          |
| Site expenses                                                               | 2,031,431          | 3,600,512          |
| Travelling expenses                                                         | 1,464,356          | 2,123,353          |
| Utility expenses                                                            | 11,710,690         | 4,893,874          |
| Provision for Doubtful debts                                                | -                  | 6,378,310          |
| Other Expenses                                                              | 5,410,214          | 2,506,833          |
| <b>Total Administrative Expenses</b>                                        | <b>93,783,430</b>  | <b>86,856,771</b>  |
| <b>Cost of Sales</b>                                                        |                    |                    |
| Cost of Sales - Kahathuduwa Housing Project                                 | 7,161,407          | 27,957,040         |
| Cost of Sales - Building Repaires                                           | 10,646,785         | 15,033,298         |
| Cost of Sales - Security Expenses                                           | 4,149,119          | 4,093,000          |
| Cost of Sales - Land -Mattegoda                                             | 2,919,158          | -                  |
| <b>Total Cost of Sales</b>                                                  | <b>24,876,470</b>  | <b>47,083,338</b>  |
| <b>Total Cost of Sales and Administrative Expenses</b>                      | <b>118,659,901</b> | <b>133,940,109</b> |
| <b>8.1. Personnel Costs</b>                                                 |                    |                    |
| Salaries and Other Related Costs                                            | 47,655,708         | 45,552,857         |
| Employee Benefits                                                           | 3,096,965          | 1,147,342          |
| EPF                                                                         | 3,525,458          | 3,753,189          |
| ETF                                                                         | 705,382            | 750,348            |
|                                                                             | <b>54,983,513</b>  | <b>51,203,736</b>  |

**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*For the Year Ended 31<sup>st</sup> December*

|                                                                 | 2023<br>Rs.       | 2022<br>Rs.<br>Restated |
|-----------------------------------------------------------------|-------------------|-------------------------|
| <b>9 Net Finance (Expenses)/Income</b>                          |                   |                         |
| <b>Finance Income</b>                                           |                   |                         |
| Interest Income on:                                             |                   |                         |
| Financial Assets Measured at Fair Value through Profit and Loss | 57,195            | 40,970                  |
| Held-to-Maturity Investments                                    | 10,567,194        | 11,118,810              |
| Loans and receivables                                           | 420,935           | 425,165                 |
|                                                                 | <b>11,045,324</b> | <b>11,584,945</b>       |

Interest income from loans and receivables amounted to Rs. 420,935 and loan balance amounted to Rs. 3,750,691 in the current financial year before adjusting the fair value gain or loss at initial recognition. Present value of future cash flows discounted at market rates at the time of initial recognition as at 31 December 2023 is Rs. 3,167,079. Hence, the difference between current loan balance and the present value of future cash flows discounted at market rates at the time of initial recognition is previously recognised as 689,612 difference is recognised as a gain in the current financial year.

**Finance Costs**

|                                                                                                      |                   |                   |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Increase/(Decrease) in Fair Value of Financial Assets Measured at Fair Value through Profit and Loss | (549)             | (16,335)          |
| Interest on Lease                                                                                    | (128,389)         | (532,377)         |
|                                                                                                      | <b>(128,938)</b>  | <b>(548,712)</b>  |
|                                                                                                      | <b>10,916,386</b> | <b>11,036,234</b> |

**10 Income Tax (Credit)/Expense**

|                                             |                   |                  |
|---------------------------------------------|-------------------|------------------|
| Current Taxation                            | 9,180,425         | 6,761,558        |
| Prior year (Over)/Under provision (Note 26) | 4,799,509         | (1,581,366)      |
| Deferred Tax credit                         | 6,740,858         | (1,201,046)      |
|                                             | <b>20,720,792</b> | <b>3,979,147</b> |

**10.1. Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable**

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Profit Before Tax                      | 225,919,819      | 413,544,071      |
| Aggregate Disallowed Expenses          | 5,819,289        | 9,389,977        |
| Aggregate Other Sources of Income      | (11,045,324)     | (11,159,780)     |
| Aggregate Allowable Expenses           | (201,137,694)    | (410,891,243)    |
| Total Statutory Income / from business | 19,556,090       | 883,025          |
| Non Business Income                    | 11,045,324       | 11,159,780       |
| Total Statutory Income                 | 30,601,414       | 12,042,805       |
| Loss set off during the period         | -                | -                |
| Taxable Income                         | 30,601,414       | 12,042,805       |
| Income Tax @30%                        | 9,180,424        | 1,806,421        |
| Income Tax @24%                        | -                | 1,445,137        |
|                                        | <b>9,180,424</b> | <b>3,251,558</b> |



**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10.2. Income Tax (Credit)/Expense (Contd)**

| <i>As at 31<sup>st</sup> December</i> | <b>2023</b>                 |                    | <b>2022</b>                 |                   |
|---------------------------------------|-----------------------------|--------------------|-----------------------------|-------------------|
|                                       | <b>Temporary Difference</b> | <b>Tax Effect</b>  | <b>Temporary Difference</b> | <b>Tax Effect</b> |
|                                       | <b>Rs.</b>                  | <b>Rs.</b>         | <b>Rs.</b>                  | <b>Rs.</b>        |
| On Property, Plant and Equipment      | (13,765,095)                | (4,129,529)        | (1,151,155)                 | (345,346)         |
| On Employee Benefits Obligations      | 9,577,557                   | 2,873,267          | 8,672,812                   | 2,601,844         |
|                                       | <b>(4,187,538)</b>          | <b>(1,256,262)</b> | <b>7,521,657</b>            | <b>2,256,498</b>  |

Movement in the deferred tax liability as follows,

|                                                                  | <b>2023</b>        | <b>2022</b>      |
|------------------------------------------------------------------|--------------------|------------------|
|                                                                  | <b>Rs.</b>         | <b>Rs.</b>       |
|                                                                  |                    | <b>Restated</b>  |
| Opening Deferred Tax Asset                                       | 2,256,498          | 758,871          |
| Deferred Tax liability Recognised in Statement of Profit or Loss | (6,740,858)        | 1,201,046        |
| Deferred Tax Asset Recognised in Other Comprehensive Income      | 296,822            | 296,581          |
| Closing Deferred Tax Liability                                   | <b>(4,187,538)</b> | <b>2,256,498</b> |

**11 Basic Earnings per Share**

The basic earning per share is computed based on the net profit attributable to equity share holders of the Company divided by the weighted average number of ordinary shares in issue during the year as required by LKAS 33 "Earnings per Share".

| <i>For the Year Ended 31<sup>st</sup> December</i>   | <b>2023</b> | <b>2022</b> |
|------------------------------------------------------|-------------|-------------|
|                                                      | <b>Rs.</b>  | <b>Rs.</b>  |
| Profit Attributable to Equity Holders of the Company | 205,199,028 | 408,594,452 |
| Weighted Average Number of Ordinary Shares in Issue  | 21,200,402  | 21,200,402  |
| Basic Earnings per Share (Rs.)                       | 9.68        | 19.27       |

**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31st December*

**12 Property, Plant and Equipment**

|                                            | <b>Motor Vehicles - Freehold</b> | <b>Right of Use Assets</b> | <b>Office Equipment</b> | <b>Office Furniture</b> | <b>Machinery and Equipment</b> | <b>Total</b>      | <b>Total 2021</b> |
|--------------------------------------------|----------------------------------|----------------------------|-------------------------|-------------------------|--------------------------------|-------------------|-------------------|
|                                            | <b>Rs.</b>                       | <b>Rs.</b>                 | <b>Rs.</b>              | <b>Rs.</b>              | <b>Rs.</b>                     | <b>Rs.</b>        | <b>Rs.</b>        |
| <b>Cost</b>                                |                                  |                            |                         |                         |                                |                   |                   |
| Opening Balance 1 January                  | 25,016,145                       | 23,733,000                 | 2,326,549               | 6,565,907               | 7,243,619                      | 64,885,220        | 64,782,352        |
| Additions                                  | -                                | -                          | 185,000                 | 315,900                 | 34,280                         | 535,180           | 102,868           |
| Transferred to Freehold Asset              | 23,733,000                       | (23,733,000)               |                         |                         |                                | -                 | -                 |
| Disposals                                  | -                                | -                          | -                       | -                       | -                              | -                 | -                 |
| Written off                                | -                                | -                          | (549,210)               | (22,250)                | (1,518,315)                    | (2,089,775)       | -                 |
| Closing Balance 31 December                | <b>48,749,145</b>                | <b>-</b>                   | <b>1,962,339</b>        | <b>6,859,557</b>        | <b>5,759,584</b>               | <b>63,330,625</b> | <b>64,885,220</b> |
| <b>Accumulated Depreciation</b>            |                                  |                            |                         |                         |                                |                   |                   |
| Opening Balance 1 January                  | 25,016,145                       | 9,991,117                  | 1,328,728               | 4,216,822               | 5,420,868                      | 45,973,679        | 42,786,968        |
| Prior Period Adjustment                    | -                                | -                          | -                       | -                       | -                              | -                 | -                 |
| Opening Balance 1 January (Re Stated)      | 25,016,145                       | 9,991,117                  | 1,328,728               | 4,216,822               | 5,420,868                      | 45,973,679        | 42,786,968        |
| Charge for the Period                      | 12,016,866                       | 2,025,749                  | 156,960                 | 602,696                 | 391,392                        | 3,176,796         | 3,186,711         |
| Transferred to Accumulated depreciation MV | -                                | (12,016,866)               | -                       | -                       | -                              | -                 | -                 |
| Written off                                | -                                | -                          | (321,605)               | (22,250)                | (1,380,859)                    | (1,724,713)       | -                 |
| Closing Balance 31 December                | <b>37,033,011</b>                | <b>-</b>                   | <b>1,164,084</b>        | <b>4,797,267</b>        | <b>4,431,401</b>               | <b>47,425,762</b> | <b>45,973,679</b> |
| <b>Net Carrying Value</b>                  |                                  |                            |                         |                         |                                |                   |                   |
| As at 31 December 2023                     | <b>11,716,134</b>                | <b>-</b>                   | <b>798,255</b>          | <b>2,062,290</b>        | <b>1,328,183</b>               | <b>15,904,863</b> |                   |
| As at 31 December 2022                     | <b>-</b>                         | <b>13,741,883</b>          | <b>997,821</b>          | <b>2,349,085</b>        | <b>1,822,751</b>               |                   | <b>18,911,540</b> |

**12.1 Fully Depreciated Assets**

Property, Plant and equipments of the Company includes fully depreciated assets having gross carrying amount of Rs.27,917,752 which are still in use as at reporting date.



**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31<sup>st</sup> December*

|                                 | 2023<br>Rs.          | 2022<br>Rs.          |
|---------------------------------|----------------------|----------------------|
| <b>13 Intangible Assets</b>     |                      |                      |
| <b>Cost</b>                     |                      |                      |
| Opening Balance                 | 218,025              | 218,025              |
| Additions                       | -                    | -                    |
| Closing Balance                 | 218,025              | 218,025              |
| <b>Accumulated Amortization</b> |                      |                      |
| Opening Balance                 | 218,025              | 218,025              |
| Amortisation for the Year       | -                    | -                    |
| Closing Balance                 | 218,025              | 218,025              |
| <b>Carrying Value</b>           | -                    | -                    |
| <b>14 Investment Property</b>   | <b>Rs.</b>           | <b>Rs.</b>           |
| Opening Balance                 | 3,214,000,001        | 2,822,400,001        |
| Acquisitions                    | 883,700              | 180,914              |
| Change in Fair Value            | 189,365,160          | 391,419,086          |
| <b>Closing Balance</b>          | <b>3,404,248,861</b> | <b>3,214,000,001</b> |
| <b>Owner-Occupied Property</b>  | <b>Rs.</b>           | <b>Rs.</b>           |
| Opening Balance                 | 40,000,000           | 28,600,000           |
| Change in Fair Value            | 3,751,140            | 11,400,000           |
| <b>Closing Balance</b>          | <b>43,751,140</b>    | <b>40,000,000</b>    |

The Investment Property and owner-occupied property represents the land and building situated at No. 25 1/2, Tower Building, Station Road, Bambalapitiya, Colombo 4. Company earns rental income by renting out apartments and office premises. The amount earned during the year is disclosed under Note 06 to this financial statement. The amount expensed during the year is disclosed under the Note 08 to this financial statement.

This investment property and owner-occupied property were received based on an agreement with Urban Development Authority of Sri Lanka on an annual rental of Rs. 100 to carry on business activities for a period of 99 years commencing from 01 January 1996.

**Measurement of fair value**

**i) Fair value hierarchy**

The fair value of investment property and owner-occupied property was determined by Ms. Wathsala Wickramanayake MRICS of WikiFrank Chartered Valuers (Pvt) Ltd an independent, external, qualified valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued as at 31 December 2023.

Fair value of owner occupied property is being calculated every year on proportionately basis of area being occupied by the owner (5000 Sq. Ft) and the resulting revaluation surplus or loss recognised separately.

The inputs to the fair value measurement of the investment property and owner-occupied property have been categorised as a level 3 inputs to the valuation technique used.

**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**ii) Valuation technique and significant unobservable inputs**

The following table shows the valuation technique used in measuring the fair value of investment property and owner-occupied property, as well as the significant unobservable inputs used.

| Valuation Technique | Unobservable Inputs and Fair Value |
|---------------------|------------------------------------|
| Open Market Value   | Positive correlated sensitivity    |
| Contractor's Method | Positive correlated sensitivity    |

| 15 Inventories                           | 2023<br>Rs.               | 2022<br>Rs.               |
|------------------------------------------|---------------------------|---------------------------|
| <b>Land and Completed Houses</b>         |                           |                           |
| Park Road Housing Project                | 25,150,183                | 25,150,183                |
| Kahathuduwa Housing Project              | -                         | 46,221,925                |
| Maththegoda Housing Project              | 10,343,909                | 13,263,067                |
| Delkanda Land                            | 107,259,701               | 107,259,701               |
|                                          | <u>142,753,793</u>        | <u>191,894,877</u>        |
| <b>Work in Progress - Preoperational</b> |                           |                           |
| Maligawatta Housing Project              | 934,683                   | 934,683                   |
| Nuwara Eliya Site (Prospective)          | 10,954,477                | 10,954,477                |
| Kahathuduwa Phase II                     | 80,673,398                | 40,384,469                |
|                                          | <u>92,562,558</u>         | <u>52,273,629</u>         |
| <b>Total Inventories</b>                 | <u><u>235,316,350</u></u> | <u><u>244,168,505</u></u> |

**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31<sup>st</sup> December*

|                                                                      | <b>2023</b>       | <b>2022</b>       |
|----------------------------------------------------------------------|-------------------|-------------------|
|                                                                      | <b>Rs.</b>        | <b>Rs.</b>        |
| <b>16 Trade and Other Receivables</b>                                |                   |                   |
| Trade Receivables                                                    | 80,104,196        | 77,751,424        |
| Less : Provision for Impairment (Note 16.1)                          | (28,023,885)      | (32,815,383)      |
|                                                                      | <b>52,080,311</b> | <b>44,936,041</b> |
| Prepayments                                                          | 2,650,657         | 2,772,913         |
| Advances given to Staff                                              | 116,000           | 115,500           |
| WHT Receivables                                                      | 1,697,777         | 1,607,298         |
| Loans given to Staff                                                 | 3,167,079         | 3,089,775         |
| Rental Equalization Reserve                                          | 1,005,101         | 857,942           |
| Other Receivables                                                    | 1,093,369         | 1,416,648         |
|                                                                      | <b>9,729,983</b>  | <b>9,860,076</b>  |
|                                                                      | <b>61,810,294</b> | <b>54,796,117</b> |
| <b>Loans Given to Staff</b>                                          |                   |                   |
| Fair Value of Staff Loans                                            | 3,167,079         | 3,089,775         |
| Pre-Paid Cost                                                        | 583,612           | 689,612           |
|                                                                      | <b>3,750,691</b>  | <b>3,779,387</b>  |
| <b>16.1. Provision for Impairment</b>                                |                   |                   |
| Opening Balance                                                      | 32,815,383        | 30,021,252        |
| Write off                                                            | (343,108)         | -                 |
| (Reversal)/Provision for the year                                    | (4,448,390)       | 2,794,131         |
| Closing Balance                                                      | <b>28,023,885</b> | <b>32,815,383</b> |
| <b>17 Investments Carried at Fair Value Through Profit or Loss</b>   |                   |                   |
| Investment in Treasury Bills                                         | 363,466           | 379,813           |
| Interest Receivables                                                 | 23,698            | 24,457            |
| Fair Value Gain/ (Loss)                                              | (549)             | (16,335)          |
|                                                                      | <b>386,615</b>    | <b>387,935</b>    |
| <b>18. Held to Maturity Investments</b>                              |                   |                   |
| <b>Current Assets</b>                                                |                   |                   |
| Investment in Fixed Deposit -maturity within one year                | 56,000,000        | 56,000,000        |
| Interest Receivables for Fixed Deposit maturity within one year      | 1,727,719         | 2,930,486         |
|                                                                      | <b>57,727,719</b> | <b>58,930,486</b> |
| <b>19. Cash and Cash Equivalents</b>                                 |                   |                   |
| Cash at Bank                                                         | 39,040,630        | 14,652,910        |
| Cash in Hand                                                         | 3,425,731         | 1,084,172         |
| Cash and Cash Equivalents for the Purpose of Statement of Cash Flows | <b>42,466,361</b> | <b>15,737,082</b> |
| <b>20 Amount Due from Related Parties</b>                            |                   |                   |
| Urban Development Authority Receivable                               | 4,341,529         | 4,341,529         |
|                                                                      | <b>4,341,529</b>  | <b>4,341,529</b>  |



**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31<sup>st</sup> December*

|                                         | 2023<br>Rs.        | 2022<br>Rs.        |
|-----------------------------------------|--------------------|--------------------|
| <b>21. Stated Capital</b>               |                    |                    |
| Issued and Fully Paid 21,200,402 Shares | 212,004,020        | 212,004,020        |
|                                         | <b>212,004,020</b> | <b>212,004,020</b> |

**22. Loans & Borrowings**

**22.1. Finance Lease Obligations**

|                     |          |                  |
|---------------------|----------|------------------|
| Current Liabilities | -        | 2,555,018        |
|                     | <b>-</b> | <b>2,555,018</b> |

|                    | Future Minimum Lease Payments |                  | Interest |                  | Present Value of Minimum Lease Payments |                  |
|--------------------|-------------------------------|------------------|----------|------------------|-----------------------------------------|------------------|
|                    | 2023                          | 2022             | 2023     | 2022             | 2023                                    | 2022             |
| Less than one year | -                             | 2,683,417        | -        | (128,399)        | -                                       | 2,555,018        |
|                    | <b>-</b>                      | <b>2,683,417</b> | <b>-</b> | <b>(128,399)</b> | <b>-</b>                                | <b>2,555,018</b> |

**23. Employee Benefits**

|                                     | 2023<br>Rs       | 2022<br>Rs       |
|-------------------------------------|------------------|------------------|
| Opening Balance                     | 8,672,812        | 8,300,394        |
| Interest Cost                       | 1,214,194        | 954,545          |
| Current Service Cost                | 640,636          | 548,982          |
| Actuarial Loss/(Gain)               | 989,405          | 988,604          |
| Payments/accruals during the Period | (1,939,490)      | (2,119,713)      |
| Closing Balance                     | <b>9,577,557</b> | <b>8,672,812</b> |

**23.1.** The Gratuity Liability as at 31 December 2023 is made based on an actuarial valuation carried out by Mr.Poopalanathan, AIA, of M/s. Actuarial and Management Consultants (Private) Limited, as recommended by Sri Lanka Accounting Standard LKAS 19 - "Employee Benefits". The "Projected Unit Credit" method has been used in this valuation.

**23.2. The Actuarial assumptions**

The following were the principal actuarial assumptions used as at the reporting date

|                          | 2023     | 2022     |
|--------------------------|----------|----------|
| Discount Rate            | 14%      | 14%      |
| Rate of Salary Increment | 7.5%     | 7.5%     |
| Employee Turnover Factor | 3%       | 3%       |
| Retirement Age           | 57 Years | 57 Years |

**23.3. Sensitivity Analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions.holding other assumptions are constant, would have affected the employee benefits obligation by the movements shown below.

|                             | 2023        |             | 2022        |             |
|-----------------------------|-------------|-------------|-------------|-------------|
|                             | Increase    | Decrease    | Increase    | Decrease    |
| Discount Rate (1%)          | (9,008,841) | 10,215,187  | (8,173,460) | 9,235,506   |
| Salary Escalation Rate (1%) | 10,242,530  | (8,979,573) | 9,306,577   | (8,104,344) |

**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31<sup>st</sup> December*

|                                              |                    |                    |
|----------------------------------------------|--------------------|--------------------|
| <b>24. Trade and Other Payables</b>          | <b>2023</b>        | <b>2022</b>        |
| Advances                                     | 76,826,154         | 76,823,382         |
| Refundable Deposit from tenants (Note 24.1)  | 51,423,515         | 51,423,515         |
| Other Refundable Deposit                     | 11,129,799         | 12,181,299         |
| Dividend Payable                             | 910,840            | 910,840            |
| Other Payables                               | 10,603,974         | 10,603,974         |
|                                              | <b>150,894,283</b> | <b>151,943,010</b> |
| <b>24.1. Refundable Deposit from Tenants</b> |                    |                    |
| Opening Balance                              | 51,423,515         | 46,481,336         |
| During the year Receipts                     | 6,031,955          | 12,126,007         |
| During the year Settlements                  | (4,386,656)        | (7,183,829)        |
| Closing Balance                              | <b>53,068,814</b>  | <b>51,423,515</b>  |
| <b>25 Amount due to Related Parties</b>      |                    |                    |
| Urban Development Authority                  | -                  | -                  |
| National Housing Development Authority       | -                  | -                  |
|                                              | <b>-</b>           | <b>-</b>           |
| <b>26 Current Income Tax Liabilities</b>     |                    |                    |
| Opening Balance                              | 2,397,200          | 3,359,113          |
| Prior Year (Over)/Under adjustment           | 4,799,509          | (1,581,366)        |
| Provision for the period                     | 9,180,425          | 6,761,558          |
| Set off                                      | (5,075,355)        | -                  |
| Payment                                      | (7,246,933)        | (6,142,105)        |
|                                              | <b>4,054,846</b>   | <b>2,397,200</b>   |



**OCEAN VIEW DEVELOPMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**27. Related Party Disclosures**

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS - 24 "Related Party Disclosures". The details of which are given below.

**27.1 Transactions with the Government of Sri Lanka**

Ocean View Development Company (Private) Limited is a jointly controlled entity of Urban Development Authority and National Housing Development Authority, which are owned by the Government of Democratic Socialist Republic of Sri Lanka. Accordingly, Urban Development Authority and National Housing Development Authority, hold 43.4% and 56.6% joint controlling power over Ocean View Development Company respectively.

The Government of Sri Lanka indirectly holds 100% of the voting rights of the Company as at 31st December 2023 through Urban Development Authority and National Housing Development Authority. The Company has considered the Government of Sri Lanka as a Related Party according to LKAS 24 "Related Party Disclosures".

**27.1.1 Transactions which are not Individually Significant**

Ocean View Development Company (Private) Limited has carried out transactions with the Government of Sri Lanka and Other Government related entities in the form of payments of tax, payments to the employee trust fund and provident funds, payment of utility bills, etc. However, such transactions are not collectively significant.

**27.2 Transactions with Key Management Personnel**

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

The compensation paid to KMP as short term employment benefits is disclosed in aggregate in Note 08 to the financial statements.

*As at 31<sup>st</sup> December*

|                              | 2023<br>Rs.      | 2022<br>Rs.      |
|------------------------------|------------------|------------------|
| Short term Employee Benefits | 5,756,845        | 4,759,390        |
|                              | <b>5,756,845</b> | <b>4,759,390</b> |

**27.3 Transactions with Related Entities**

| Name of the Company                    | Relationship     | Nature of the Transactions | Amount      |             | Balance as at |             |
|----------------------------------------|------------------|----------------------------|-------------|-------------|---------------|-------------|
|                                        |                  |                            | 2023<br>Rs. | 2022<br>Rs. | 2023<br>Rs.   | 2022<br>Rs. |
| Urban Development Authority            | Joint Controller | Settlements                | -           | -           | 4,341,529     | 4,341,529   |
| National Housing Development Authority | Joint Controller | Settlements                | -           | -           | -             | -           |

A land and residence possessed by Mr.D.J.Sawarimuththu was acquired by Urban Development Authority in 1987. Following the acquisition he has been relocated to apartment 01-D in Ocean Tower Building. Subsequently Mr.Dominic institute a legal action against UDA in the Court of appeal in order to claim the ownership of the property. The UDA is bound to honor the terms of settlement entered between the parties and according to which the arrears in rent for the Apartment No. 01-D occupied by Mr. Dominic needs to be paid to the Ocean View Development Company (Pvt) Ltd. However UDA Board of Management has decided to set off arrears in rent of Rs.15,099,443 against the current account balance of Rs.10,085,613 as per the UDA accounts and retained the balance payable to OVDC against Dividends. OVDC adjust their books of accounts after setting off amount payable to UDA of Rs.672,301, from resulting amount receivable from above entries by UDA in year 2022 which is Rs.4,341,529

28. Financial Instruments - Assets Classification and Fair values of the assets

28.1. Financial assets by categories

Following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in fair value hierarchy

| As at 31st December         | Carrying Value                                       |                                         |                                  |             |                       | Fair Value                                           |                                         |                                 |             |         |         |         |
|-----------------------------|------------------------------------------------------|-----------------------------------------|----------------------------------|-------------|-----------------------|------------------------------------------------------|-----------------------------------------|---------------------------------|-------------|---------|---------|---------|
|                             | 2023                                                 |                                         |                                  | 2022        |                       | 2023                                                 |                                         |                                 | 2022        |         |         |         |
|                             | Financial Assets at Fair Value Through Profit & Loss | Available for - sale - financial assets | Held - to - maturity investments | Total       | Loans and Receivables | Financial Assets at Fair Value Through Profit & Loss | Available for - sale - financial assets | Hdd - to - maturity investments | Total       | Level 1 | Level 2 | Level 3 |
| Financial Instruments       |                                                      |                                         |                                  |             |                       |                                                      |                                         |                                 |             |         |         |         |
| Trade and Staff Receivables | 83,271,275                                           | -                                       | -                                | 83,271,275  | 80,841,199            | -                                                    | -                                       | -                               | 80,841,199  | -       | -       | -       |
| Investments                 | -                                                    | 386,615                                 | 57,727,719                       | 58,114,334  | -                     | 387,935                                              | -                                       | 58,930,486                      | 59,318,421  | -       | 387,935 | -       |
| Cash in hand and at bank    | 42,466,361                                           | -                                       | -                                | 42,466,361  | 15,737,082            | -                                                    | -                                       | -                               | 15,737,082  | -       | -       | -       |
| Total                       | 125,737,635                                          | 386,615                                 | 57,727,719                       | 183,851,969 | 96,578,281            | 387,935                                              | -                                       | 58,930,486                      | 155,896,702 | -       | 387,935 | -       |

28.2. Valuation technique and significant unobservable inputs

Type Government Debt Securities - Treasury Bills

Valuation Technique The fair values are based on publications of the Central Bank.

The management assessed that the fair value of cash at bank and trade and other receivables are approximate their carrying amounts largely due to the short term maturities of these instruments.

28.3. Financial liabilities by categories

As at 31st December

| Carrying Value | 2023 | 2022 |
|----------------|------|------|
|                |      |      |

Financial Liabilities measured at amortised cost

|                                              |                    |                    |
|----------------------------------------------|--------------------|--------------------|
| Financial Instruments in current liabilities |                    |                    |
| Trade and Other Payables                     | 154,204,115        | 151,943,010        |
| Interest Bearing Borrowings                  | -                  | 2,555,018          |
| <b>Total</b>                                 | <b>154,204,115</b> | <b>154,498,028</b> |

The management assessed that the fair value of interest bearing borrowings, trade and other payables and amount due to related parties are approximate their carrying amounts.

## 29. Financial Risk Management

### Overview

The Company has exposure to the following risks arising from financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk

### Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. 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.

#### 29.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in government securities.

##### 29.1.1 Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

| <i>As at 31<sup>st</sup> December</i>              | <b>2023<br/>Rs.</b> | <b>2022<br/>Rs.</b> |
|----------------------------------------------------|---------------------|---------------------|
| Trade Receivables                                  | 80,104,196          | 77,751,424          |
| Staff Receivables                                  | 3,750,691           | 3,779,387           |
| Investments Carried at Fair Value (Treasury Bills) | 386,615             | 387,935             |
| Held to Maturity Investments                       | 57,727,719          | 58,930,486          |
| Cash at Bank                                       | 39,040,630          | 14,652,910          |
|                                                    | <b>181,009,850</b>  | <b>155,502,142</b>  |

Company's cash and cash equivalents are held with reputed banks which are rated 'A(lka)' and 'A-(lka)' based on Fitch Ratings.

##### 29.1.2 Management of Credit Risk

#### *Trade and Other Receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry in which customers operate.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of Trade and Other Receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.



## 29. Financial Risk Management (Contd)

### 29.1 Credit Risk (Contd)

#### 29.1.2 Management of Credit Risk (Contd)

The aging of Trade & Other Receivables at the reporting date was impaired as follows;

|                                         | 2023              |                   | 2022                 |                   |
|-----------------------------------------|-------------------|-------------------|----------------------|-------------------|
|                                         | Balance<br>Rs.    | Impairment<br>Rs. | Gross Balance<br>Rs. | Impairment<br>Rs. |
| Neither past due nor impaired           | 12,546,045        | -                 | 5,528,266            | -                 |
| Past due but not impaired (30-180 Days) | 37,646,322        | -                 | 39,280,808           | -                 |
| Past due impaired (181-210 Days)        | 1,608,246         | 1,608,246         | 1,159,657            | 1,159,657         |
| Past due impaired (More than 210 Days)  | 28,303,583        | 26,415,639        | 31,782,693           | 31,655,726        |
|                                         | <b>80,104,196</b> | <b>28,023,885</b> | <b>77,751,424</b>    | <b>32,815,383</b> |

#### *Cash and Cash Equivalents*

Company's cash and cash equivalents are held with reputed banks which are rated 'A(lka)' and 'A+(lka)' based on Fitch Ratings

#### *As at 31<sup>st</sup> December*

Fitch Ratings

A(lka)

AA(lka)

**Total**

**2023**

**2022**

39,040,629

2,405,350

-

12,247,560

**39,040,630**

**14,652,910**

#### *Deposits with bank and non-bank financial institutions*

Deposits with banks and non-bank financial institutions consists of fixed deposits held with reputed banks and non-bank financial institutions which are rated A(lka), based on Fitch Ratings.

#### *As at 31<sup>st</sup> December*

Fitch Ratings

A(lka)

AA(lka)

**Total**

**2023**

**2022**

57,727,719

-

-

58,930,486

**57,727,719**

**58,930,486**

### 29.2. 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 risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

## 29. Financial Risk Management (Contd)

### 29.2. Liquidity Risk (Contd)

29.2.1. The following are the contractual maturities of financial liabilities:

|                                 | As at 31 <sup>st</sup> December |                    |                       |                    |                            |
|---------------------------------|---------------------------------|--------------------|-----------------------|--------------------|----------------------------|
|                                 | 2023                            |                    | 2022                  |                    |                            |
|                                 | Contractual Cash Flow           |                    | Contractual Cash Flow |                    |                            |
|                                 | Carrying Amount<br>Rs.          | Total<br>Rs.       | 0-6 Months<br>Rs.     | 6-12 Months<br>Rs. | More than 1<br>Year<br>Rs. |
| <b>Non Derivative Financial</b> |                                 |                    |                       |                    |                            |
| Lease Liabilities               | -                               | -                  | -                     | -                  | -                          |
| Trade and Other Payables        | 154,204,115                     | 154,204,115        | 154,204,115           | 1,277,509          | -                          |
| Amount due to Related Parties   | -                               | -                  | -                     | 151,943,011        | -                          |
|                                 | <b>154,204,115</b>              | <b>154,204,115</b> | <b>154,204,115</b>    | <b>153,220,519</b> | <b>1,277,509</b>           |

### 29.2.2. Management of Liquidity Risk

The Company's approach to managing liquidity is to ensure, 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 Company's approach to managing its liquidity risk is as follows;

- Regulating monitoring of the Company's assets and liabilities in order to forecast cash flows for future purpose.
- Arrange adequate facilities with banks as contingency measures.
- Daily monitoring the facility limits, i.e. overdrafts with banks

## 29.3. Market Risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### 29.3.1. Interest Rate Risk

The Company does not have any floating rate borrowings nor any deposits which earn interest at floating rate. Therefore the interest rate risk to the Company is minimal. As such the sensitivity analysis on interest rate fluctuations will not apply to the Company.

### 29.3.2. Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. However the Company is not exposed to currency risk, since the Company operates only in Sri Lanka Rupees which is the Company's functional currency. As such the sensitivity analysis on foreign currency fluctuations will not apply to the Company.



### 30. Restatement on Property, Plant and Equipment

Restated Differed Tax computation for the Period Ended 31 December 2022

Differed Tax Previously Computed

|                                       | <b>2022</b>                 |                   |
|---------------------------------------|-----------------------------|-------------------|
| <i>As at 31<sup>st</sup> December</i> | <b>Temporary Difference</b> | <b>Tax Effect</b> |
| On Property, Plant and Equipment      | 5,785,880                   | 1,388,611         |
| On Employee Benefits Obligations      | 8,672,812                   | 2,081,475         |
|                                       | <u>14,458,692</u>           | <u>3,470,086</u>  |

Restated Differed Tax Coputation

|                                       | <b>Temporary Difference</b> | <b>Tax Effect</b> |
|---------------------------------------|-----------------------------|-------------------|
| <i>As at 31<sup>st</sup> December</i> |                             |                   |
| On Property, Plant and Equipment      | (1,151,155)                 | (345,346)         |
| On Employee Benefits Obligations      | 8,672,812                   | 2,601,844         |
|                                       | <u>7,521,657</u>            | <u>2,256,498</u>  |

Company has erroneously calculated the temporary difference on property Plant & Equipments. Further tax rate which was used for the computation was also incorrect. This has been corrected and recomputed as indicated above.

### 31. Capital Management

The Board's policy is to maintain a strong capital base to maintain confidence of the investors, creditors and the market while sustaining future development of the business capital consists to total equity. The Board of Directors monitors the return on capital.

The Capital Structure of the Company consists of debt and equity of the Company. The Capital Structure of the Company is reviewed by the Board of Directors.

|                                 | <b>2023<br/>Rs.</b>  | <b>2022<br/>Rs.</b>  |
|---------------------------------|----------------------|----------------------|
| Total Liabilities               | 172,024,056          | 165,568,040          |
| Less: Cash and Cash Equivalents | 42,466,361           | 15,737,082           |
| <b>Adjusted Net Debt</b>        | <b>129,557,695</b>   | <b>149,830,958</b>   |
| <b>Total Equity</b>             | <b>3,693,929,676</b> | <b>3,487,961,654</b> |
| <b>Net Debt to Equity Ratio</b> | <b>0.04</b>          | <b>0.04</b>          |

### 32. Comparative Information

Comparative information have been reclassified where necessary to conform to the current year presentation.

### 33. Directors Responsibilities

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

## DECADE AT A GLANCE

### Statement of Comprehensive Income

| Year ended December 31,                                         | 2023     | 2022     | 2021     | 2020     | 2019      | 2018      | 2017     | 2016      | 2015     | 2014     |
|-----------------------------------------------------------------|----------|----------|----------|----------|-----------|-----------|----------|-----------|----------|----------|
|                                                                 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000  | Rs. '000  | Rs. '000 | Rs. '000  | Rs. '000 | Rs. '000 |
| <b>Operating results</b>                                        |          |          |          |          |           |           |          |           |          |          |
| Revenue                                                         | 138,840  | 136,569  | 130,180  | 118,173  | 125,035   | 238,497   | 109,952  | 110,793   | 131,008  | 119,411  |
| Cost of sales                                                   | (24,876) | (47,083) | (28,762) | (6,258)  | (18,559)  | (100,778) | (14,138) | (21,191)  | (34,392) | (38,237) |
| Gross profit                                                    | 113,964  | 89,486   | 101,418  | 111,915  | 106,476   | 137,719   | 95,814   | 89,602    | 96,616   | 81,174   |
| Other income                                                    | 5,458    | 8,460    | 1,196    | 162      | 10,226    | 1,794     | 1,067    | 1,702     | 13,207   | 4,131    |
| Administrative expenses                                         | 93,783   | (86,857) | (76,944) | (92,253) | (116,420) | (98,796)  | (97,644) | (101,434) | (80,127) | (84,750) |
| Fair Gain / (Loss) on investment properties                     | 189,365  | 391,420  | 236,131  | 286,227  | 8,846     | 60,647    | 83,848   | 130,771   | 278,978  | 71,632   |
| Operating profit                                                | 402,570  | 402,509  | 261,801  | 306,050  | 9,128     | 101,363   | 83,085   | 120,642   | 308,674  | 72,187   |
| Net finance income                                              | 11,045   | 11,036   | 3,425    | 126      | 1,803     | 6,742     | (1,554)  | (2,123)   | 3,663    | 3,835    |
| Profit before tax                                               | 413,615  | 413,545  | 265,226  | 306,176  | 10,931    | 108,106   | 81,531   | 118,519   | 312,338  | 76,022   |
| Income tax expense                                              | (9,180)  | (4,950)  | (9,445)  | (8,825)  | (3,005)   | (18,700)  | 3,432    | 7,987     | (4,649)  | (2,031)  |
| Profit for the year                                             | 404,435  | 408,595  | 255,781  | 297,351  | 7,926     | 89,406    | 84,963   | 126,505   | 307,689  | 73,991   |
| <b>Other comprehensive income</b>                               |          |          |          |          |           |           |          |           |          |          |
| Items that will never be reclassified to profit or loss         |          |          |          |          |           |           |          |           |          |          |
| Actuarial gains / (losses) on defined benefit plans, net of tax | (692)    | (692)    | 1,965    | (130)    | (16)      | 302       | 256      | (1,387)   | 888      | 183      |
| Other comprehensive income for the year, net of tax             | 3,751    | 11,400   | 3,300    | 2,800    | (1,800)   | (350)     | 1,400    | 500       | -        | -        |
| Total comprehensive income for the year, net of tax             | 208,257  | 418,709  | 261,046  | 300,021  | 6,110     | 89,358    | 86,618   | 125,618   | 308,577  | 74,174   |



# GLOSSARY

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## Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

## Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

## Actuarial Gain/Loss

Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

## Business model

The organizational structure that enables the Company to undertake its activities to deliver value to and derives value from the stakeholders, leading to sustainable value creation.

## Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

## Fair Value

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.

## Net Assets

Total Assets minus current liabilities and long term liabilities

## Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

## Credit Risk

Risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade other receivables and investment in debt securities.

## Current Assets Ratio

Current assets divided by current liabilities

## Deferred Taxation

Sum set aside in the Financial Statements for taxation that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

## Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

## Finance Lease

Lease in which the lessee acquires all financial benefits and risks attaching to ownership of the asset under lease.

## Related Party

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions directly or indirectly.

# CORPORATE INFORMATION

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## NAME OF THE COMPANY

Ocean View Development Company (Pvt) Ltd

## COMPANY REGISTRATION NO.

PV 17667

## ACCOUNTING YEAR-END

December 31

## REGISTERED OFFICE

No. 25-1/2, Station Road,  
Colombo 04.  
Sri Lanka.  
Phone: +94 11 2058090  
Email: [ovdc123@slt.net.lk](mailto:ovdc123@slt.net.lk)  
Website: [www.ovdc.lk](http://www.ovdc.lk)

## TAX PAYER IDENTIFICATION NO. (TIN)

114133566

## AUDITORS

National Audit Office,  
306/72, Polduwa Road,  
Battaramulla.  
Sri Lanka.

## PRINCIPAL BANKER

Bank of Ceylon

## COMPANY SECRETARY

Ms Ranusha Wijesinghe

## BOARD OF DIRECTORS

Mr D.C.Karunaratne – Chairman  
Mr K.Jayasumana  
Mr G Sanirathne  
Mr D Pushpakumara  
Mr L Wijayarathne  
Ms Preethi Neranjajala  
Mr.Kapila Padmakumara  
Mr. Piyum Dharshana  
Ms.D.K.Pathiraja  
Mr.Eranga Ranathunga

## BOARD AUDIT COMMITTEE

Mr D.C.Karunaratne- Chairman  
Ms Preethi Neranjajala  
Ms D.K.Pathiraja  
Mr Kapila Padmakumara  
Mr M.G.Kaandeepan (By invitation)  
MsW.K.T.B.Fernando (By invitation)



**ශ්‍රී ලංකා විවේචනාත්මක කෘෂිකර්ම (ප්‍රශ්න) ලිපිනය**

නො. 25-1/2, දුම්රියපල පාර,  
කොළඹ 04,  
ශ්‍රී ලංකාව.

දු.ක. : 011-2058090

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විද්‍යුත් තැපෑල: [ovdc123@sltnet.lk](mailto:ovdc123@sltnet.lk)