

ASIA
CAPITAL
PLC



AGILITY

Asia Capital PLC | Annual Report 2016/17



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AGILITY

At Asia Capital, we believe that an integral part of our success is the ability to rapidly change and transform, shaping ourselves to be the best we can be. Thus, we are constantly reinventing ourselves to optimise the services we offer, creating wealth and adding value for all the stakeholders we serve.

As we continue to strive towards our vision of achieving the impossible, we will continue to refine our core competencies and venture into new areas of growth. We are driving success across all aspects of our operations, demonstrating our agility and embracing change.

Our Vision

At Asia Capital PLC we have often chosen the road less travelled as we continue to strive towards achieving the unreasonable, the unattainable and even the impossible in value added investment and unmatched wealth creation services.

Our Mission

Delivering our commitments to society, while championing informed consumer choice.

Our Values

Learning

To drive organisational development by encouraging a learning culture

Innovation

To deliver innovation and value to every stakeholder we serve

Teamwork

To encourage and emphasise teamwork across the company

Accountability

To achieve the best results by holding ourselves responsible to deliver what we promise

Integrity

To hold ourselves to uncompromising standards of ethical, transparent and professional behaviour in all that we do

Respect

To treat everyone with respect and dignity, nurturing the development of our people and rewarding performance

Corporate Citizenship

To be environmentally responsible and socially committed to the welfare of the communities we impact

About Us

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We have successfully completed major projects and have expanded our presence in the leisure industry. These achievements are a testament to the fact that we are a growing and dynamic firm in the industry.

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Having started as Asia Securities in the early 1990s, specialising in stock brokering, the company soon expanded its business portfolio to encompass the larger share of the investment banking market in Sri Lanka. As Asia Capital PLC (ACAP), we have ventured into diverse industries and sectors to fulfil our vision and become a powerhouse providing value-added investment opportunities and unmatched wealth creation services.

Since inception, we have pursued every opportunity in the market with a will to succeed. Our client-focused approach coupled with our expertise and experience in the marketplace has gained us a reputation to be reckoned with. Our aspirations remain high, supported by intensive investment research and our wide-ranging business portfolio. ACAP's dedicated team of professionals are integral to achieving our vision and mission, by successfully operationalising our strategies. They act as the conduit that binds our business together to create value for all stakeholders.

Currently, our operations mainly consist of leisure, project management, investment banking, and advisory services. We also have a presence in property management, real estate, asset management and information technology

services. We are always ready to add to our ever-expanding tapestry of spheres, aligned to our business strategies.

Why Asia Capital you may ask? Our tried and tested innovative approaches to investment management and wealth creation has resulted in many foreign and Sri Lankan investors seeking out our services. To date, the Group has secured more than USD 500 million in Foreign Direct Investment (FDIs) to the country by partnering with international high net worth corporates. We have assisted in creating employment opportunities in the country and contributing towards the economic growth of Sri Lanka. Furthermore, we have successfully completed major projects and have expanded our presence in the leisure industry. These achievements are a testament to the fact that we are a growing and dynamic firm in the industry.

Today, in more ways than one, we can truly say that we are a rising star in our sphere of business. For those who seek a secure partner who delivers above and beyond one's expectations, Asia Capital PLC is your ideal choice. We look forward to hearing about your biggest aspirations.

Board of Directors

J.H.P. Ratnayeke

Chairman

Mr. Ratnayeke is a senior Corporate Lawyer who is also the precedent partner of Paul Ratnayeke Associates, a leading law firm in Sri Lanka which he founded in 1987. The firm handles all areas of law and international legal consultancy work. Mr. Ratnayeke is a Solicitor of England and Wales and an Attorney-at-Law of the Supreme Court of Sri Lanka. He holds a Bachelor of Law degree with honours and has been awarded a Masters Degree in Law by the University of London. Currently, Mr. Ratnayeke holds Directorships in several companies including public quoted companies, in some of which he has been appointed Chairman/Deputy Chairman.

At Paul Ratnayeke Associates, he specialises in corporate and commercial areas of law including mergers and acquisitions, aviation, insurance and maritime law.

A.D. Ross

Mr. Ross holds a Bachelor of Arts in Accountancy and Law from Strathclyde University in Scotland. He is a member of the Institute of Chartered Accountants of Scotland and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ross has over 30 years of experience in Accountancy and Finance. He is the Managing Director of Baker Tilly Hong Kong Limited (Certified Public Accountants), a member of the Asia Pacific Regional Board of Baker Tilly International, the Finance Director of Windy City International Limited (the operator of the Dan Ryan's Restaurant Group) and an Independent Executive Director on the board of Global Tech (Holdings) Limited, which is listed on the Hong Kong Stock Exchange.

R.J. Wickramasinghe

Mr. Wickramasinghe is a fellow of the Chartered Institute of Management Accountants and Chartered Association of Certified Accountants. He is also an Accredited Director of Sri Lanka. He was the former Chairman of Sri Lanka Ports Authority between 1996 and 1998 and Chairman of Ceylon Shipping Corporation from 1994 to 1996. He worked for the National Shipping Line between 1970 and 1977 as Deputy Finance Manager. Among his private sector stints, he was Finance Director of George Steuart and Company from 2000 to 2002. Currently, Mr. Wickramasinghe functions as a consultant.

V. Siva Jr.

Mr. Siva is the Managing Partner of a boutique corporate finance firm based in Kuala Lumpur which he founded in 2005. The firm specialises in structuring large project financing deals and cross border financing. The firm also collaborates closely with regional private equity firms in securing bridge financing. He also has vast experience in Strategic Consulting with past engagements with many large conglomerates in Kuala Lumpur and Indonesia. He was also the former Group Corporate Planner of a public listed company on the Kuala Lumpur Stock Exchange.

He also served as Group Finance Director of a large oil palm plantation group in Malaysia. Mr. Siva Jr., formerly from Arthur Andersen & Co., Malaysia, has vast experience in corporate finance, strategy and performance management (balance scorecards) and capital markets. He holds a Bachelor of Accounting (Hons) degree from University Utara Malaysia and The Certified Public Accountant (CPA) qualification from the Malaysian Institute of Certified Public Accountants (MICPA).

S.A. Abeyesinhe

Mr. Abeyesinhe is the Group Chief Executive Officer for Asia Capital PLC and also serves on the Boards of other subsidiaries of the Group.

He pursued his higher studies in both the United States and the United Kingdom after which he worked in financial markets in London. On his return to Sri Lanka he joined PricewaterhouseCoopers prior to joining Asia Capital PLC in June 2009. Mr. Abeyesinhe is a graduate of Harvard Business School.

Z. Merchant

Mr. Merchant is a Director of Corporate Affairs on the Main Board of the QI Group of Companies in Hong Kong, overseeing legal, compliance, corporate and regulatory affairs for the Group. He is also the Director-in-Charge of RYTHM Foundation, through which the Group carries out its Corporate Social Responsibility work.

Mr. Merchant was called to the Singapore Bar in 1992. His areas of practice are insolvency, securities and banking, contract and tort (including environmental issues), insurance and land-related matters. He has tutored at the Post-Graduate Practice Law Course in Singapore. In 2011, he served as a Member of the High Level International Advisory Committee of the United Nations Environment Programme in the lead up to The Rio+20 World Congress. Additionally, he contributes to the Singapore Law Gazette and The Business Times in Singapore.

Mr. Merchant is also a Permanent Member of the Executive Committee of a University in Malaysia; the appointed Treasurer and Executive Committee/Board Member of the Direct Selling Association of Singapore (DSAS), and sits on the Ethics & Regulatory Affairs, Membership, and Strategic Review Committees of the Association. He also sits on the Board of Swiss luxury watch brand CIMIER®.

T. Tanaka

Mr. Tanaka is the Chief Executive Officer and Managing Director of VEC Investment Japan. He has previously worked at the Credit Bank of Japan, Patnum Investment Tokyo and Fidelity International Tokyo as well as Gartmore Asset Management in London. He is a Chartered Member of the Securities Analysts Association of Japan (CMA) and has read for a B.A. in Economics at the Keio University.

Y. Watanabe

Mr. Watanabe, a graduate of Sendai University of Japan, is the Chief Executive Officer of My Room Company Limited in Japan. He is also a Non Executive Director at Plus Company Limited in Japan. He has previously worked as a Sales Manager at Alpen Company Limited in Japan during the period 1993 to 1997.

Mr. Watanabe has extensive experience in property development and equity investments. Mr. Watanabe is also a management consultant of several leading Companies in Japan.

Group Structure

Company	Board of Directors	Shareholders
1 Asia Capital PLC	<ul style="list-style-type: none"> J.H.P. Ratnayeke S.A. Abeyesinhe A.D. Ross V. Siva Jr. (Alternate Director S.A. Abeyesinhe) Z. Merchant T. Tanaka R.J. Wickramasinghe Y. Watanabe (Alternate Director T. Tanaka) 	<ul style="list-style-type: none"> Public Listed Company
2 Asia Capital Private Equity (Private) Limited	<ul style="list-style-type: none"> S.A. Abeyesinhe P.N. Jansen T. Tanaka 	<ul style="list-style-type: none"> Asia Capital PLC - 100%
3 Asia Leisure Holdings (Private) Limited	<ul style="list-style-type: none"> J.H.P. Ratnayeke S.A. Abeyesinhe V. Siva Jr. P.N. Jansen N.S.A.R. Abeyesekera - D.O.R - 30/12/2016 R.M. Morris T. Tanaka R.A.T.P. Perera K. Senathirajah (Alternate Director S.A. Abeyesinhe) S. Hettige R.J. Wickramasinghe Y. Watanabe (Alternate Director T. Tanaka) T. Watanabe - D.O.A - 30/12/2016 (Alternate Director T. Tanaka - D.O.A - 30/12/2016) 	<ul style="list-style-type: none"> Asia Capital PLC - 88.40%
4 Asia Leisure (Private) Limited	<ul style="list-style-type: none"> S.A. Abeyesinhe P.N. Jansen R.M. Morris S. Hettige - D.O.A - 19/09/2016 S. Gunawijeya - D.O.A - 19/09/2016 	<ul style="list-style-type: none"> Asia Capital PLC - 97.55% Asia Leisure Holdings (Private) Limited - 2.45%
5 Asia Tea Packaging (Private) Limited	<ul style="list-style-type: none"> P.N. Jansen R.A.T.P. Perera 	<ul style="list-style-type: none"> Asia Capital PLC - 100%
6 Asia Fort Sri Lanka Direct Investment Fund Limited	<ul style="list-style-type: none"> J.H.P. Ratnayeke S.A. Abeyesinhe V. Siva Jr. 	<ul style="list-style-type: none"> Asia Capital PLC - 99.99%
7 Asia Growth Fund 1 (Private) Limited	<ul style="list-style-type: none"> J.H.P. Ratnayake S.A. Abeyesinhe 	<ul style="list-style-type: none"> Asia Capital PLC - 99.94%
8 Asia Capital Projects (Private) Limited	<ul style="list-style-type: none"> S.A. Abeyesinhe P.N. Jansen 	<ul style="list-style-type: none"> Asia Capital PLC - 99.99% Asia Growth Fund 1 (Private) Limited - 0.01%
9 Asia Capital Technologies (Private) Limited	<ul style="list-style-type: none"> S.A. Abeyesinhe P.N. Jansen N.S.A.R. Abeyesekera - D.O.R - 30/12/2016 R.A.T.P. Perera 	<ul style="list-style-type: none"> Asia Capital PLC - 99.99% Asia Growth Fund 1 (Private) Limited - 0.01%

	Company	Board of Directors	Shareholders
10	Asia Digital Entertainment (Private) Limited	<ul style="list-style-type: none"> • P.N. Jansen • V. Siva Jr. • R.A.T.P. Perera 	<ul style="list-style-type: none"> • Asia Capital PLC - 100%
11	River House Estate(Private) Limited	<ul style="list-style-type: none"> • S.A. Abeyesinhe • V. Siva Jr. • R.A.T.P. Perera 	<ul style="list-style-type: none"> • River House (Private) Limited - 100%
12	Shinagawa Beach Resorts (Private) Limited	<ul style="list-style-type: none"> • S.A. Abeyesinhe • P.N. Jansen • C.I. Hapugoda • S. Shinagawa • S. Ohki • T. Tanaka • R.M. Morris • N. Ishikawa • S. Gunawijeya (Alternate Director for S.A. Abeyesinhe) 	<ul style="list-style-type: none"> • Asia Leisure Holdings (Private) Limited - 67.86%
13	Wadduwa Resorts (Private) Limited	<ul style="list-style-type: none"> • S.A. Abeyesinhe • R.M. Morris • P.N. Jansen • S. Hamaguchi (Alternate Director P.N. Jansen) • O. Miyoshi (Alternate Director P.N. Jansen) • T. Tanaka • Y. Watanabe (Alternate Director R.M. Morris) • S. Samaranyake (Alternate Director for S.A. Abeyesinhe) • D. Ratnayake (Alternate Director for R.M. Morris) 	<ul style="list-style-type: none"> • Asia Leisure Holdings (Private) Limited - 73.33%
14	River House (Private) Limited	<ul style="list-style-type: none"> • S.A. Abeyesinhe • P.N. Jansen • R.M. Morris - D.O.A - 19/09/2016 • R. Gunarathna - D.O.A - 19/09/2016 	<ul style="list-style-type: none"> • Asia Leisure Holdings (Private) Limited - 100%
15	Asia Leisure Travels (Private) Limited	<ul style="list-style-type: none"> • S.A. Abeyesinhe • R.M. Morris • D. Rathnayake • R.A.T.P. Perera • S. Gunawijeya • M. Senda • S. Hettige • T. Tanaka 	<ul style="list-style-type: none"> • Asia Leisure Holdings (Private) Limited - 80%
16	Galle Beach Hotel (Private) Limited	<ul style="list-style-type: none"> • S.A. Abeyesinhe • P.N. Jansen • R.M. Morris 	<ul style="list-style-type: none"> • Asia Capital Private Equity (Private) Limited - 100%
17	Galle Beach (Private) Limited	<ul style="list-style-type: none"> • S.A. Abeyesinhe • V. Siva Jr. • R.A.T.P. Perera 	<ul style="list-style-type: none"> • Asia Capital Private Equity (Private) Limited - 100%

Group Structure

	Company	Board of Directors	Shareholders
18	Forest Resorts Nuwara Eliya (Private) Limited	<ul style="list-style-type: none"> S. Hettige N.S.A.R. Abeyesekera - D.O.R - 30/12/2016 R.A.T.P. Perera 	<ul style="list-style-type: none"> Asia Capital PLC - 100%
19	Katumanakele Hill Estate (Private) Limited	<ul style="list-style-type: none"> S.A. Abeyesinhe R.M. Morris S. Hettige 	<ul style="list-style-type: none"> Forest Resorts Nuwara Eliya (Private) Limited - 49%
20	Galle Beach C C Trust (Private) Limited	<ul style="list-style-type: none"> S.A. Abeyesinhe R.M. Morris R.A.T.P. Perera - D.O.A - 19/09/2016 R. Gunarathna - D.O.A - 19/09/2016 	<ul style="list-style-type: none"> Asia Capital PLC - 49%
21	Strider Capital Asia (Private) Limited	<ul style="list-style-type: none"> T. Tanaka S.A. Abeyesinhe Ryoichi Hayakawa Ryotaro Hayakawa 	<ul style="list-style-type: none"> Asia Capital PLC - 50%
22	Nuwara Eliya Hotels and Resorts (Private) Limited (Incorporated on 05/01/2017)	<ul style="list-style-type: none"> R.M. Morris S. Hettige 	<ul style="list-style-type: none"> Asia Leisure Holdings (Private) Limited - 100%

Financial Highlights

For the year ended 31st March	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000 Restated	2017 Rs.'000	2016 Rs.'000
Income Statement				
Turnover	539,884	498,791	486,796	1,070,779
EBIT	(561,850)	(314,868)	(212,922)	544,805
Profit/(Loss) for the Year	(763,333)	(404,125)	(370,214)	426,588
Statement of Financial Position				
Total Assets	3,710,113	4,147,347	1,874,695	2,115,786
Non Current Assets	3,397,775	3,564,815	1,281,689	1,290,404
Current Assets	312,388	582,532	593,006	825,382
Current Liabilities	1,310,629	693,908	1,038,724	440,921
Shareholders Funds	1,370,569	1,992,627	736,183	1,104,133
Ratios				
No. of Shares	131,329,995	131,329,995	131,329,995	131,329,995
Basic earning (Loss) per Share	(5.43)	(2.87)	(2.82)	3.25
Net Assets per Share	10.44	15.17	5.61	8.41

Chairman's Message

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The Group's undertaking of high scale construction-based projects in partnership with Japanese investors is also a step in the right direction, re-enforced by the growth of the construction sector of the country by 12.5% YoY in 2016.

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It is with pleasure that I write this message to convey Asia Capital PLC's (ACAP) journey during the last year. Having consolidated our strengths in the last few years, we continued to pursue opportunities for business growth and sustainability in the longer term. We have established a strong presence for ourselves in the leisure industry of the country and are also recognised as a strong contender in the project management sphere within the Sri Lankan construction industry. Credit for our success is attributed to the single-minded belief of every member of the ACAP team to pursue the Group's vision to become a 'specialised promoter of investments in Sri Lanka'.

The economic outlook of the country in the last few years has brought about new avenues of business growth, enabling ACAP to venture into new fields. The inbuilt agility and the young team of experts enabled the Group to build on knowledge and expertise to carry us further afield and capitalise on emerging opportunities. While the traditional export sector of the country has been declining in the last couple of decades, there is much opportunity to promote Sri Lanka as a tourist destination and as a hub for Foreign Direct Investments (FDIs). The Government's drive to facilitate regional industrialisation by promoting investments and provisioning of infrastructure facilities, together with large scale projects underway places Sri Lanka in a favourable position with foreign investors.

Having identified these new opportunities of growth in the country, ACAP is today in an advantageous position to benefit from Sri Lanka's expanding economy. The Group's

Leisure Segment which opened its fifth hotel in Kosgoda in late 2017, can take advantage of the increased tourist arrivals in the country together with the expected rise in estimated average spending per day by tourists. It was reported that the tourism sector of Sri Lanka expanded foreign earnings by 18% YoY in 2016, and is projected to further grow in the coming years. The Group's undertaking of high scale construction-based projects in partnership with Japanese investors is also a step in the right direction, re-enforced by the growth of the construction sector of the country by 12.5% YoY in 2016. We will continue along this path of sustained growth by investing in industries and sectors that are expected to yield high returns in the future.

The Year in Review

I am pleased with the overall performance of the Group and its subsidiaries in the year under review. The Leisure segment continued to grow smoothly and performed well, earning a total revenue of LKR 424 million in 2016/17 compared to LKR 366 million achieved in the previous financial year. The project management operations of ACAP was also successfully expanded in the year under review by commencing a USD 450 million construction project located in the heart of Colombo, with our Japanese partners. The investments and advisory services segments too continued to garner new clients during the year under review through its proposition of offering customised and unique solutions to cater to clients' unique needs.

Value Creation to Stakeholders

ACAP has always strived to create value for all our stakeholders. The Group's decision to pursue different growth avenues is integrally linked with this aim. We work as a team to build value for employees, shareholders, business partners, customers, the Government and surrounding communities. We also have in place systems and programmes that enable us to consider and mitigate the overall impact of our business operations on the environment. As a Group that thrives on integrity and trust, we have in place sound corporate governance practices. Our risk management framework allows us to identify, manage or mitigate risks that may endanger smooth business operations in the longer term. We strive to be a sustainable business operation that considers stakeholder concerns when deciding on corporate strategies, while employing innovative and current systems and processes to enable us to remain competitive in the market.

Acknowledgement

I take this opportunity to convey my appreciation to the Board of Directors for your support. I thank the management and staff of the ACAP Group for your hard work and unstinted loyalty that has allowed the Group to prosper and grow over the years. To our shareholders, I thank you for the trust you have placed on the Group, the Board and especially me, to safeguard your investment today, for future prosperity.

In closing, I would like to place on record that having celebrated the Group's silver jubilee in October 2016, we are now ready to tackle even more challenging opportunities having garnered much experience and

knowledge from within the industries we operate in. We are very proud to have achieved much in this relatively brief time span and plan to accomplish much more as we mature and develop. The future path of ACAP is clear. We will continue this path of growth by venturing into prosperous and lucrative business ventures identified by our diversely skilled and experienced team. We are ready to face the challenges of today, and turn them into profitable and strategic business opportunities of tomorrow.



J.H.P. Ratnayeke
Chairman

25th August 2017

CEO's Review

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The Group's operational performance was on par with expectations, with new investments added to our project portfolio and new clients brought in to our investment and advisory services business. The FDIs that were brought into the country by ACAP have exceeded USD 500 million to date.

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The year under review proved to be another year of success, with ACAP continuing our journey of growth with an inbuilt agility that allows us to build and enhance our portfolio of services. The Group's operational performance was on par with expectations, with new investments added to our project portfolio and new clients brought in to our investment and advisory services business. We expect the current investments to increase our revenue streams once all the projects are completed and become operational. The Group's revenues increased marginally by 8% YoY, mainly due to the contribution from the Leisure Segment which showed a growth of 16% YoY.

A point of pride for us is the perseverance of our employees who ensured all projects undertaken by the Group remained on track and progressed in line with plans. Several major projects that initiated in 2016 are now under construction, and we have successfully embarked on new projects during the year. Resultantly, the FDIs that were brought into the country by ACAP have exceeded USD 500 million to date. Further details on the projects of the Group can be found on pages 30-31 of this Annual Report.

New Developments during the Year

Two new development projects located in the heart of Colombo were initiated in partnership with our Japanese investor - Belluna. These projects have now pushed ACAP to further capitalise on the opportunities available in the property, real estate and leisure sectors of the country, while propelling the Group to occupy a key position within these sectors. The first project, another high-rise apartment

complex has been initiated during the year under review. The second, a mixed development project in Colombo 01, is one of the biggest projects handled by ACAP to date, giving credibility to the Group's decision to set-up a dedicated projects team in the previous financial year. Our team's expertise and experience, together with their ability to pursue opportunities leading to long term growth is clearly showcased through the large scale projects the Group is now handling.

The hotel in Kosgoda, The Habitat, is now open for bookings. This increases the number of ACAP-owned leisure properties to five, catering to a select clientele with its high level of service standards.

ACAP's plan to increase owned-hotels by penetrating further South from Galle, and the escalation of construction projects by the Group in the last two years, has brought home the need for greater access to, and control of, the construction process. Thus, the Group has initiated a search to acquire a small and best-fit construction company. ACAP anticipates this strategic move to increase our business value and enable synergies to be achieved in our operations, while we enter yet another lucrative industry with considerable future potential for growth.

The Group's advisory and M&A services continued to progress well. We gained new clients during the year under review, and were able to satisfactorily meet their business requirements as per their expectations. ACAP continued to invest in training and development to

augment knowledge and expertise of our people to be able to better serve our expanding consultancy client base. The Group also progressed with process improvements aimed at enhancing business efficiencies.

Leisure Segment

The Group's Leisure Segment which consists of Asia Leisure Holdings (Pvt) Ltd. and Asia Leisure Travels (Pvt) Ltd., continued to deliver better results with a segmental revenue increase of 16% YoY in the year under review, compared to the previous year. We believe that the increasing popularity of our hotel properties in both local and international markets, will only enhance our returns in the years ahead. The projected growth of tourism in the country also places ACAP in a strategically sound position to capture new market share from the expansion of the tourism industry sector. We plan to stay on course, and maintain the same growth trajectory that the Group has achieved in the last few years, into the medium term.

Sustainable Business Practices

Over the years the emphasis on sustainable business practices that safeguard cultures and communities has increased. Concurrently, ACAP's belief in the triple bottom line approach to business has also been strongly established and is being practiced in our business

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ACAP's strategy in the short term will be to take on more projects, by building on our project management skills and taking on the challenges of larger scale projects than those currently in our property and real estate portfolio.

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segments. The Group has measures to minimise the use of scarce resources and help surrounding communities. As the Group grows and ventures further afield into new industries, we will continue to take the required steps to give more emphasis to this subject.

Looking Ahead

ACAP's strategy in the short term will be to take on more projects, by building on our project management skills and taking on the challenges of larger scale projects than those currently in our property and real estate portfolio. Plans are also in place to capitalise on the success seen in the real estate sector by increasing focus on residential properties in the coming year. The success of the Leisure Segment to date, encourages ACAP to set-up exclusive hotels further South from Galle, and to explore opportunities in the Central Province of Sri Lanka. This too will be an area pursued for growth in the next financial year.

In the medium to longer terms, ACAP will continue with its concentrated efforts on growing the Leisure Segment and foresees substantial progress in building and managing company-owned and third-party hotels.

In the next five to six years, the Group will direct its resources to ensuring the successful completion of the USD 450 million project in Colombo 01 that was initiated in late 2016.

As many of the projects and other developments by ACAP will be undertaken in collaboration with foreign partners, the Group hopes to contribute more towards economic development of Sri Lanka through increased FDIs into the country. Consequently, new developments will also create new opportunities and employment in the country while contributing towards GDP growth.

As the Group grows, we will explore opportunities to diversify into other profitable industries that will bring in operating synergies while enabling the spread of risks, thus strengthening the risk structure of the Group.

CEO's Review

Appreciations

I take this opportunity to convey my sincere gratitude to all stakeholders for the trust and loyalty placed in me and the Board of Directors in taking the Group to new heights and delivering results to your satisfaction. A special note to the loyal employees of ACAP for making it possible for us to succeed in our plans and achieve our goals.

I wish to express my sincere gratitude to the Chairman and the Board of Directors for your continued guidance, and the management team for your support extended to me. I would also like to take this opportunity to thank our investors for your support and faith in the Group.

Finally, to our shareholders, thank you for your continued trust in the Group and the management. We will always strive to take Asia Capital PLC to even greater heights while creating value for all our stakeholders.



S. A. Abeyesinhe
Director/ Group Chief Executive Officer

25th August 2017

HOW WE CONDUCT OUR BUSINESS



The Services We Offer

At Asia Capital PLC, our service strategies reflect the determination of our team to drive our belief of shared values as the basis of mutual success for the Group and our clients.

A CLIENT-CENTRIC APPROACH

Our clients are our valued partners. This is the basis on which we at Asia Capital PLC have built our business and reputation over the years. We believe in building long standing relationships where we are there for you at the start of your venture and as you mature through the business lifecycle. We will work with you to help you anticipate, understand, manage and overcome complex business challenges whilst taking advantage of economic, regulatory, financial and/or other business opportunities in the market.

We differentiate our value proposition in three ways:

- By tailoring our services to meet the specialist needs of our clients and in doing so strive for excellence as defined by them and not by us
- Developing unique skills, tools and capabilities to enhance the commercial advantage of our key clients
- Seeking from within the Group innovative ideas and solutions to problems faced by our clients

This proactive approach is fundamental to our business proposition and underpins our efforts to grow our market position, client base, and revenue streams. Our service strategies reflect the determination of our employees to drive our belief of shared values as the basis of mutual success for the company and the client.

OUR SERVICES

ACAP's service portfolio is designed with our clients in mind. In everything we do, we are geared and ready to tailor our service offering to suit the requirements of each client.

Advisory

Our Advisory services comprise of acquisition searches, IPOs, financing, sell side advisory services, and thematic industry research. We also undertake due diligence reviews, evaluating key value drivers and risk factors. Furthermore, we advise clients on the most appropriate and advantageous tax and accounting structures to be adopted for your business by scrutinising the quality of earnings, the quality of the balance sheet, and working capital requirements.

Mergers & Acquisitions (M&A)

Our team is ready and willing to assist potential buyers and sellers to develop and formulate M&A strategies to reflect your M&A objective, while creating greater business value through expected synergies. We will support our clients to identify, screen and initiate discussions with potential acquisition targets, while simultaneously helping them to structure, negotiate, and arrange acquisition financing based on our client's terms and needs.

Private Equity

Our team helps clients raise equity capital and guide their management teams to take proactive steps towards revitalising businesses, achieving investment expectations and focusing on new opportunities. We provide innovative solutions, which leverage our extensive expertise, superior technological capabilities and proven track record, to help clients enhance returns, mitigate risk and increase efficiency of their core business model.

Research

Our dedicated research team look for challenges that will allow them to enhance their research skills and abilities. The team has a year-round mandate to evaluate the economy to keep abreast of global and domestic economic developments and their interdependencies to recognise implications on specific investment areas. The team specialises in generating forecast models to predict the behaviour of economic variables and incorporate findings to assess the future performance of desired

investment fields. This allows ACAP's clients to use these insights and investment ideas to develop their own strategies and plans.

Our research team is also willing and ready to take on client specified research to assist you in your vision and plans of building a successful and thriving business.

THE TEAM

Our skilled and knowledgeable team comprises of a young, dynamic group of people with fresh ideas and a bold new outlook in undertaking investment and advisory services. As thinkers and doers, they are the backbone of our core business proposition. Our team is sub-divided into different divisions, to enable them to apply their expertise in specific areas to cater to the needs of our clients.

With academically strong backgrounds ranging from Accounting, Management, and Marketing to Social Sciences and Actuarial Studies, the team has a total collective experience in the fields of Corporate Finance, Financial Advisory Services, M&A, Capital Markets, Leisure Management, Property Development, Audit and Assurance. In addition to this wealth of expertise, our team is supported by an extensive network of contacts across corporate, private equity and finance communities, which enhances the ability to deliver the best possible outcome for our clients in an efficient and effective manner.

Our Corporate Finance Team delivers a total integrated offering that supports our clients' vision of enhancing profitability and growth. The team is positioned to assist our clients explore strategic business options by providing advice on business restructuring or total project management solutions.

Our dedicated Projects Team is responsible for monitoring ongoing projects in the ACAP development pipeline. Their key responsibilities include:

- Managing project deliverables in line with the project plan
- Recording and managing project issues and escalating where necessary
- Resolving cross-functional issues at project level
- Managing project scope and change control and escalating issues where necessary
- Monitoring project progress and performance and providing status reports and feedback to the management

Our Leisure Services Team operates the Leisure Segment of ACAP, where they operate Company-owned resorts and hotels, and provide management services for our clients' hotel operations.

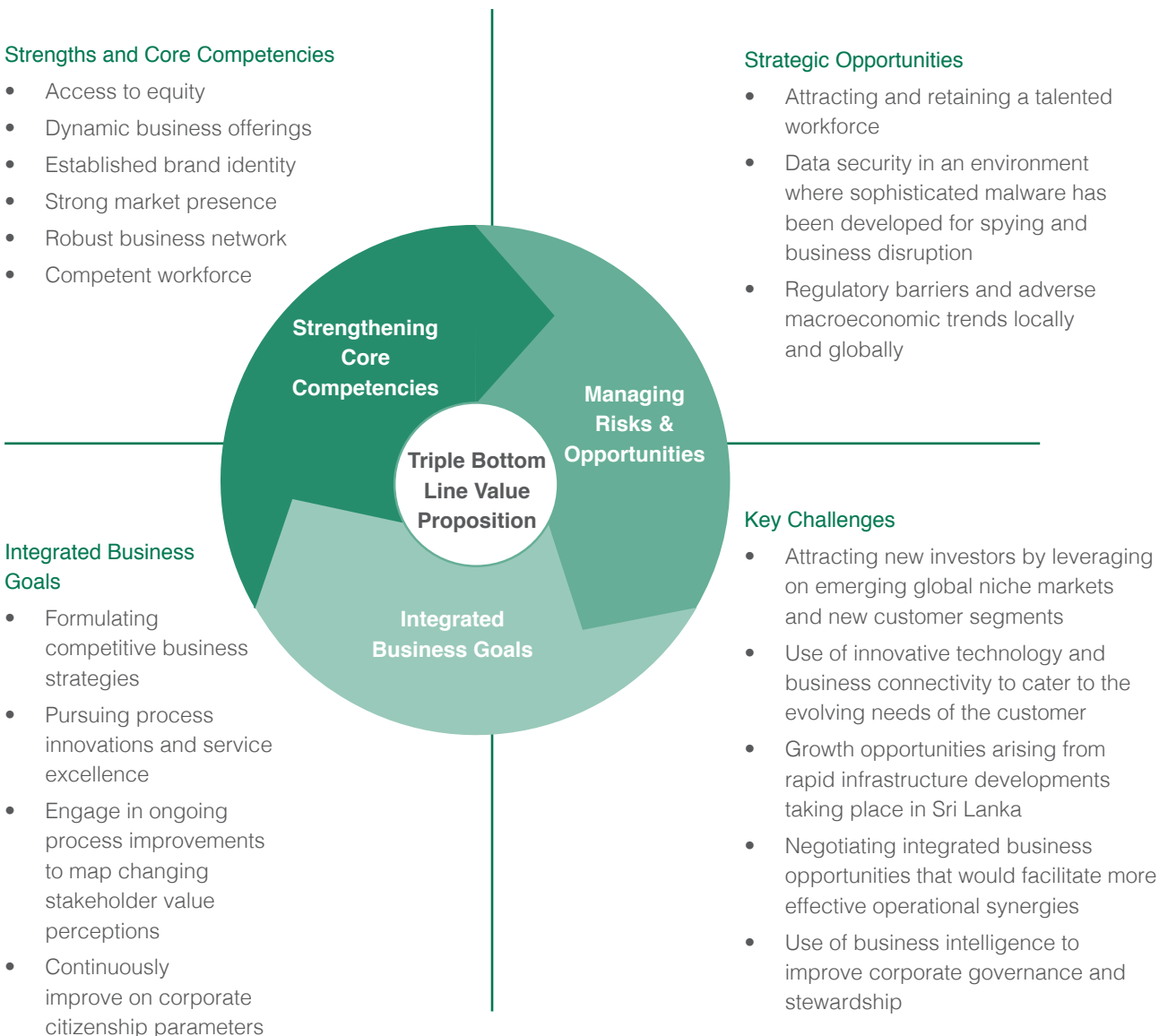
Taking a holistic approach, our teams work as one to offer our clients a comprehensive service portfolio coupled with an abundance of enthusiasm and expertise. Our team of experts enables our clients to obtain the best possible service at best values while catering to customised requirements.

Creating Value for our Stakeholders

At Asia Capital PLC, we strive to constantly create value for our stakeholders. Our value creation model is based on continuously strengthening our core competencies, managing risks and seizing appropriate opportunities while setting integrated business goals. Using this model, ACAP strives to build a sustainable business operation which allows a holistic view of our business giving emphasis to stakeholder perspectives.

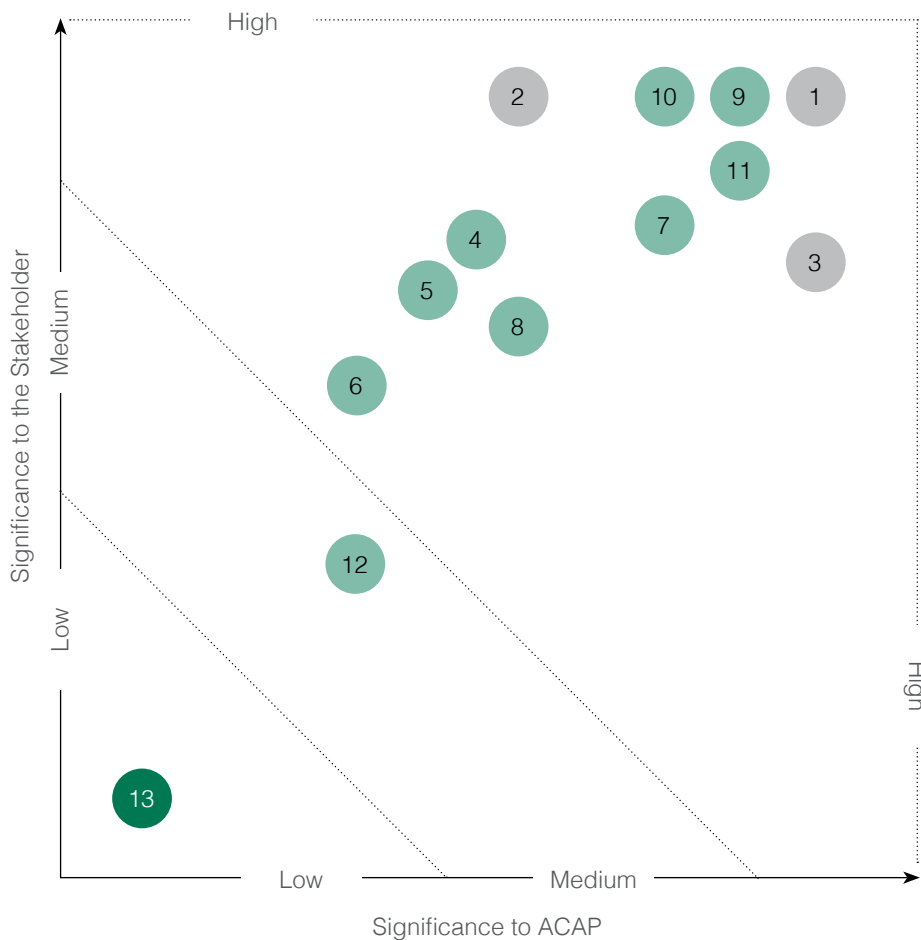
The success of this formula has been realised over the years. ACAP has grown and prospered, set up dedicated teams to cater to separate market segments, entered new industries as opportunities have arisen, and set up processes and plans that allow agility for the Group to thrive within a robust operating environment.

The elements of our value creation model are shown below.



Materiality Analysis

Using the stakeholder engagement process, ACAP has identified material issues that the Group must take note of whilst conducting business activities. These are plotted according to importance of the subject from the perspectives of the Group and the Stakeholders. Thus, key areas of concern for both parties gain priority when ACAP sets its strategic goals and during the implementation stage of Group strategies.



Economic Aspects

- 1 Economic Performance
- 2 Indirect Economic Impacts
- 3 Ethics and Governance

Social Aspects

- 4 Non-discriminatory Work Environment
- 5 Workplace Safety
- 6 Training and Career Development
- 7 Product Diversity
- 8 Marketing Communications
- 9 Market Presence
- 10 Customer Privacy
- 11 Public Policy
- 12 Local Communities

Environmental Aspects

- 13 Green Ethics

Stakeholder Engagement Process

STAKEHOLDERS



Employees

Our Commitment

Encouraging employee engagement by facilitating a strong communicative culture that provides employees with multiple channels to communicate with their superiors, including; one-on-one meetings, the Intranet, quarterly forums, knowledge sharing workshops and the annual performance appraisals. The Group also has in place an active social event calendar that is aimed at fostering stronger ties between the Group and its employees

Important Issues

- Career Development
- Remuneration and Benefits
- Workplace Equality
- Safe Working Environment
- Business Productivity
- Sustainability of the Group and Job Security

Engagement Methods

- One-on-one Meetings
- Quarterly Forums
- Knowledge Sharing Workshops
- Annual Performance Appraisals



Shareholders

Our Commitment

Providing shareholders, a transparent, clear and unbiased view of the Group's activities. Conducting business operations to increase value created in terms of share price appreciations and increased earnings and dividend payments.

Important Issues

- Financial Stability
- Growth Prospects
- Sustainability of Business Model
- Cost Leadership
- Corporate Governance
- Risk Management Framework

Engagement Methods

- Direct Interaction at the AGM
- Annual Report
- Quarterly Reports
- Regular Updates via Group Websites, Social Media Forums and Press Releases



Business Partners

Our Commitment

Continuous networking both locally and overseas to build sustainable business relationships that correspond to the strategic vision of the Group

Important Issues

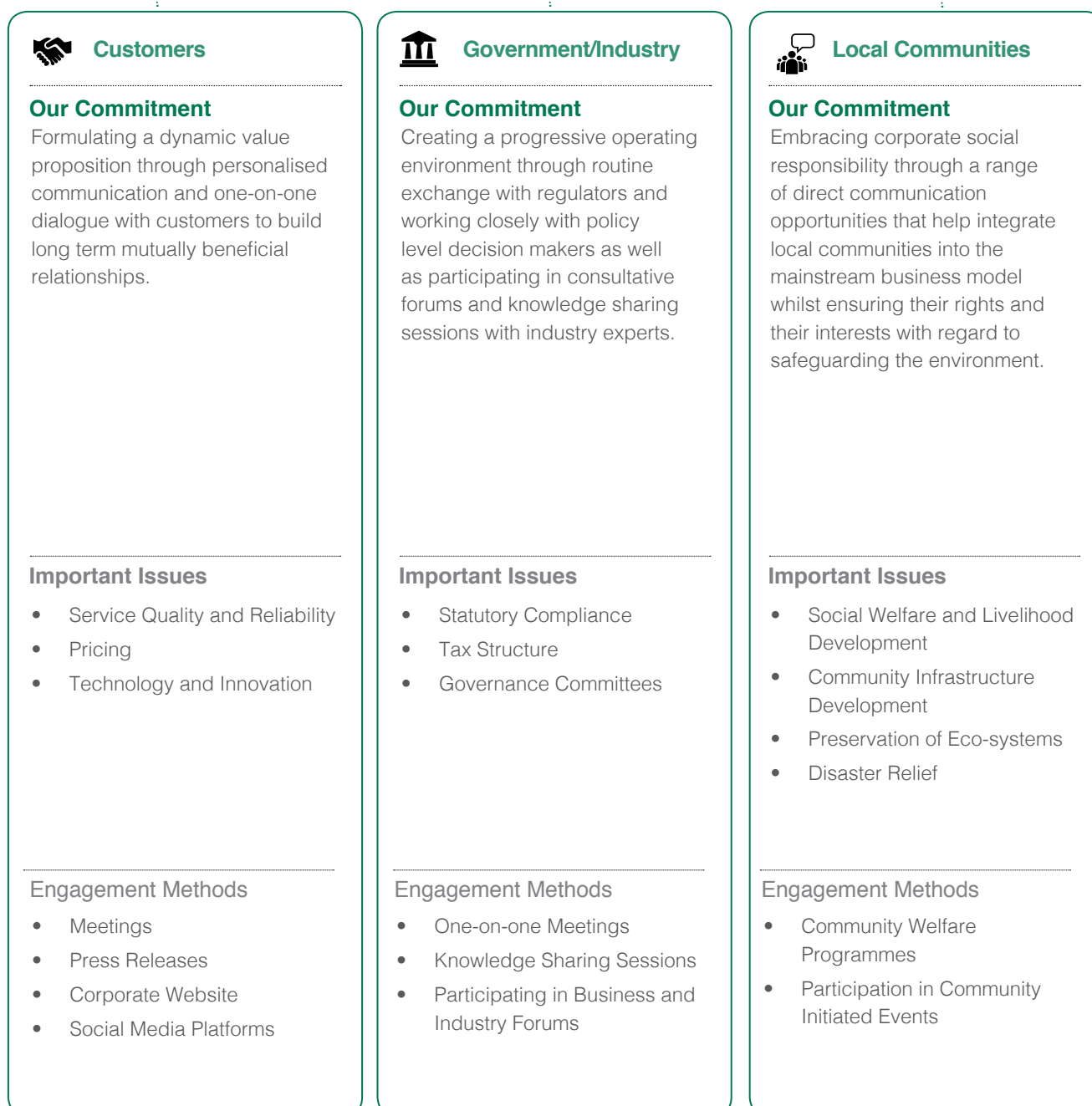
- Financial Stability and Liquidity
- Business Prospects
- Sustainability of Business Model
- Brand Marketability
- Market Presence
- Governance and Ethics

Engagement Methods

- Face-to-face Meetings
- Corporate Website

We are aware that the success of our business depends on the value perceptions of our stakeholders. To be able to identify areas of importance to our stakeholders, ACAP conducts a stakeholder analysis as an integral part of the Group's strategic planning process. We use a broad range of stakeholder engagement mechanisms that allow us to gather the information that we need. We then use the results in our decision-making process to map out the Group's strategic focus and help us meet stakeholder expectations.

The key stakeholders that we regularly engage with through both a formal and informal process, their concern areas, and the Group's plans to resolve these issues are shown in the diagram below.



REVIEW OF BUSINESS PERFORMANCE



Leisure Segment Operations

“

The changing shape of Sri Lanka's tourism industry is the basis of Asia Leisure's strategic focus on increasing investment in the tourism sector through tie-ups with foreign partners to build and manage hotels.

”

The Segment performed remarkably well during the year under review with increases in the occupancy rates of all hotels and increased popularity of our hotels in the local market. With the opening of The Habitat hotel in Kosgoda in 2017, our total room inventory has increased from 70 to 98. All four hotels of Asia Leisure were fully operational and achieved the levels of occupancy as forecasted by the management during the year under review.

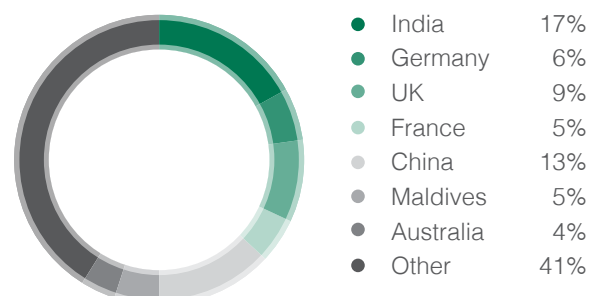
Overview of the Tourism Industry

As a travel destination that offers a varied experience to tourists, Sri Lanka is in a unique position to capture the imagination and interests of all categories of tourists from budget travellers to discerning high-end travellers. The last few years has seen the Sri Lanka Tourism Development Authority (SLTDA) focus its efforts in expanding the tourism industry of the country. Resultantly, the Sri Lankan tourism industry has become one of the main foreign currency earners in the economy. 2016 witnessed the continued growth momentum of the Sector, with tourist arrivals crossing two million travellers for the first time in history during the year. This increasing growth is attributed to the significant increase in tourism related infrastructure developments, and the promotional efforts by the Sri Lanka Tourism Promotion Bureau (SLTPB). The beauty and diversity of the country's geography, culture and entertainment activities together with the country's relatively unexplored nature has also added to

the attractiveness of Sri Lanka for tourists. In addition, the significant increase in geo-political tensions and unrest in popular global tourist destinations, together with the downturn experienced in advanced economies have made cheaper travel destinations more attractive. This has also assisted in establishing post-war Sri Lanka a destination of choice for tourists.

Sri Lanka remained popular amongst travellers from all major regions of the world, particularly Western Europe and East Asia. However, India, China and United Kingdom remained the largest countries of tourist origins in 2016.

Tourist Arrivals by Country - 2016



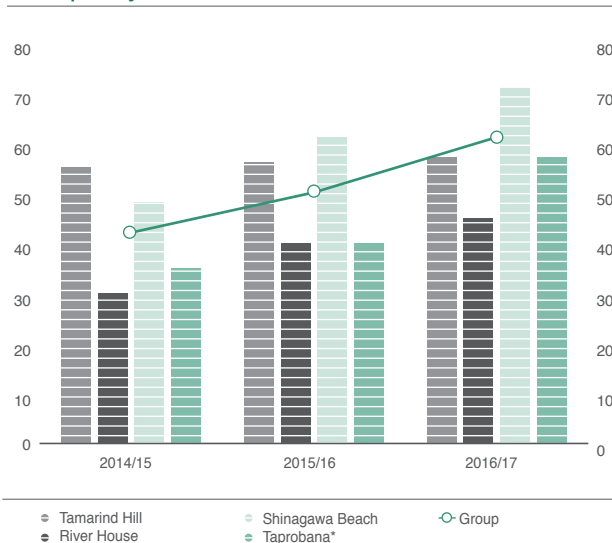
(Source: Central Bank of Sri Lanka, Annual Report 2016, p. 167)

Sri Lanka's potential as a premier tourist destination is further augmented by the increased number of international hotel chains setting-up operations in Sri Lanka, together with the increasing number of boutique villas and other accommodation choices. This increasing investment in the Tourism Sector is aligned to the Government's aim of increasing tourist arrival to Sri Lanka to 4.5 million by 2020.

The changing shape of Sri Lanka's tourism industry is the basis of Asia Leisure's strategic focus on increasing investment in the tourism sector through tie-ups with foreign partners to build and manage hotels. We believe we are well placed to take advantage of the industry's focus on capturing the high-end tourist market together with promoting Sri Lanka as a premier MICE destination.

Leisure Segment Operations

Occupancy Level

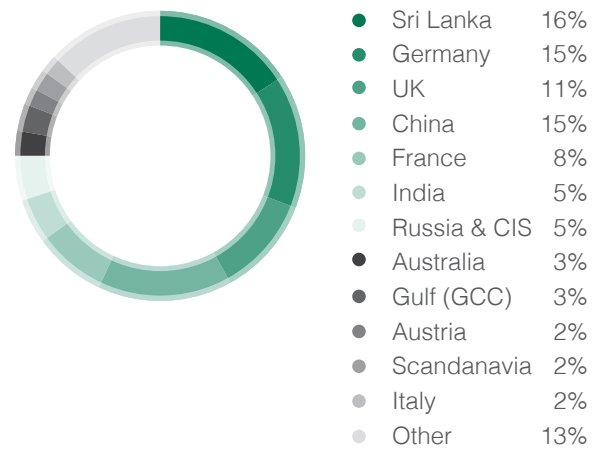


*Taprobana was open only for six months in 2014/15

Increasing Occupancy Levels

Asia Leisure hotels continued to be popular with tourists arriving from the United Kingdom, Germany, India, China, and France. The Group's average occupancy rates increased to 61% in the year under review from 52% in the previous year. This was mainly due to the popularity of the hotels with local clients and an increase in exposure to foreign tourists through our concentrated promotional efforts. The Tamarind Hill and Shinagawa Beach had the highest occupancy rates during 2016/17 at 60% and 71% respectively. The River House was equally popular with locals as well as guest arrivals from the United Kingdom. We also saw an increase in Chinese tourists and Indian tourists across all hotels. The increasing occupancy levels were aligned with the overall growth achieved in the country's tourism sector which recorded a growth in foreign earnings by 18% YoY.

Guest Mix - 2016/17



Marketing and Promotional Activities

Our Leisure segment's main marketing thrust for the year under review was to create a greater awareness of our individual hotel brands and to also build the overall Asia Leisure Brand. To meet this goal, a focused corporate brand building campaign was carried out in Sri Lanka in leading print media including newspapers and magazines. Asia Leisure also conducted special in air promotion for Sri Lankans using leading radio stations. We used events such as the Cricket Matches played in Galle to promote Tamarind Hill. Tamarind Hill also partnered with the Galle Fairway Literary Festival 2017 to provide world-class accommodation to renowned authors, and hosted an exquisite Gourmet Event during the Galle Literary Festival. Tamarind Hill was honoured to serve President Maithripala Sirisena during his February 2017 visit to mark significant improvements in the application of new technology for the Nilamehewara Janapathi Janatha Sewaya.

From an international perspective, Asia Leisure conducted advertisements targeted at promoting Sri Lanka as an ideal holiday destination for weddings and Honeymoons. Accordingly, we used 'Confetti' a leading online site in the United Kingdom catering to weddings to promote Shinagawa Beach. A noteworthy achievement for Asia Leisure was the feature on The River House that appeared on Nat Geo.

Asia Leisure also continues its focussed efforts in promoting Sri Lanka and our hotels to the European market segment by participating in international trade shows and exhibitions such as ITB Berlin and ILTM Cannes.

The growing popularity of the internet among travellers for online booking and information on travel and related products/services has propelled Asia Leisure to further increase the focus on online and social media marketing by strengthening our online and social media presence. During the year under review, we conducted several dedicated promotional and advertising campaigns on social media, and also used these media to update our followers on latest developments, future events, awards received and CSR activities. We also focussed our efforts on increasing direct bookings through the Asia Leisure website.

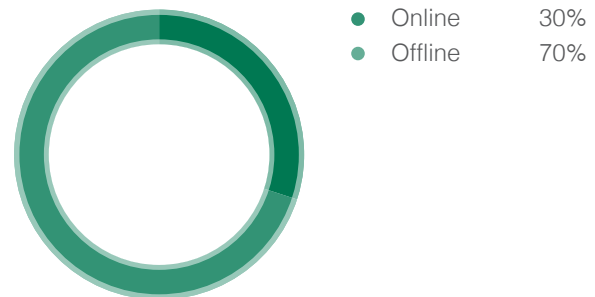
To augment our marketing and sales efforts in the European region, we work with a representative in Berlin to serve our German, Austrian and Swiss clients. During 2016/17, this set-up proved successful and Asia Leisure is now in a stronger position to capture a greater market share from the expected growth in tourist arrivals from this region in the coming years.

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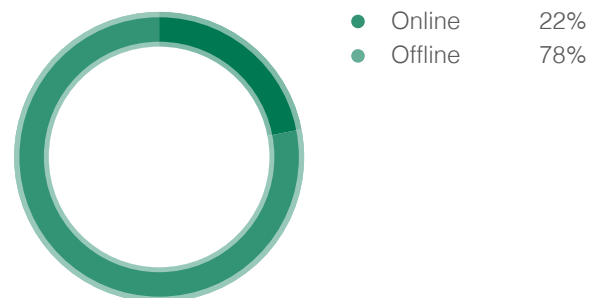
Tamarind Hill was honoured to serve President Maithripala Sirisena during his February 2017 visit to mark significant improvements in the application of new technology for the Nilamehewara Janapathi Janatha Sewaya.

”

Online / Offline bookings 2016/17



Online / Offline bookings 2015/16



Leisure Segment Operations

Customer Service

Asia Leisure's focussed efforts in maintaining high quality service standards in all our hotels has resulted in the popularity within the more affluent travellers market segment, and with those looking for a personalised service for special occasions. We are proud of our service-oriented culture which cascades into every aspect of managing our hotels and dealing with our guests. Our staff too wholeheartedly adopt this culture which we consider the foremost reason for the success we have achieved. Over the years, our guests have had no major complaints, an accolade to our emphasis on customer service being at the forefront of everything we do.

It is our pleasure to note that our guests always give high rating when asked about their experience at our hotels.

The Smiley Face System allows our guests to allocate smiley faces according to their satisfaction levels. As a measure to augment our services to repeat and loyal guests, Asia Leisure is in the process of evaluating systems which will allow us to track properties and services used by our guests and provide them with appropriate value-added benefits to build long lasting customer relationships.

Our hotels also organise seasonal events for the entertainment of our guests during the Sinhala and Tamil New Year, Vesak, Halloween, Christmas, and the New Year.

Trip Advisor Reviews provide a glimpse of our guest experience during their stay at our hotels.

Shinagawa Beach, Balapitiya



Reviewed 12 May 2017 by Gilles78, France

Excellent hotel!

We reserved this hotel as part of an all-inclusive offer.

We arrived around 10 am and our room was ready almost immediately.

This is a small hotel, with 26 rooms, all having a sea view.

Very nice beach, and a swimming pool that is protected from the sun, which is good.

Excellent staff, very serviceable and excellent food, very nicely presented.

Unlike many all-inclusive facilities, there are no organised activities so it is very quiet, especially in this part of the year when there are less tourists (the hotel was half full). Recommended for couples or families with small children.



Taprobana, Wadduwa



Reviewed 21 June 2017 by Gmutturaman

Amazing food and Staff

Amazing experience here every time I visited, love the food so so much and the staff is so friendly and flexible... view is amazing, room staff is so active as well, Thank you for the management... can recommend this hotel with no doubts.



Reviewed 23 June 2017 by Camie R

Looking for a Great Setting to Celebrate a Wedding OR a Special Occasion?

It took us a while to browse the internet and finally pick on The Taprobana Resort as the ideal venue for our Son's and His Bride's Sri Lanka celebrations having primarily experienced and unfolded a 'Fairy Tale Wedding' of sorts in Lunteren, The Netherlands earlier in the month. The Taprobana offered everything we were looking for; a cosy, comfy, quiet and star class hotel with luxurious rooms that had a boutique concept to go with.

The Taprobana came up a close second... We went with an open concept; not caged in a Banquette Hall within four concrete walls, but extending the beautiful setting of the lawn, with the pool and ocean in the backdrop, and



the setting sun that created a beautiful ambiance to our lovely family and friends who were all there to celebrate the occasion!

Kudos to the Management and Staff of The Taprobana who were nothing short of excellence in their unstinted support and level of service extended to make this a day to remember.

The menu we selected was very tastefully prepared and to everyone's liking all round with no room for complain. You did a great job, Chef Gamage!

Thank you Taprobana.....You gave us a day to be long remembered!!!

Leisure Segment Operations



The River House, Balapitiya



Reviewed 2 July 2017 by cnolan8891, Dubai, United Arab Emirates

Wonderful Stay

Coming from the hustle and bustle of Dubai, the River House provide the peace, relaxation and nature we so needed. We stayed in the Gin suite which is beautifully decorated and was spotlessly clean, complete with huge bathroom leading to our own plunge pool (for which the water was changed at a moment's notice as and when we wanted to use it) The staff at the River House provided some of the best service I have known and seemed to know what you wanted before you even knew it yourself! My gin and tonic was never empty and any wish was their command - food, drinks, fresh fruit picked from the garden, river safari, a trip to Galle, etc., etc., etc. On our final day it was my birthday and we were treated to a spectacular champagne breakfast by the pool which was incredible and such a treat. All in all, I cannot fault the hotel and look forward to come back and bring friends with us. Thank you so much for an amazing 5 days - we'll remember it forever!



Tamarind Hill, Galle



Reviewed 13 June 2017 by chrisstephen2017, Colombo, Sri Lanka



Reviewed 19 June 2017 by lesandtoni, Perth, Australia

Our stay at this absolutely beautiful hotel was a highlight of our Sri Lankan holiday.

We booked this hotel on booking.com half an hour before we arrived. We were greeted with so much enthusiasm. Our stay was memorable. The room was amazing, so big and comfortable with old world charm. Pool was an added bonus....so clean. We watched monkeys climbing from tree to tree whilst we were swimming. Breakfast was out of this world. Staff were the best we had encountered during our south west drive around for 7 days. I would recommend this place to anyone. No. 1 in our eyes.

Tranquillity

We had a restful holiday at Tamarind Hill. Great Staff, food and the room was fantastic. Highly recommend it. The location and design of the pool is particularly awesome. The beautiful garden and trees is also a plus!

New Hotel Developments



The Habitat, Kosgoda

The Habitat, Turtle Beach, Kosgoda is situated on a sparkling stretch of sandy beach, giving guests the most contemporary of comforts, all with a touch of magic. Home to the famous sea turtles, Kosgoda is one of the most vibrant places in the south of Sri Lanka.

The Habitat, is now open for bookings.

Awards and Achievements

River House	Shinagawa Beach	Tamarind Hill	Tabrobana
<ul style="list-style-type: none"> Menik Suite at the River House ranked as one of CNN Travel's 'Sexy Skinny Dip Spots'. The River House ranked by TheKnot.com as one of '50 Best Places in the World to Honeymoon'. Included in 'Mr. & Mrs. Smith collection', a handpicked Group of the world's most special boutique hotels. Holidaycheck.com, Europe's leading multi-lingual booking website has ranked The River House as one of the top choices by customers. 	<ul style="list-style-type: none"> Shinagawa Beach is a member of 'Small Luxury Hotels of the World'. Awarded 'Best Small Hotel' at the Rolls Royce, Asia Pacific Hotel Awards. Has received the Trip Advisor - Travellers Choice and Service Excellence Award since 2014. Holidaycheck.com, Europe's leading multi-lingual booking website has ranked Shinagawa Beach as one of the top choices by customers receiving 5.4 points out of 6 since 2014. Ranked No. 01 hotel in Balapitiya by Trip Advisor. 	<ul style="list-style-type: none"> Tamarind Hill is a member of 'Small Luxury Hotels of the World'. Has received the Trip Advisor - Travellers Choice and Service Excellence since 2013. Ranked No. 02 hotel in Galle by Trip Advisor. 	<ul style="list-style-type: none"> Has received the Trip Advisor - Travellers Choice and Service Excellence Award since 2015. Holidaycheck.com, Europe's leading multi-lingual booking website has ranked Tabrobana 5.5 out of 6 since 2015. Ranked No. 02 hotel in Wadduwa by Trip Advisor.

Project Management Operations

The increased strategic significance of this segment led ACAP to set-up a dedicated project management team in the previous financial year. During the year under review the team was expanded to enable the Group to further grow and develop this business segment.

ACAP is currently overseeing projects located in the heart of Colombo's commercial and financial district. The proposed projects consist of luxury apartments, office and retail space, and hotels. During 2016/17, the Group initiated a high-end multi-development project worth USD 450 million together with Japanese investors. This internationally recognised brand will enhance Asia Capital's project portfolio. A new luxury apartment complex project is also in the pipeline subsequent to ACAP's proven track record of project management.

The Group's project concepts embody modern designs using global design trends, and are designed to portray Sri Lanka as an emerging, high-end real estate destination in South Asia. The projects adopt the highest principles and standards in project management, while materials used are of the highest quality. ACAP also endeavours to use the most current globally recognised processes during construction.

ACAP's total project portfolio is worth over USD 500 Mn. as at 31st March 2017.

Project Progress Update

Project	Scope	Secured Investment Value – FDI (USD million)	Land Extent (Acres)	
Ongoing Projects				
Marine Drive Hotel	297-room Business Hotel	55	0.5	
Galle Heritage Hotel	56-room Super Luxury Resort	16.5	2.2	
Union Place Apartments	190-unit Residential Tower	64	0.6	
Miriandhoo Island Resort Project - Maldives	70-room Island Resort	55	14.8	
Nuwara Eliya Hotel	15-room Luxury Boutique Hotel	2.25	0.4	
Galle Beach Hotel	94-room Sea View Resort Hotel	14	2	
Colombo 01 Mixed Development Project	Hotel, Apartments & Commercial Space	450	2.5	

*Months stated is from the expected commencement of construction

Status as at 31st March 2017

Initial Planning Stage	Land Acquisition	Project Development	Awaiting Plan Approval	Approval Received	Projects in Progress	Commencement of Construction	Expected Completion*
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						March 2017	36 months
						August 2016	18 months
						September 2016	36 - 38 months
						September 2016	18 months
						December 2017	18 months
						May 2017	24 months
						December 2018	60 months

Investment Banking Segment Operations

Promoting investments is a core strength of the Group. Our service offering encompassing Advisory, Research, and Mergers and Acquisitions is strategically combined to provide customised services to our discerning clientele. The Group having consolidated our expertise in this area focussed on broadening our investment services reach in the last few years by attracting FDIs through strategic partnerships. The success of our pursuits is showcased through our increasing customer base in this segment and the expanding project management operations of the Group.

From a client's perspective, ACAP's strength lies in our ability to provide a holistic service whereby we not only provide research reports and advise, but also assist our clients throughout the operationalisation of their planned investment project.

Some of our success stories are captured in the business case studies below which showcase ACAP's value proposition to our clients. It is a point of pride for us that the most common reason given for choosing ACAP services by clients is due to the customised service we offer together with the experience and diverse knowledge base of our team.

CASE STUDY 1	CASE STUDY 2
<p>REAL ESTATE SECTOR: A company operating in residential real estate sector, considering expanding into Commercial Real Estate</p>	<p>REAL ESTATE SECTOR: An individual who owns a prime piece of land in the heart of Colombo looking to develop an Apartment Complex</p>
<p>ACAP's TASK: To understand the client's requirements and advise them on the way forward to enter the commercial real estate sector. We were also requested to carry out financial due diligence, feasibility studies and provide the client with acceptable options available in the market.</p>	<p>ACAP's TASK: The client required ACAP's assistance in identifying appropriate investors to build a medium-sized apartment complex. The client was also interested in ACAP's project management capabilities to oversee the project from inception to finish.</p>
<p>ACAP's SOLUTION: We had several discussions with the client to understand their key requirements. Once agreed on by both parties, our team undertook the required research to understand the industry and identify suitable opportunities. These opportunities were then further evaluated and shortlisted for the client's review. Thereafter, ACAP's diversely skilled team will proceed with conducting due diligences on behalf of the client.</p>	<p>ACAP's SOLUTION: After discussion with the client, our initial step was to undertake a financial feasibility study for the proposed apartment complex. We will also identify appropriate investors for further evaluation and shortlist appropriate investment partners. Once this initial process is complete, the team will transfer this to our project management segment.</p>
<p>STATUS: Initial discussions and research completed. Proposal being reviewed by the client.</p>	<p>STATUS: In the initial stages of discussion and evaluations.</p>

CASE STUDY 3	CASE STUDY 4
<p>MANUFACTURING SECTOR: An tile importer with many years of industry experience is considering setting up manufacturing facilities to manufacture white clay tiles in Sri Lanka</p>	<p>SERVICES SECTOR: A long-established courier services company required a business valuation.</p>
<p>ACAP's TASK: As a mid-scale enterprise based in Dambulla, the client is looking for advice and options for investment opportunities to set up the manufacturing facilities. They also required us to undertake some industry-based research and identify the feasibility of their proposed venture.</p>	<p>ACAP's TASK: The client for their own knowledge required a comprehensive business valuation consisting of both tangibles and intangibles such as their brand and the expertise and experience of their long-standing employees.</p>
<p>ACAP's SOLUTION: After initial discussions with the client to fully understand their requirement, we undertook an extensive industry research to gain an in-depth understanding of cost structures, forecasts, competitions, external environment and other specifics of the tile manufacture process and industry. We then produced a research report for the client's examination. We also developed a financial model for use by the client to successfully implement their venture. We then searched for possible investment options and partners and provided the client with a shortlist of prospective partners.</p>	<p>ACAP's SOLUTION: Conduct a comprehensive evaluation of the client's business to be able to assign a monetary value to the business to reflect a true and fair valuation based on market norms. We also had to undertake some market research to understand the services market the business operated in.</p>
<p>STATUS: Client is currently evaluating our initial research report and financial model.</p>	<p>STATUS: ACAP is currently in the evaluation stage of the project.</p>

Group Financial Review

The financial viability of a Company is an important aspect of future growth and profitability. At ACAP, our business operations are susceptible to the dynamic nature of the industries we operate in as well as the local and global macro-economic environments. Resultantly, ACAP together with its subsidiaries realise fluctuating results in its annual financial statements. Today, the Group is in an expansion and growth phase, where today's investments will result in future revenue streams and profits.

Revenue

The consolidated group revenue increased marginally by 8% YoY in the year under review to LKR 539 million compared to LKR 498 million earned in the previous year. This increase is mainly attributed to the Leisure Segment which contributed 78% to the Group's revenues for the year ended 31st March 2017. The Company, however, reported only LKR 486 million of revenue in the 2016/17 compared to LKR 1,071 million reported in the 2015/16. One of the key reasons attributed to this decrease in revenue by 54% YoY is due to the reduction in disposal proceeds of unquoted investments during the period under review.

Of the revenue realised by ACAP in 2016/17, 76% represents the 11% disposal proceeds of shares in Asia Leisure Holdings (Pvt) Ltd., which in turn was eliminated from group revenue as a consolidated adjustment. The balance 24% represents the share disposal proceeds of Asia Asset Finance PLC, which were held under 'financial assets - fair value through profit and loss' in the Balance Sheet.

The Leisure Segment revenue increased by 16% YoY in 2016/17 mainly due to the increased revenue earned by all hotels under our purview in the year under review. The marketing and promotional activities coupled with the increasing popularity of the hotels in both local and targeted overseas markets is credited for this increase. We are of the view that revenues in the Leisure Segment will continue to grow in coming years, especially with the opening of the fifth Hotel in 2017.

Expenditure

During the year under review the Board of Directors of the Company decided to make a full provision for the balance

cost of the movie "Common Man" which was produced under the fully owned subsidiary of the Group, Asia Digital Entertainment (Pvt) Ltd. The loss realised by the Group and Company for the year ended 31st March 2017 is largely a result of the impact of this one-off provision and other one-off provisions made for investment and related party transactions on subsidiaries. In addition, the growth achieved by the Group's business ventures during 2016/17 resulted in increased overheads and other operating expenses, further contributing to increased expenditure of the Group.

The Leisure Segment also saw expenditure increasing in direct correlation to the higher business volumes and revenue increases by the Hotels owned by the Segment.

Net Finance Cost

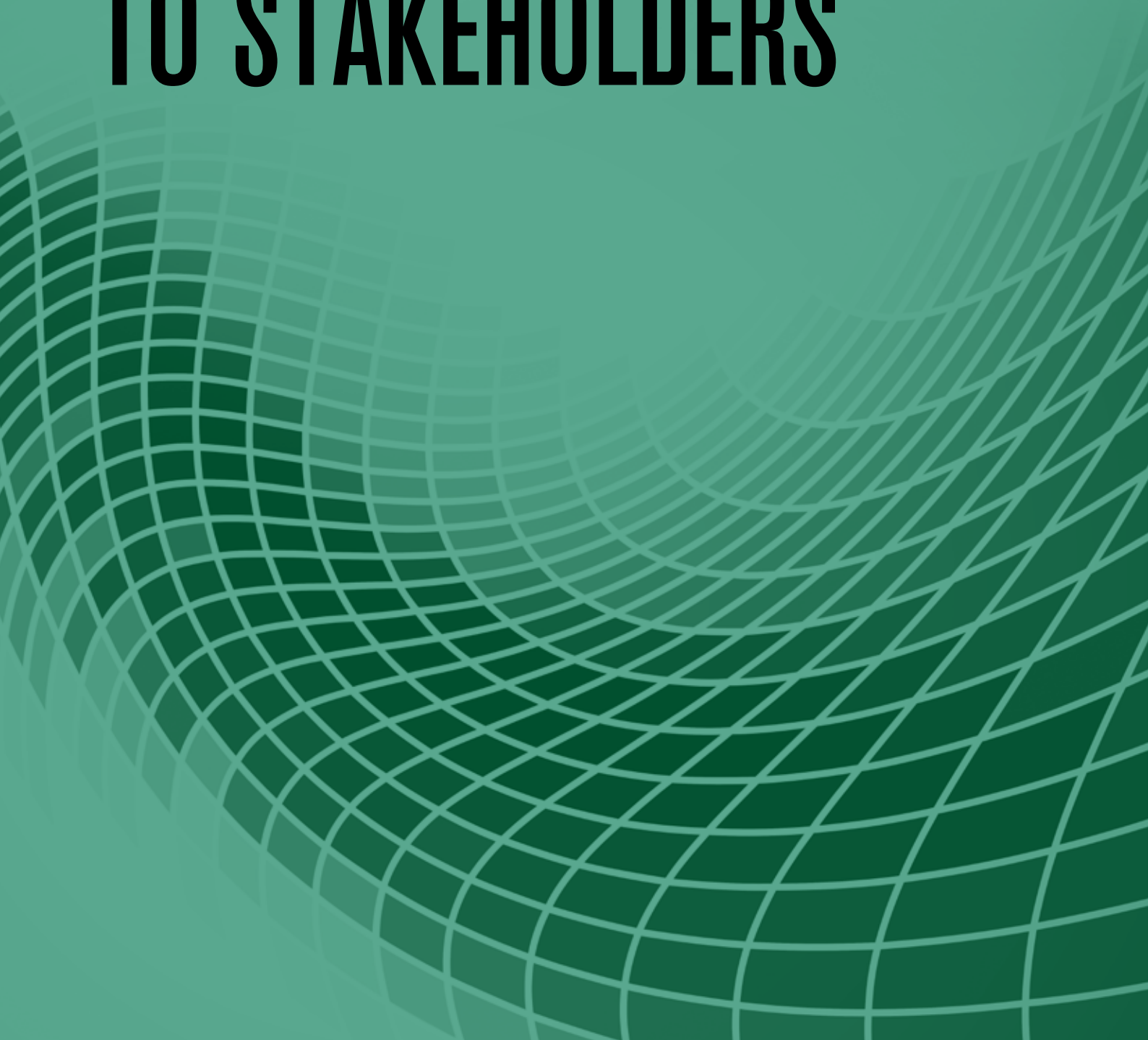
The net finance cost of the Group and Company increased in 2016/17. This increase of 65% YoY (Group) and 79% YoY (Company) is attributed the increase in short-term borrowings and to the interest rate fluctuation which was prevalent in the market during 2016/17.

While the Company settled some long term foreign loans in 2016/17, this situation may be reversed in the future. Requirements for short-term and long-term loans are highly dependent on proposed investments by the Company, and the planned investments in the coming years may lead to increased interest costs in the future.

Profit After Tax

The Group recorded a consolidated loss of LKR 763 million for the year ended 31st March 2017 compared to the consolidated loss of LKR 404 million reported in the previous year. The Company too incurred a loss of LKR 370 million in 2016/17, compared to the profit of LKR 426 million reported in 2015/16. The one-off provision for the movie 'Common Man' together with provisions made for other films produced by the subsidiary Asia Digital Entertainment (Pvt) Ltd., and other investment provision made by the Company during 2016/17 are culpable for losses reported for the period by the Group.

OUR COMMITMENT TO STAKEHOLDERS



Our People, Our Pride

Our People Philosophy

- We strive to attract and retain talented people with the aptitude to develop and reach the highest levels of professional excellence.
- We aim to create a professional environment for employees, which meets the highest international standards.
- We value an individual's ability to work in multiple locations, to work collaboratively and to adapt rapidly to new environments.
- We aim to provide professional training as required for employees to perform their job roles more efficiently and effectively, to produce the desired end-results.
- We attach the highest importance to personal integrity, mutual respect, the proper recognition of individual and team performance, and the involvement of staff in our CSR initiatives.

At Asia Capital PLC Group, our employees play a vital role in leading the Group's agile growth. It is their commitment, passion and will to succeed that creates a culture which thrives on taking on business challenges and ensuring success. Our employees are highly trained professionals with wide-ranging experience in their diverse fields. They work hard and give their best to the Group, in turn expecting us to assist them in career development. ACAP strives to maintain long term mutually beneficial relations with employees across the Group while creating a culture which complements the values on which we have built our business enterprises.

HRM Framework



Equal Opportunity and Fair Employer

ACAP has in place a range of human resource policies and procedures to ensure all employees are treated fairly and according to their rights. We treat all our employees equally and do not discriminate on race, religion or gender; and strive to build a learning culture aimed at retaining employees for the longer term, giving them an opportunity to grow and develop with the growth of the Group.

The 'open door policy' practiced within the Group combined with the casual and informal culture adopted by the management, encourages all employees to discuss any issues or concerns whether professional or personal with their immediate supervisor or department head. The Group's culture is such that employees can also at any time meet with the CEO if the need arises. The management also encourages the free-flow of information through-out all levels of employees to ensure awareness of the strategic focus, direction and the expected contribution from employees towards meeting corporate objectives.

ACAP has a 279-strong workforce, of which the majority are employed by our Leisure Segment. ACAP's age analysis shows that most of our employees are young, driven professionals.

In the Leisure Segment, the number of employees have increased in line with increased hotel properties. Majority of employees fall under the age of 30 years as is the norm in the tourism industry.

Total Employees (31st March)



ACAP Group provides opportunities for those individuals with the right mind-set and right attitude to be a part of our growing team. We adhere to all national labour laws and do not advocate the use of child labour either directly or indirectly through our suppliers.

ACAP - Age Analysis as at 31st March 2016/17

Age Category	Total	%	M	%	F	%
18-20 years	-	-	-	-	-	-
21-30 year	20	40	8	27	12	60
31-40 years	16	32	11	37	5	25
41-50 years	10	20	9	30	1	5
51-55 years	2	4	-	0	2	10
Above 55 years	2	4	2	6	-	-
Total	50	100	30	100	20	100

Leisure Segment - Age Analysis as at 31st March 2016/17

Age Category	Total	%	M	%	F	%
18-20 years	25	11	25	11	-	-
21-30 year	95	40	82	37	13	88
31-40 years	63	27	63	28	-	-
41-50 years	31	13	30	14	1	6
51-55 years	7	3	6	3	1	6
Above 55 years	8	3	8	4	-	-
Total	229	100	214	100	15	100

Recruitment

ACAP is always on the lookout to attract and retain talented employees with a passion to succeed. The growth of the Group in the last few years dictates that we employ individuals with diverse interests and a wide range of academic knowledge to meet growing business needs.

The Group uses both traditional and modern methods of recruitment, including advertising on our websites, through online job portals and when required by headhunting. The Group has a tried and tested recruitment process that enables us to recruit the right fit candidate in the most efficient manner. In the Leisure Segment, we advocate hiring from the locales in which our hotels are based to

Our People, Our Pride

ensure that we support local community development and upliftment. To date, 60% of the Segment's employees are hired from the district of our hotel properties.

Remuneration and Benefits

The Group's remuneration and benefits policies are reviewed annually to ensure they are aligned to industry standards and meet local labour laws and regulations. The Group's remuneration and benefits to employees are competitive, and founded on a performance-based approach, where rewards and increments are based solely on employees' contribution to meeting the corporate plans of the Group through their individual KPIs.

In addition, the Group offers benefits such as medical insurance cover, allowances, annual bonuses and staff recognition programmes as applicable to employees.

Learning and Development

The Group employees benefit from continuous development opportunities throughout their careers. We ensure our employees receive learning opportunities by attending workshops, seminars, technical trainings, conferences, according to their development needs. Training is offered both in-house and through external means. Professionals are also encouraged to keep up with their continuous professional development requirements. In addition to academic learning, we also train and develop our employees on leadership skills and soft skills directed at better interaction with customers.

The Leisure Segment too conducts extensive training to ensure employees serve and manage customers as befits service standards of our hotels. During 2016/17 a total of 25 training programmes were conducted for all categories of employees in our different hotels, with a total of 4 hours of training per employee per month on average.

Extensive training is also provided to trainees from SLITHM

and NAITA in the Leisure Segment, which provides a regular supply of quality trained personnel to the industry. However, no formal agreement is in place with either of these institutions.

Occupational Health and Safety

Occupational Health and Safety is an integral element of the Group's Human Resources Management Framework. The health and well-being of our employees is given much emphasis and attention. Accordingly, the Leisure Segment has adopted a range of policies and procedures to safeguard and protect employees both physically and mentally while they carry-out their duties. Health and safety of guests and visitors is equally important to us, and we have in place appropriate measures to safeguard them, while they are within our hotel premises. We consider it of paramount importance that employees understand that their safety comes first. Thus, training for employees on health and safety policies, and the adoption of precautionary measures as set out by safety policies is conducted periodically. The Leisure Segment also adheres to the safety policies as required by the Sri Lanka Tourist Board, and employs between six to eight trained safety officers at each hotel property, of whom a minimum of two officers are on duty at any given time.

The Group's Project Management Segment strictly follows the health and safety policies required by the construction industry, ensuring that directly and indirectly employed personnel follow on-site safety procedures, as do our contractors and other suppliers. While, ACAP's Corporate Office employees participate in annual fire drill trainings conducted by the management of the World Trade Centre and adhere to other simple safety regulations.

Employee Engagement and Welfare

The Group constantly strives to make our workplace culture one that encourages comradeship and friendship among colleagues and peers. We are aware that our employees spend as much time at work as they do at home. Hence, we strive to make the workplace enjoyable and happy, while keeping up motivation levels of employees to encourage their best work. We appreciate that there is a need for work-life balance and encourage employees to conclude their workday at a reasonable hour.

To foster fellowship among all employees, the Group organises annual retreats and gatherings, children's parties, quiz nights, and celebrations for all religious festivities like Christmas, Aluth Avurudu, Vesak, Eid, and Pongal. Corporate Office employees are often invited to attend special Group and ground-breaking events. The corporate office also operates a Sports Club where mercantile cricket is the key event organised annually for all employees. The Leisure Segment also has a Sports Club which is very active. They organise an annual six-a-side softball tournament for all Group companies; and have successfully conducted this event at various venues over the past five years.

Employees are also encouraged to participate in the CSR activities carried-out by the Group. During 2016/17 employees enthusiastically assisted the Group in activities such as tree plantings, beach cleaning, donations to orphanages and places of worship, participating in community events and other activities conducted during the New Year, Vesak, Poson and other religious festivals in the vicinity.

To ensure that employees are always aware of important developments within the Group, relevant notifications are sent out by the HR department and put-up on the notice board.

Caring for the Environment and Community

Conserving and Protecting the Environment

At Asia Capital PLC, protecting the environment whilst conducting business operations is of paramount importance. While we do not have a formalised process, we aim to manage any negative impacts on the environment by implementing programmes targeted at conserving natural resources, becoming an energy efficient organisation, and reducing and managing waste. We also conduct programmes to create awareness about the importance of being an environmental friendly organisation among employees and other key stakeholders.

Our Leisure sector in particular places much emphasis on being eco-friendly and protecting the environment. Our hotels are also designed to complement the environment within which it is located and benefit from eco-friendly architectural designs that uses natural light and nature to its advantage without causing harm. Much effort is expended to minimise our carbon footprint and to become eco-friendlier with every passing year.

Energy Efficient Operations

To reduce the energy usage of the Group, we have installed energy efficient lighting in our corporate offices and in all our hotels. Our hotels have also made significant investments in installing energy efficient equipment. The hotels also encourage our employees and guests to participate in our efforts by encouraging them to contribute even in small ways towards reducing energy usage.

Conserving Water

As a scarce resource, a priority in our hotels operations remains the reduction in the annual water wastage. In compliance with national environmental regulations, used water at each hotel property goes through a water treatment facility before being 100% re-used in the hotels gardens.

In addition, several water conservation measures have been implemented to reduce water consumption and costs at all our hotels with support from our guests. These include:

- Encouraging guests to re-use linen and towels during their stay at our hotels.
- Posters and awareness programmes aimed at employees to reduce wastage of water used during activities like housekeeping and cleaning, and in the kitchens.

Recycling and Waste Management

We operate on the premise that wherever possible we must reduce, reuse, and recycle the waste generated through our business operations.

Accordingly, the corporate office of ACAP together with its subsidiaries have implemented measures such as electronic internal communication among all levels of employees to reduce the volume of paper used in our day-to-day activities. We even conduct Board level communication using electronic methods whenever possible. Email is used to communicate with employees about events and new developments taking place in the Group. Communications with clients and suppliers are also conducted using email, video conferencing and telephone calls.

In our hotels, much emphasis is placed on using materials that can be recycled so that waste generated remains minimal. Reducing food-waste remains an important consideration for our hotels. We have established a food-waste recycling programme in partnership with local recycling contractors to collect food-waste daily. the food-waste is converted to animal feed to support the local farmers.

Environmental Sustainability Awareness Programmes

Regular programmes are conducted for all employees to create awareness of the importance in protecting the environment and preserving natural resources. During the year, several such programmes were conducted in our corporate office and in our hotels. Our hotels also enthusiastically support green initiatives and events. Hence, some of our hotels organise special programmes for guests on Earth Day and World Environment Day that spreads the importance of environmental protection to a wider audience.

During 2016/17, earth day programmes were conducted with the participation of guests and area residents cleaning our beaches was also a very successful event which brought together the entire community. On environment day, a tree planting campaign was held which again included the participation of guests and area residents.

Community Development and Assistance

At ACAP, we consider the communities that surround our business and hotels operations an important stakeholder whose needs must be met and concerns addressed. Accordingly, we organise events and carry out programmes aimed at community upliftment and assistance. During the year under review, the following programmes were undertaken by ACAP and its subsidiaries.

Donations to the Under Privileged

During Christmas, employees contributed towards helping the less fortunate during the season of goodwill. This programme was initiated by the Sports Club and dry rations were handed over to two children's homes in Moratuwa, whilst dry rations and clothes were given to an Adult's Home in Maharagama. An evening tea party was held at this home for the residents.

Flood and Landslide Relief Efforts

ACAP and our employees contributed to the victims of the floods and landslide that devastated the Sri Lankan citizens in May 2016. Unfortunately, several of our own colleagues and outsourced employees within our Group were affected by these disasters. Resultantly, the Group together with our employees concentrated our efforts in assisting communities affected by the floods and landslides devastation and losses suffered by our own people.

GOVERNANCE REPORTS



Risk Management

A number of internal and external elements if not addressed could culminate to cause a severe threat to the stability and survival of any organisation. As a proactive organisation in the forefront of the financial and services sectors in Sri Lanka, Asia Capital PLC is impacted with a portfolio of multi-dimensional risk challenges. Pre-emptive measures are constantly initiated within the Group in order to anticipate all potential risk aspects that prove to be a distraction from the core business focus. In addition, preventive mechanisms are in place to focus on mitigating risk elements and safeguarding the Group.

Risk Management System

The ACAP risk management system has been structured on sound principles and best practices. The risks faced by the company are managed by assessing the company's vulnerability to each risk element. The ideal risk/return formula is then derived in cognisance with the goal of fulfilling short term objectives and ensuring sustainable long term corporate growth. The clear, comprehensive risk control systems in place have enabled the Group to successfully safeguard its stakeholder wealth from a multitude of internal and external risk elements in the face of an ever changing business paradigm. The ACAP risk management system comprises the following key components.

Risk Policy Manual

The ACAP Risk Policy Manual seeks to comprehensively document the critical effects of all risk elements that define the performance of the Group. In addition the manual provides strict guidelines to combat all material risk elements. The Risk Policy Manual is revised annually to incorporate any new risk assessment criterias and to remove invalid data, thus ensuring relevance and accuracy of risk policies to meet the challenges of the evolving business climate.

Internal Control System

A key aspect of the ACAP risk management methodology is the Group's internal control system. The primary focus of the system is to mitigate internal management risks by acting as a deterrent against fraud and malpractices.

Risk Management Committee

The ACAP risk management committee consists of a high profile team including members of the Board, Head of Departments and senior staff that encapsulates the diversity of the Group. The scope of activities carried out by the committee include:

- Determining the risks faced by the ACAP Group based on various criteria set out in the Risk Policy Manual
- Reviewing the risk profile of the company
- Assessing the risk appetite towards specific risks or risk management practices
- Formulating and implementation of control measures to achieve the Group's short term and long term objectives

ACAP Risk Management Process

PHASE 1 - Risk Identification

Risk identification at ACAP is a detailed procedure which includes brainstorming sessions, surveys, questionnaires, team meetings and other reliable techniques used to identify internal risks to the Group. In-depth market study, competitor analysis, technology evaluation and customer studies are some of the techniques carried out to identify pertinent external risk factors. The entire risk identification process is conducted under the supervision of the ACAP Risk Management Committee. The process is diligently repeated every quarter to ensure relevance and timeliness and to provide the committee with a starting point to address any renewed risks that the Group may encounter.

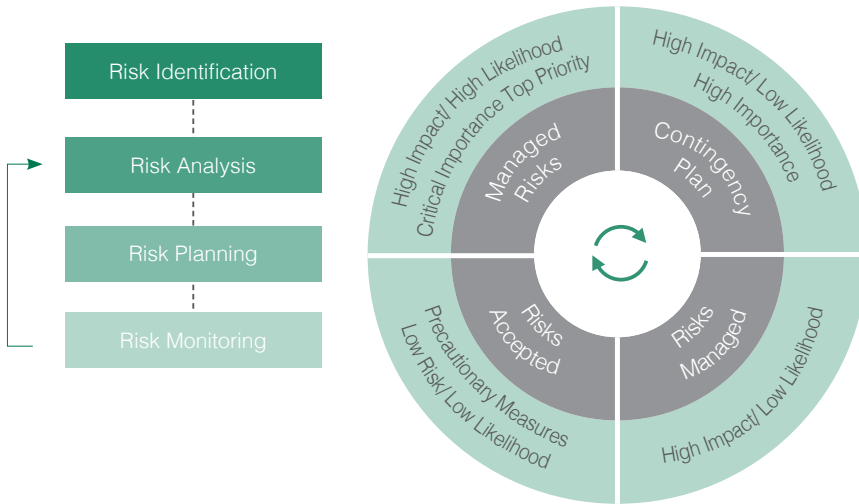
PHASE 2 - Risk Analysis

The risks identified by the Risk Management Committee are analysed and prioritised based on the Risk Assessment Matrix. The matrix assists in quantifying risk elements in tandem with its impact on the activities of the Group. This enables the committee to formulate necessary strategies to manage the risks faced by the company.

PHASE 3 - Risk Planning

The process of risk planning provides guidance and strategic direction to the risk management and control process as tabled below.

Risk Management



Risk Category	Elements of Risk	Risk Control Strategy
BUSINESS RISK	<ul style="list-style-type: none"> • Inability to implement selected strategies or plans • Not achieving business objectives • Inappropriate or adverse decision making • Lack of responsiveness to industry changes • Ill-timed investments in capital ventures • Failure to optimise risk/return formula through business strategies 	<ul style="list-style-type: none"> • The Risk Management Committee has recommended a 5-year strategic plan, revised annually. • Comprehensive budgeting and variance analysis done at company and SBU level
COMPETITION RISK	<ul style="list-style-type: none"> • Over reliance on existing services • Inability to introduce new services and deviate from the market • Introduction of new services by competitors • Lack of promotional campaigns 	<ul style="list-style-type: none"> • Direct competitor analysis is carried out on a quarterly basis and Key Performance Indicators are analysed and compared industry wide • Strategic Diversification • Leverage on service assurance and brand strength

Risk Category	Elements of Risk	Risk Control Strategy
LIQUIDITY RISK	<ul style="list-style-type: none"> • Non-availability of adequate working capital funds • Lack of liquid resources to secure a viable business opportunity • Inability to meet regulatory cash reserves 	<ul style="list-style-type: none"> • Continuous review of group working capital requirements • Strict management and control of funding • Continuous monitoring and control of debtors and creditors mismatch
MARKET RISK	<ul style="list-style-type: none"> • Adverse financial impact on the company resulting from the fluctuation of interest rates • Currency fluctuations • Variations in equity and commodity prices • Volatile property values 	<ul style="list-style-type: none"> • In accordance with the risk management committee recommendations, the research division monitors economic indicators • Findings are presented to the strategic planning committee along with recommendations on strategies that negate any adverse effects
CREDIT RISK	<ul style="list-style-type: none"> • Partial or full default of obligations by Asia Capital counterparties 	<ul style="list-style-type: none"> • Regular review of counterparty exposure limits and eliminating excessive exposure to one party • Formulation of solid legally binding agreements for all contracts with third parties • Ensure proper security/collateral/background checks prior to granting loans to third parties • Maintaining strong relationships with creditors
IT RISK	<ul style="list-style-type: none"> • System failures • System errors and breakdowns • Unauthorised system access • Improper use of information • Non-availability of required IT platforms or inadequate IT support 	<ul style="list-style-type: none"> • The comprehensive group IT policy is outlined in the IT security policy manual • Asia Capital has appointed an IT security, risk and infrastructure manager to overlook the IT risk management function
SOCIAL AND POLITICAL RISK	<ul style="list-style-type: none"> • Impact of political uncertainties that affect the day-to-day operations 	-

Risk Management

Risk Category	Elements of Risk	Risk Control Strategy
HR RISK	<ul style="list-style-type: none"> • Improper recruitment procedures due to failures in providing adequate compensation and benefits to the right employee • Occupational health and safety issues • Unethical employee conduct and high employee turnover 	<ul style="list-style-type: none"> • Each employee is allocated with clearly defined job descriptions where each employee is aware of their duties and responsibilities. This has enabled ACAP to carry out a smooth HR function with less employee disputes • A comprehensive orientation programme for new recruits • Ongoing training programs conducted regularly for existing employees • Provision of a safe work environment for all employees by carrying out regular safety checks • Increasing employee awareness of group HR policies and procedures • Motivational programmes are organised for all staff • Comprehensive performance reviews are conducted periodically • Availability of detailed HR manuals
FRAUD RISK	<ul style="list-style-type: none"> • Malpractices • Money laundering • Fraudulent actions and mismanagement of assets 	<ul style="list-style-type: none"> • The controls are reviewed periodically and internal auditors conduct regular reviews of areas which are susceptible to fraud. • The company has implemented a strong control environment with appropriate internal controls and an employee code of conduct to be adopted by all employees at the relevant level. • Effective internal control system (Fraud management system) to prevent fraud
REPUTATION RISK	<ul style="list-style-type: none"> • Actions which affect the credibility and goodwill of the Group 	<ul style="list-style-type: none"> • PR campaigns are organised in order to enhance brand image

PHASE 4 - Risk Monitoring

The risk management committee is tasked with ensuring that the risk management system continues to be reviewed periodically. Further, proper controls need to be placed with regard to all the strategic initiatives undertaken in order to manage risk. Consistent monitoring will ensure efficiency of the risk management system that would lead to the achievement of pre-determined risk management objectives.

Corporate Governance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
1. COMPANY			
A. DIRECTORS			
A.1 Directors (The Board)	A.1/7.10.1(a), 7.10.2(a) and 7.10.3(c-d)	Complied	<p>The Board of Directors currently consist of eight (08) members including the Chairman.</p> <p>The day to day monitoring of operations of the organisation has been delegated to the CEO and the Executive Committee governed by policies, procedures and authority by the Board of Directors.</p> <p>The Board is accountable to the stakeholders of the Group to ensure that the business is conducted in an appropriate manner based on an approved business plan and the financial and non-financial targets of the Group are achieved. The Board's Terms of Reference stipulate the specific duties of the Board and the following are some key matters which come under the Board's review and approval:</p> <ul style="list-style-type: none"> I Group strategy and business plan II Financial reporting and internal controls III Financial performance IV Dividend policy V Changes to capital structure VI Constitution and performance of the Board Committees VII Regulatory compliance
Company Board Meetings	A.1.1	Complied	<p>Although ideally, more regular Board Meetings should have been held, a limited number of Board meetings were held due to Directors being abroad from time to time. However, regular discussions took place among the Directors on important matters and resolutions were given effect to in writing.</p>

Corporate Governance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Responsibilities of the Board	A.1.2	Complied	The Board is collectively responsible for formulation, implementation and monitoring of business strategies. In order to do so, the Board appoints sub committees of the main board to assist the main board in fulfilling its stewardship function by reviewing systems of internal control, internal and external audit, risk management, IT system and financial reporting to shareholders.
Compliance with laws and access to independent professional advice	A.1.3	Complied	The Board Members are permitted to obtain independent professional advice from third parties as deemed necessary which includes the Company's external lawyers and auditors at the expense of the Company.
Company Secretary	A.1.4	Complied	The Company Secretary possesses the required qualifications and expertise, and advises the Board on matters concerning the Companies Act and other relevant rules, regulations and regulatory guidelines.
Independent judgement of the Directors	A.1.5	Complied	All the Board Members actively participate in the Board meetings by bringing up their own independent judgement.
Dedicating adequate time and effort	A.1.6	Complied	The Board Members dedicate adequate time for the affairs of the company by attending Board meetings, Board sub-committee meetings and by making decisions via circular resolutions.
Training for new and existing Directors	A.1.7	Complied	The Directors are provided with training as and when required.

A.2. Chairman and Chief Executive Officer

There is a clear demarcation of the responsibilities between our Chairman and our CEO. The functions performed by the Chairman and our CEO are distinct and separate, ensuring the balance of power and authority within the organisation, so that no person has unfettered powers of decision-making and implementation.

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
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A.3 Chairman's Role

The Chairman is responsible for the leadership of the Board, managing Board Meetings and the business undertaken thereat.

The Chairman, is responsible to ensure all relevant issues are on the Board Agenda and Directors receive all appropriate information and documentation in a timely manner, thus facilitating the Directors to contribute at the deliberations.

Role of Chairman	A.3.1	Complied	The Chairman should ensure Board proceedings are conducted in a proper manner.
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A.4 Financial Acumen

Financial acumen	A.4	Complied	Our Directors with their academic and/or entrepreneurial financial skills, business acumen and wide practical wisdom contribute substantial value, knowledge and independent judgment to decision making on matter concerning finance and investment.
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A.5 Board Balance

Presence of Non-Executive Directors	A.5.1 7.10.1(a), 7.10.2(a) and 7.10.3(a)	Complied	Seven (07) of the eight (08) Directors on the Board hold office in a non-executive capacity.
Independence of Non-Executive Directors	A.5.2 & A.5.3 5.5, 7.10.2(a-b) and 7.10.3(a-b)	Complied	The Board comprises of three (03) independent Non-Executive Directors.
Annual Declaration of Non-Executive Directors	A.5.4 7.10.2(b)	Complied	Each Non-Executive Director has submitted his/her declaration to the CSE. Each Non-Executive Director submits a signed and dated declaration annually of his independence or non-independence against a specified criteria as set out in Appendix 7A of Colombo Stock Exchange listing rule section 7.10.2(b).
Requirement to appoint a 'Senior Non-Executive Director'	A.5.6 and A.5.7	Not applicable	This is not relevant to the Group as the Chairman and CEO roles are segregated.

Corporate Governance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Chairman conducting meetings with the Non-Executive Directors	A.5.9	Complied	The Chairman meets with the Independent Non-Executive Directors as and when necessary.
Recording of concerns in the Board minutes	A.5.10	Complied	Where Directors have concerns about the matters of the Group which cannot be unanimously resolved, their concerns are recorded in the Board minutes.

A.6 Supply Information

Obligation of the Management to provide appropriate and timely information	A.6.1	Complied	The Group has a state-of-the-art management information system to process and monitor the performance of the Group and appropriate and timely information is made available to the Board members who make further inquiries when necessary.
Adequate time for circulation at respective Board documents	A.6.2	Complied	Board papers, agenda and previous board minutes are tabled one week prior to the Board Meeting.

A.7 Appointment to the Board

Nomination Committee and the assessment of composition of the Board	A.7.1 and A.7.2	Complied	The names of the members of the Committee are on page 60 and on the inner back cover of this Annual Report.
Disclosure to Shareholders	A.7.3	Complied	New Directors' details are disclosed to the relevant authorities at the time of appointment. The existing as well as new directors to the Board are disclosed in the Directors' Report on pages 58-62 of this Annual Report.

A.8 Re-election

Re-election of Directors	A.8.1 and A.8.2	Complied	To comply with the Articles of Association, the Directors who have been appointed to the Board during the year hold office until the next AGM, and are required to retire and a new director to be re-elected by the shareholders.
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A.9 Appraisal of Board Performance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Appraisals of the Board and the subcommittees	A.9.1,A.9.2 and A.9.3	Complied	The Board annually appraises itself on its performance in the discharge of its key responsibilities. The Board also undertakes an annual self evaluation of its own performance and that of its committees and the Board states how such performance evaluations have been conducted.

A.10 Disclosure of information in respect of Directors

Directors' disclosures	A.10.1 7.10.3(c-d)	Complied	The names of the Directors of the Board, their leadership expertise, skills and their profiles are disclosed on pages 04-05 of this Annual Report. Director's interests in contracts are indicated in Note 34.3 of the Financial Statements of this Annual Report. Names of the Chairman and the members of the Board Committees are provided on pages 58-62 and in the inner back cover of this Annual Report.
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A.11 Appraisal of Chief Executive Officer (CEO)

Setting of the annual targets and the appraisal of the CEO	A.11.1 and A.11.2	Complied	The CEOs performance is reviewed annually.
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B. DIRECTORS' REMUNERATION

B.1/ 7.10.5 Remuneration Procedure

Establishment of a remuneration and its composition	B.1.1, B.1.2 and B.1.3 7.10.5(a) and 7.10(b)	Complied	The Remuneration Committee comprises of Three (3) Independent Non-Executive Directors. Mr. R. J. Wickramasinghe is the Chairman of the Committee. The details of the Remuneration Committee's composition, policies and responsibilities are set out on page 66 of this Annual Report.
Determination of the remuneration of the Non-Executive Directors	B.1.4	Complied	The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and fee participating as a sub committee member.
Consultation with the Chairman and the CEO	B.1.5	Complied	Input of the Chairman is obtained as the Chairman of the said Sub Committee. External professional advice is sought on a need basis.

B.2 Level and Makeup of Remuneration

Corporate Governance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Level and makeup of the remuneration of Directors and comparison of remuneration with other companies	B.2.1, B.2.2 and B.2.3	Complied	The remuneration scheme for Executive Directors is structured to align rewards to their individual and Corporate performance targets.
Performance-based remuneration	B.2.4	Complied	The performance related payments for Executive Directors is structured to align with individual and Corporate performance targets.
Executive share options	B.2.5	Not applicable	
Designing the remuneration	B.2.6	Complied	Provisions set-out in Schedule E of the Code of Best Practice is considered.
Early termination of Directors	B.2.7 and B.2.8	Complied	
Remuneration of Non-Executive Directors	B.2.9	Complied	Non-Executive Directors fees are compared with the market rates.

B.3 / 7.10.5 Disclosure of Remuneration

Disclosure of remuneration policy and aggregate remuneration	B.3.1	Complied	Please refer Remuneration Committee Report on page 66 of this annual report
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C. RELATIONS WITH SHAREHOLDERS

C.1 Constructive use of Annual General Meeting and conduct of general meetings

Use of Proxy	C.1.1	Complied	We ensure that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to our Chairman.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed at an Annual General Meeting on each substantially issue.
Chairman of Board Committees to be present	C.1.3	Complied	At an AGM the respective Chairmen of the Remuneration, Audit and Nomination Committees are present to provide any clarification to shareholders as necessary.

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Adequate notice of Annual General Meeting and summary of procedure	C.1.4 and C.1.5	Complied	The notice and the agenda of the AGM together with the Annual Report of the Company containing the relevant documents are sent to the shareholders giving 15 working days notice prior to the date of the AGM.

C.2 Communication with Shareholders

Effective communication with the shareholders	C.2.1, C.2.2, C.2.3 and C.2.4	Complied	The Board maintains a two-way communication with all investors providing an opportunity to seek non-price sensitive information throughout the year by conducting meetings and discussions and answering queries through our Company Secretarial Division and/or Communications Teams.
Contact person in relation to shareholder matters.	C.2.4 and C.2.6	Complied	Shareholders may, at any time, direct questions, request for publicly available information and provide suggestions to Directors or management of the Group. Such questions, requests and suggestions should be addressed to the Company Secretary.
Process to make all Directors aware of major issues and concerns of shareholders	C.2.5	Complied	The Company Secretary maintains records of all correspondence received and will deliver as soon as practical such correspondence to the Board or individual Director/s as applicable and the Board or individual Director/s will respond to the shareholders and will direct the Company Secretary to send the response to the shareholder.
The process of responding to shareholder matters	C.2.7	Complied	Refer above.

C.3 Major and material transactions

As per the requirement of the Companies Act, Directors should disclose to shareholders, all proposed material transactions which would materially alter/vary the Company's net asset base.

Corporate Governance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Major and material transactions	C.3.1	Complied	In terms of Listing Rules pertaining to immediate disclosures, the Company always notifies the Colombo Stock Exchange about the relevant transactions as soon as they are approved by the Board of Directors in order to ensure dissemination of information to the public. All major transaction are disclosed where necessary.

D. ACCOUNTABILITY AND AUDIT

D.1 Financial Reporting

Board responsibility to present the financial statements	D.1.1	Complied	The Board presents a balanced and understandable assessment which extends to interim and other price-sensitive public reports to regulators, as well as to information required to be presented by statutory requirements complying with regulatory deadlines.
Annual Report of the Directors	D.1.2	Complied	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary. Please refer to the Annual Report of the Directors on pages 58-62.
Statement by the Directors and the Auditors	D.1.3	Complied	Please refer the Statement of Directors Responsibility on page 64.
Management Discussion and Analysis	D.1.4	Complied	Please refer Management Discussion and Analysis on pages 23-34.
Declaration by the Board as to whether the business is a going concern	D.1.5	Complied	Please refer to the Annual Report of the Directors on page 59.
Requirement for an Extraordinary General meeting in a situation of serious loss of capital	D.1.6	Not Applicable	

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Related party transactions	D.1.7	Complied	<p>Process for identifying, recording and disclosure of related party transactions is in place. All related party transactions as defined in Sri Lanka Accounting Standard 24 - 'Related Party Transactions' is disclosed in Note 34 to the financial statements.</p> <p>A related party transaction review subcommittee is in place. Refer report of the related party transactions review committee on page 67.</p>
D.2 Internal Control			
Directors to review Internal Controls	D.2.1	Complied	The Board is responsible for establishing a sound framework of risk management and internal controls and monitoring its effectiveness on a continuous basis.
Requirement to review the need for an Internal Audit function	D.2.2	Not Applicable	
Board responsibility for the disclosure on internal control	D.2.3	Complied	
Directors' responsibility in maintaining a sound system of internal control	D.2.4	Complied	A Risk Management report is given on page 43 of this Annual Report to review the effectiveness of Group's system of internal controls to safeguard shareholders' investment and company's' assets.
D.3/7.10.6 Audit Committee			
Composition of the Audit Committee and its duties	D.3.1 and D.3.2/ 7.10.6(a) and 7.10.6(b)	Complied	Please refer to the Audit Committee Report on page 65.
Terms of Reference of the Audit Committee	D.3.3	Complied	Please refer to the Audit Committee Report on page 65.
Disclosure of names of the members of the Audit Committee	D.3.4 7.10.6(c)	Complied	Please refer to the Audit Committee Report on page 65.

Corporate Governance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
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D.4 Code of Business Conduct and Ethics

We are committed to carrying out all business activities to the highest standards of integrity, ethical values and professionalism, whilst following the laws of the country, international laws and compliance as per our stakeholders' expectations.

Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	As per our Chairman's Statement on Pages 10-11 of this Annual Report, we affirm our adherence to good business conduct and ethics.
Affirmation of the code of conduct and ethics	D.4.2	Complied	

D.5 Corporate Governance Disclosures

Disclosures of Corporate Governance	D.5.1	Complied	We aim to achieve greater year-on-year growth and value creation, improve stakeholder satisfaction and relationships in all our business activities, whilst adhering to the highest standards of corporate governance as is evident in this Annual Report on pages 48-57.
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2. SHAREHOLDERS

E. INSTITUTIONAL INVESTORS

Shareholder voting	E.1.1	Complied	We conduct regular and structured dialogue with shareholders based on a mutual understanding of objectives.
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E.2 Evaluation of governance initiatives

When evaluating company's governance arrangements, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention

Evaluation of governance initiatives	E.2	Complied	Institution investors are encouraged to provide any feedback on the governance related issues.
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F. OTHER INVESTORS

F.1 Investing and divesting decision

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Investing and divesting decision	F.1	Complied	Individual shareholders, investing directly in shares of companies are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.
F.2 Shareholders Voting			
Individual shareholders' voting	F.2	Complied	Notice of meeting is sent to all shareholders on time to encourage their participation at the Annual General Meeting and exercise their voting rights. In case of appointing proxy form and instructions are given in the annual report.

Annual Report of The Board of Directors on The Affairs of The Company

The Directors of Asia Capital PLC have pleasure in submitting their Report together with the audited Financial Statements of the Company and the audited Consolidated Financial Statements of the Group for the year ended 31st March 2017.

Principal Activities

To carry on whether by itself or through a subsidiary the business of an Investment company; of Financiers, Financial Agents, Monetary Agents, Promoters, Guarantors, Fund Managers, Trustees, Custodians, Receivers, Consultants, Advisors of assisting any body corporate, company, association or individual with capital, credit, means or resources; of executing undertakings, projects or enterprises for financial, commercial trading, industrial or other operations; of dealing in interests, including reversionary and contingent interests, in real and personal property; of buying, selling and sealing and dealing in bills, notes, warrants, coupons, and other negotiable or transferable securities or documents; of dealing in, making placement and underwriting shares, stocks, bonds, debentures, obligations, notes securities and any other documents whatsoever.

Review of Operations

The Chairman's Review on pages 10-11 of this report provides an overall assessment of the financial performance and financial position of the Company and describes in detail its affairs and important events for the year. A detailed analysis of the operations and financial results is contained in the management discussion and analysis on pages 23-34 in this report.

Financial Statements

The Directors are of the view that the income statement, balance sheet, statement of changes in equity, cash flow statement, significant accounting policies, and notes thereto appearing on pages 70-118 have been prepared in conformity with the Sri Lanka Accounting Standards and the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Auditors Report

The Auditor's Report on the financial statements is given in page 69.

Accounting Policies

The accounting policies adopted in the preparation of financial statements are given in pages 74-85.

Financial Results

For the year ended 31st March	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Profit/(Loss) for the Year Before Taxation	(761,990)	(433,448)	(369,380)	460,068
Income Taxation	(1,343)	29,323	(834)	(33,480)
Profit/(Loss) for the Year After Taxation	(763,333)	(404,125)	(370,214)	426,588
Non-Controlling Interest	(50,045)	(27,768)	-	-
Profit/(Loss) Attributable to Equity Holders of the Parent Company	(713,288)	(376,357)	(370,214)	426,588

Dividends

No dividends were declared as at 31st March 2017.

Property, Plant and Equipment

An analysis of the property, plant and equipment of the company is disclosed in Note 12 of the financial statements on pages 90-92.

Stated Capital

The stated capital of the company as at 31st March 2017 was Rs. 1,498,498,000.

Donations

There were no donations made during the year.

Capital Commitments

There is no capital expenditure commitments as at 31 March 2017.

Liabilities and Provisions

The Board of Directors have taken all steps to ensure adequate provisioning has been made for unearned premiums, unexpired risks and claims, including claims incurred but not reported and not enough reserved.

The basis adopted for provisioning is disclosed on page 62 to the financial statements.

As at the date of the Report, the Directors are not aware of any circumstances, which would render inadequate the amounts provided for in the financial statements.

Statutory Payments

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to all relevant regulatory and statutory authorities have been paid. A statement of compliance by the Board of Directors in relation to statutory payments is included in the Statement of Directors' Responsibilities on page 64.

Contingent Liabilities

There were no material contingent liabilities outstanding as at 31st March 2017.

Events after the reporting period

There have been no material events occurring after the reporting date other than those disclosed in note No. 36 of the financial statement.

Risk Management and Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risk faced by the Company. The Directors review this process through the Audit Committee.

Going Concern

The Board of Directors are satisfied that the Company has adequate resources to continue its operation in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

Directors who held office during the Year

The Directors of the Company during the year were as follows.

Mr. J.H.P. Ratnayeke	Chairman
Mr. A.D. Ross	Independent Non-Executive Director
Mr. V. Siva Jr.	Independent Non-Executive Director
Mr. R.J. Wickramasinghe	Independent Non-Executive Director
Mr. S.A. Abeyesinhe	Executive Director
Mr. T. Tanaka	Non Executive Director
Mr. Z. Merchant	Non Executive Director
Mr. Y. Watanabe	Non Executive Director

Mr. S.A. Abeyesinhe (Alternate Director to Mr. V. Siva Jr., appointed with effect from 06th June 2011)

Mr. S.A. Abeyesinhe (Alternate Director to Mr. J.H.P. Ratnayeke, appointed with effect from 29th August 2011)

Mr. T. Tanaka (Alternate Director to Mr. Y. Watanabe, appointed with effect from 01st March 2016)

Appointments during the year

No directors were appointed during the year.

Resignations during the year

No resignations were made during the financial year.

Appointments after the conclusion of the year

No appointments were made after the conclusion of the financial year.

Directors who held office as at the end of the Accounting period 31st March 2017

Mr. J.H.P. Ratnayeke - Chairman

Mr. A.D. Ross

Mr. V. Siva Jr.

Mr. R.J. Wickramasinghe

Mr. S.A. Abeyesinhe

Mr. T. Tanaka

Annual Report of The Board of Directors on The Affairs of The Company

Mr. Z. Merchant
 Mr. Y. Watanabe
 Mr. S.A. Abeyesinhe
 [Alternate Director to Mr. V. Siva Jr.]
 Mr. S.A. Abeyesinhe
 [Alternate Director to Mr. J.H.P. Ratnayake]
 Mr. T. Tanaka
 [Alternate Director to Mr. Y. Watanabe]

Of the Seven (07) Directors, Mr. A.D. Ross, Mr. V. Siva Jr. and Mr. R.J. Wickramasinghe are Non-Executive, Independent Directors.

Directors retiring (at the Annual General Meeting)

Mr. T. Tanaka retires by rotation in accordance with Article 98 of the Articles of Association of the Company and being eligible, offers himself for re-election under Article 99 of the Articles of Association.

Corporate Governance

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

An Audit Committee, Remuneration Committee, Nominations Committee and Related Party Transactions Review Committee function as Board sub committees with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows;

Audit Committee

Mr. R.J. Wickramasinghe	(Independent Non – Executive Director)
Mr. A.D. Ross	(Independent Non – Executive Director)
Mr. V. Siva Jr.	(Independent Non – Executive Director)

Remuneration Committee

Mr. R.J. Wickramasinghe	(Independent Non – Executive Director)
Mr. V. Siva Jr.	(Independent Non – Executive Director)
Mr. A.D. Ross	(Independent Non – Executive Director)

Nominations Committee

Mr. R.J. Wickramasinghe	(Independent Non – Executive Director)
Mr. V. Siva Jr.	(Independent Non – Executive Director)
Mr. A.D. Ross	(Independent Non – Executive Director)

Related Party Transactions Review Committee

Mr. R.J. Wickramasinghe	(Independent Non – Executive Director)
Mr. V. Siva Jr.	(Independent Non – Executive Director)
Mr. A.D. Ross	(Independent Non – Executive Director)

Directors' Interest Register

In terms of the Companies Act No. 07 of 2007, an Interest Register was maintained during the accounting period under review. This Annual Report also contains particulars of entries made in the Interest Register.

Directors' Remuneration and Other Benefits of Directors

Directors' remuneration and other benefits of Directors are stated in the Note 34 on page 107 of the Financial Statements.

Directors' Interest in Shares

Name	No. of Shares as at 31st March 2017	No. of Shares as at 31st March 2016
Mr. J.H.P. Ratnayake	30	30
Mr. A.D. Ross	-	-
Mr. V. Silva Jr.	-	-
Mr. R.J. Wickramasinghe	-	-
Mr. S.A. Abeyesinhe	-	-
Mr. T. Tanaka	400,000	400,000
Mr. Z. Merchant	-	-
Mr. Y. Watanabe	11,539,353	11,539,353

Directors' Interest in Contracts

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 34.3 on page 107 of the Financial Statements.

Shareholders Information

The distribution and analysis of shareholdings were as follows;

	As at 31st March 2017			As at 31st March 2016		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	5,373	786,166	0.60	5,369	799,300	0.61
1,001 - 10,000	720	2,090,641	1.59	712	2,069,091	1.58
10,001 - 100,000	117	2,838,034	2.17	94	2,616,136	1.99
100,001 - 1,000,000	7	1,425,852	1.08	6	1,656,166	1.26
1,000,001 and Over	5	124,189,302	94.56	5	124,189,302	94.56
Total	6,222	131,329,995	100.00	6,186	131,329,995	100.00

	As at 31st March 2017			As at 31st March 2016		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	6,178	8,469,444	6.45	6,143	8,360,304	6.24
Non-Resident	44	122,860,551	93.55	43	122,969,691	93.76
Total	6,222	131,329,995	100.00	6,186	131,329,995	100.00

	As at 31st March 2017			As at 31st March 2016		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individual	6,084	121,325,344	92.39	6,045	121,497,558	92.51
Institutional	138	10,004,651	7.61	141	9,832,437	7.49
Total	6,222	131,329,995	100.00	6,186	131,329,995	100.00

Annual Report of The Board of Directors on The Affairs of The Company

20 Largest holders of equity

Name	As at 31st March 2017		As at 31st March 2016	
	No. of Shares	%	No. of Shares	%
1 Mr. V.S. Vijayarathnam	94,039,467	71.61	94,039,467	71.61
2 Mr. Y. Watanabe	11,539,353	8.79	11,539,353	8.79
3 Mr. E. Watanabe	9,790,642	7.45	9,790,642	7.45
4 Fast Gain International Ltd.	6,794,400	5.17	6,794,400	5.17
5 P. W. Corporate Secretarial (Pvt) Ltd.	2,025,440	1.54	2,025,440	1.54
6 Mr. T. Tanaka	400,000	0.30	400,000	0.30
7 Asha Financial Services Ltd./Mr. C.N. Pakianathan	279,529	0.21	232,636	0.18
8 Mr. H.P.C.R. Priyadarshana	185,756	0.14	89,100	0.07
9 DFCC Bank PLC/Mr.C.R. Perera	170,000	0.13	-	-
10 Mr. H.A.V. Starrex	163,009	0.12	-	-
11 Seylan Bank Ltd./Ruwan Prasanna Sugathadasa	123,039	0.09	-	-
12 First Capital Markets Ltd. /Dr. M.M.S. Cooray	104,674	0.08	-	-
13 Mr. H.W.Mc. Woodward	98,300	0.07	98,300	0.07
14 Mr. A. Lukmanjee	71,542	0.05	71,542	0.05
15 Anglo Amalgamated (Pvt) Ltd.	67,000	0.05	67,000	0.05
16 Mr. M.H.A. Kamil	56,150	0.04	62,803	0.05
17 Mrs. M.M. Udeshi	55,880	0.04	-	-
18 Mrs. G.S.M.D. Disanayaka	55,759	0.04	-	-
19 Mr. C.W. Vandort	50,625	0.04	-	-
20 Merchant Bank of Sri Lanka & Finance PLC/W.H.W.M.S. Sriyakanthi	50,000	0.04	-	-

Public Shareholding

The number of public shareholders as at the 31st of March 2017 was 6,213 (5.13% of total shareholders).

Annual General Meeting

The notice of the Annual General Meeting is on page 121.

Auditors

The Financial Statements for the year ended 31st March 2017 have been audited by Messrs. BDO Partners (Chartered Accountants) who offer themselves for reappointment. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

The Auditors Messrs. BDO Partners, Chartered Accountants were paid Rs. 750,000 as Audit fees by the Company.

A resolution relating to their reappointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



J.H.P. Ratnayake
Chairman/Director



S.A. Abeyesinhe
Group Chief Executive Officer/
Director



P.R. Secretarial Service (Private) Limited
Secretaries

25th August 2017

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of Asia Capital PLC and the Group are prepared in compliance with the requirements of the following;

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007,
- Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995,
- Listing rules of the Colombo Stock Exchange, and
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission of Sri Lanka.

We confirm that to the best of our knowledge, the financial statements and other financial information included in this Annual Report fairly present in all material respects, the financial position, results of operations and cash flows of the Company and the Group as of and for the periods presented in this Annual Report.

There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, except where otherwise stated in the Notes accompanying the Financial Statements.

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs.

To ensure this, we have taken proper and sufficient care in evaluating the effectiveness of the system of internal controls and procedures of the Group and are satisfied that they have been effective as of the end of the period covered by this Annual Report.

We are also satisfied that proper accounting records are maintained for safeguarding assets and for preventing and detecting fraud as well as other irregularities. The audit committee periodically reviews the established policies and procedures of the company to obtain a reasonable assurance that the policies and procedures were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by Messrs. BDO Partners Chartered Accountants, the Independent Auditors.

The Audit Committee of your Company meets periodically with the Independent Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors have full and free access to the members of the audit committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance with the guidelines for the Listed Companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with and that there are no known material litigations and claims against the Company other than those arising out of the normal course of business.



S.A. Abeyesinhe
Director/Group Chief Executive Officer



R.A.T.P. Perera
Group Chief Financial Officer

25th August 2017

Statement of Directors' Responsibilities

The Board of Directors of Asia Capital PLC is responsible for ensuring that the Company maintains proper books of accounts of all transaction and prepares financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries, associates for that period. The Companies Act No. 07 of 2007 requires that the Directors prepare Financial Statements for each year, giving a true and fair view and the state of affairs of the Company and the Group as at the end of the financial year and the profit and loss the Company and the Group for that financial year.

In the circumstances, the Directors of the Company state below their responsibilities in relation of the Financial Statements of the Company and its subsidiaries and associates for the year ended 31st March, 2017. These differ from the Auditors responsibilities, which are set out in their report given on page 69. The Board of Directors have a responsibility to ensure that the Company and its subsidiary and associates are maintaining sufficient accounting policies to ensure the accuracy and reliability of financial statements. The Directors have a general responsibility to take steps to safeguard the assets of the Company.

The Directors confirm that suitable accounting policies have been used and applied consistently and that all applicable accounting standards have been followed in the preparation of the Financial Statements. Furthermore, reasonable and prudent judgments and estimates have been made in the preparation of these Financial Statements.

The Directors confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and that they provide the information required by the Companies Act No. 07 of 2007.

The overall responsibility of the Company's internal control systems lies with the Directors. Whilst recognising the fact that there is no single system of internal control

that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by them and which comprise internal checks, internal audit and financial and other controls are so designated that there is reasonable assurance that all assets are safeguarded and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Directors are responsible for providing the auditors with every opportunity to carry out the necessary audit work in enabling them to present their report. The Directors have adopted the 'going concern basis' in preparing the Financial Statements. Having reviewed the Group's business plans, the Directors are satisfied that the Company has adequate resources to continue in operation. The Directors confirm that to the best of their knowledge all taxes and levies payable by the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees and all other statutory obligations including retirement gratuities as were due as at the Reporting data have been either duly paid or appropriately provided for in the financial statements.



S.A. Abeyesinhe
Director/Group Chief Executive Officer



R.J. Wickramasinghe
Director

25th August 2017

Audit Committee Report

The Terms of Reference of the Audit Committee comply with the listing rules of the Colombo Stock Exchange. The Audit Committee comprises of the following.

- 1 Mr. R.J. Wickramasinghe (Chairman)
Independent Non-Executive Director
- 2 Mr. V. Siva Jr.
Independent Non-Executive Director
- 3 Mr. A.D. Ross
Independent Non-Executive Director

Mr. R.J. Wickramasinghe, FCMA, FCCA, ACC. Dir. SL, has over thirty years of experience in the fields of Finance, Operations and General management both internationally and locally.

Mr. V. Siva Jr. is a Certified Public Accountant (CPA) from the Malaysian Institute of Certified Public Accountants. He has vast experience in corporate finance, strategy, performance management and capital markets.

Mr. A.D. Ross is a Chartered Accountant of the Institute of Chartered Accountants, England and Wales. He is a partner of Baker Tilley, Hong Kong.

The Company's management is responsible for the financial statements and for maintaining effective internal controls over financial reporting. The main purpose is to provide assistance to the Board of Directors of Asia Capital PLC in fulfilling their responsibility to the shareholders and stakeholders.

The Committee meets as and when required including to review the quarterly and annual Financial statements. The Committee reviewed and recommended the letter of engagement of the External Auditors and recommended their appointment to the Board of Directors.

The Group Chief Executive Officer and the Group Chief Finance Officer attended meetings at the invitation of the Committee.

Financial Reporting

The Committee as a part of its responsibility to oversee the Asia Capital Group's financial reporting process on behalf of the Board of Directors has reviewed the reporting process including compliance with Accounting Standards. The Company is compliant with the SLFRS and LKAS.

Conclusion

The Audit Committee is satisfied that control environment prevailing in the organisation provides reasonable assurance regarding the reliability of the financial reporting of the Group, the assets are safeguarded and the listing rules of the Colombo Stock Exchange have been met.



R.J. Wickramasinghe
Chairman - Audit Committee

25th August 2017

Remuneration Committee Report

The Remuneration Committee consists of the following Directors:

- 1 Mr. R.J. Wickramasinghe (Chairman)
Independent Non-Executive Director
- 2 Mr. V. Siva Jr.
Independent Non-Executive Director
- 3 Mr. A.D. Ross
Independent Non-Executive Director

The Group Chairman and the Group Chief Executive Officer attend meetings of the remuneration Committee by invitation.

The purview of the Committee is to assist the Board of Directors in setting Policies with regard to aligning the remuneration of staff with the skills, expertise and quality demanded off them. This is to ensure that the Company is able to attract, motivate and retain high quality management in competitive environment and is well placed to meet the challenges the Company faces. The Committee is responsible for ensuring that the total compensation package is competitive and can attract the best talent in the market place.

The Committee meets as often as necessary and makes recommendations on compensation structures and bonuses.



R.J. Wickramasinghe
Chairman - Remuneration Committee

25th August 2017

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board on 07th March 2014, in accordance with Section 09 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee of the Company comprises the following Non-Executive Directors:

- 1 Mr. R.J. Wickramasinghe (chairman)
(Independent Non-Executive Director)
- 2 Mr. V. Siva Jr.
(Independent Non-Executive Director)
- 3 Mr. A.D. Ross
(Independent Non-Executive Director)

POLICIES AND PROCEDURES

- The Charter of the Committee was adopted by the Board on 07th March 2014. It includes a Related Party Transactions (RPT) Policy whereby the categories of persons/entities who shall be considered as 'related parties' have been identified.
- In accordance with the RPT Policy, self-declarations are obtained from each Director for the purpose of identifying parties related to them.
- The RPTRC reviews all the RPTs of the Company, and during the year under review, all RPTs the Company entered into being Recurrent RPTs, which were carried out on an arm's length basis as per the guidelines issued in that respect such review did not necessitate seeking approval of the RPTRC/Directors.

- In its review of RPTRC /RPTs, RPTRC considers the terms and conditions of the RPT, value, and the aggregate value of transactions with the said related party during the financial year, in order to determine whether they are carried out on an arms length basis, the disclosure requirements as per the Listing Rules of the CSE and the level of approval required for the respective RPTs.
- The RPTRC ensures that all transactions with Related Parties were in the best interests of all shareholders, adequate transparency is maintained and are in compliance with the Listing Rules .
- The Committee has established guidelines in respect of Recurrent RPTs to be followed by the Management of the Company, in the Company's dealings with Related Parties.

Related Party Transactions during the year under review

Details of the Recurrent RPTs entered into by the Company during the year is disclosed in Note 34 of the Financial Statements.

Meetings

The Committee met four (04) times during the financial year under review.

Declaration

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions, is given on page 107 of the Annual Report.



R.J. Wickramasinghe

Chairman - Related Party Transactions Review Committee

25th August 2017

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Independent Auditor's Report



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Chartered Accountants
 "Charter House"
 65/2, Sir Chittampalam A Gardiner Mawatha
 Colombo 02
 Sri Lanka

TO THE SHAREHOLDERS OF ASIA CAPITAL PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Asia Capital PLC ("the Company") and consolidated the financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 70-118.

Board's Responsibility for the Financial Statements

The Board of Directors ("the Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the Note 37 to the consolidated financial statements which more fully describes the existence of doubt on the going concern of the Company and its subsidiaries and the mitigating steps taken by the management.

Other Matter

The consolidated financial statements of Asia Capital PLC for the year ended 31st March 2016 were audited by another auditor who expressed a modified opinion on those statements on 18th August 2016 with the emphasis of matter regarding the going concern of the subsidiaries of the Group.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the Note 37.1 to the consolidated financial statements which more fully describes the existence of doubt on the going concern of the Company and the mitigating steps taken by the management.

BDO Partners

CHARTERED ACCOUNTANTS Colombo
 25th August, 2017

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, FCMA, MBA. Tishan H. Subasinghe FCA, ACMA, CISA, MBA. H. Sasanka Rathnaweera FCA, ACMA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. Hasanthi D. Amarakoon ACA, ACMA. R. Vasanthakumar Bsc (Acc), ACA

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000 Restated	2017 Rs.'000	2016 Rs.'000
Revenue	5	539,884	498,791	486,796	1,070,779
Cost of sales		(248,646)	(273,250)	(211,045)	(257,462)
Gross profit		291,238	225,541	275,751	813,317
Other operating income	6	83,130	240,019	126,806	223,793
Selling and distribution expenses		(91,084)	(63,073)	(40,760)	(19,042)
Administrative expenses		(558,165)	(517,313)	(176,317)	(158,713)
Other operating expenses		(295,871)	(199,457)	(90,882)	(122,157)
(Provision for)/reversal of impairment of receivables	7	1,334	(2,184)	(312,099)	(192,393)
Net finance income/(expenses)	8	(195,584)	(118,579)	(151,879)	(84,737)
Share of profit of equity-accounted investees net of tax		3,012	1,598	-	-
Profit/(loss) before tax	9	(761,990)	(433,448)	(369,380)	460,068
Income tax expense	10	(1,343)	29,323	(834)	(33,480)
Profit/(loss) for the year		(763,333)	(404,125)	(370,214)	426,588
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss					
Actuarial gain on defined benefit obligations	27	4,922	3,789	2,264	1,045
Revaluation surplus on property, plant and equipment		-	1,592,053	-	-
Deferred tax impact on building revaluation		-	(63,419)	-	-
		4,922	1,532,423	2,264	1,045
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Other comprehensive income/(loss) for the year, net of tax		4,922	1,532,423	2,264	1,045
Total comprehensive income/(loss) for the year, net of tax		(758,411)	1,128,298	(367,950)	427,633
Profit/(loss) attributable to					
Equity holders of the parent company		(713,288)	(376,357)	(370,214)	426,588
Non-controlling interests		(50,045)	(27,768)	-	-
		(763,333)	(404,125)	(370,214)	426,588
Total comprehensive income/(loss) attributable to					
Equity holders of the parent company		(708,366)	810,610	(367,950)	427,633
Non-controlling interests		(50,045)	317,688	-	-
Total comprehensive income/(loss) for the year		(758,411)	1,128,298	(367,950)	427,633
Basic earnings/(loss) per share (Rs.)	11	(5.43)	(2.87)	(2.82)	3.25

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the accounting policies and related Notes, which are set out on pages 74-118.

Statement of Financial Position

For the year ended 31st March	Note	GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000 Restated	2017 Rs.'000	2016 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	3,117,197	3,281,437	24,033	30,148
Intangible assets	13	115,682	121,460	165	5,650
Investments in subsidiaries	14.1	-	-	1,097,205	1,094,286
Investments in joint venture	14.2	38,130	35,118	33,520	33,520
Financial assets - Available for sale	15	114,853	114,853	114,853	114,853
Long term deposits and advances	16	11,913	11,947	11,913	11,947
Total non-current assets		3,397,775	3,564,815	1,281,689	1,290,404
Current assets					
Inventories	17	12,530	207,240	-	-
Financial assets - Held to maturity	18	51,657	32,739	35,831	33,046
Loans given to ESOP	19	-	-	-	-
Financial assets - Fair value through profit or loss	20	-	96,170	-	96,170
Short-term lendings	21	-	-	-	-
Income tax receivable		1,315	1,374	-	-
Trade and other receivables	22	231,606	225,486	2,955	31,336
Amounts due from related parties	23	-	-	547,503	664,200
Cash and cash equivalents	24	15,230	19,523	6,717	630
Total current assets		312,338	582,532	593,006	825,382
Total assets		3,710,113	4,147,347	1,874,695	2,115,786
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	25	1,498,498	1,498,498	1,498,498	1,498,498
Revaluation reserve		1,197,364	1,226,812	5,905	5,905
Retained earnings/(accumulated losses)		(1,325,293)	(732,683)	(768,220)	(400,270)
Shareholders' fund		1,370,569	1,992,627	736,183	1,104,133
Non-controlling interests		677,705	471,114	-	-
Total equity		2,048,274	2,463,741	736,183	1,104,133
Non-current liabilities					
Retirement benefit obligations	27	24,610	22,862	14,706	13,844
Interest bearing borrowings - Due after one year	29	326,600	966,836	85,082	556,888
Total non-current liabilities		351,210	989,698	99,788	570,732
Current liabilities					
Non-interest bearing borrowings - Due within one year	28	87,485	96,050	87,485	96,050
Interest bearing borrowings - Due within one year	29	828,537	336,616	781,414	238,832
Deferred income	30	11,485	11,485	11,485	11,485
Trade and other payables	31	171,074	193,725	41,771	46,148
Amounts due to related parties	32	-	-	1,610	20,595
Income tax payable		20,573	23,695	20,570	23,355
Bank overdraft	24	191,475	32,337	94,389	4,456
Total current liabilities		1,310,629	693,908	1,038,724	440,921
Total liabilities		1,661,839	1,683,606	1,138,512	1,011,653
Total equity and liabilities		3,710,113	4,147,347	1,874,695	2,115,786
Net assets per share (Rs.)		10.44	15.17	5.61	8.41

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the accounting policies and related Notes, which are set out on pages 74-118.

I certify that the above financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



R.A.T.P. Perera
Group Chief Financial Officer

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

Approved and signed for and on behalf of the Board of Directors,



J.H.P. Ratnayake
Chairman



S.A. Abeyesinhe
Director/Group CEO

25th August 2017
Colombo.

Statement of Cash Flow

For the year ended 31st March	Note	GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Cash flow from operating activities					
Profit/(loss) before income tax expense		(761,990)	(433,448)	(369,380)	460,068
Adjustments for:					
Provision for retirement benefit obligations	27	8,044	8,851	4,063	4,349
Depreciation on property, plant and equipment	12	143,732	148,141	7,385	8,810
Deferred income		-	11,485	-	11,485
Amortisation of intangible assets		5,778	5,867	5,485	5,491
Impairment loss of intangible assets		-	75	-	-
Gain/loss on financial assets fair value through profit and loss		(18,234)	-	(18,234)	-
Gain/loss on disposal of subsidiaries		-	-	(257,517)	-
Gain on disposal of property, plant and equipment		(17,995)	(3,583)	(40)	(2,804)
Impairment of receivable		-	2,206	-	2,206
Share of profit of equity-accounted investees net of tax		(3,012)	(1,598)	-	-
Provision for inventories		195,852	71,372	-	-
Provision for long term deposits and advances		(1,334)	-	233,358	1,831
Amortisation of amount due from related companies		-	-	-	190,210
Write-off ESOP		-	3,414	-	3,414
Interest income	8	(4,548)	(3,304)	(4,579)	(8,328)
Interest expense	8	200,132	121,883	156,458	93,065
Operating profit/(loss) before working capital changes		(253,575)	(68,639)	(243,001)	769,797
Changes in:					
Inventories		(1,142)	1,906	-	-
Loans and receivable		(18,918)	125,198	(2,785)	125,178
Financial assets available for sale		-	(104,853)	-	(114,853)
Trade and other receivables		(5,286)	1,365	30,120	62,108
Amount due from related parties		-	-	(118,400)	527,447
Trade and other payables		(22,651)	88,561	(4,377)	9,598
Amount due to related parties		-	-	(18,985)	20,595
Cash flow from/(used in) operations		(301,572)	43,538	(357,428)	1,399,870
Gratuity paid	27	(1,374)	(1,388)	(937)	(913)
Income tax paid		(4,406)	(17,389)	(3,621)	(16,429)
Net cash from/(used in) operating activities		(307,352)	24,761	(361,986)	1,382,528
Cash flow from investing activities					
Acquisition of property, plant and equipment		(43,265)	(357,925)	(1,270)	(18,881)
Acquisition of subsidiaries		-	-	(117,793)	(768,595)
Acquisition of joint venture		-	(33,520)	-	(33,520)
Net proceeds from disposal of subsidiary		372,392	-	372,392	-
Proceeds from disposal of property, plant and equipment		52,320	16,588	40	2,805
Proceeds from financial assets fair value through profit and loss		114,404	155,561	114,404	155,561
Interest received		4,548	3,304	4,579	8,328
Long term advances	16	34	17,378	34	(2,048)
Net cash flows from/(used in) investing activities		500,433	(198,614)	372,386	(656,350)
Cash flow from financing activities					
Net proceeds from/(repayment) of other loans		(219,169)	76,903	(1,274)	(829,384)
Net proceeds from/(repayment of) amounts payable under re-purchase agreement		6	-	6	233
Net proceeds from/(repayment of) commercial papers		62,783	168,188	63,479	178,517
Interest paid		(200,132)	(121,883)	(156,458)	(93,065)
Net cash flows from/(used in) financing activities		(356,512)	123,208	(94,246)	(743,699)
Net increase/(decrease) in cash and cash equivalents		(163,431)	(50,645)	(83,846)	(17,521)
Cash and cash equivalents at the beginning of the year		(12,814)	37,831	(3,826)	13,695
Cash and cash equivalents at the end of the year	24	(176,245)	(12,814)	(87,672)	(3,826)

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 74-118.

Statement of Changes in Equity

GROUP	Stated capital	Revaluation reserve	Accumulated losses	Total attributable to equity holders	Non-controlling interest	Total
For the year ended 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2015	1,498,498	43,634	(1,192,237)	349,895	19,852	369,747
Adjustment on acquisition, disposal and change in holding of subsidiary	-	-	832,122	832,122	133,574	965,696
Loss for the year	-	-	(376,357)	(376,357)	(27,768)	(404,125)
Other comprehensive income for the year net of tax	-	1,240,497	3,789	1,244,286	351,556	1,595,842
Deferred tax impact on revaluation	-	(57,319)	-	(57,319)	(6,100)	(63,419)
Balance as at 31st March 2016 - Restated	1,498,498	1,226,812	(732,683)	1,992,627	471,114	2,463,741
Adjustment on acquisition, disposal and change in holding of subsidiary	-	-	115,756	115,756	256,636	372,392
Loss for the year	-	-	(713,288)	(713,288)	(50,045)	(763,333)
Transferred to reserves on disposal of PPE	-	(29,448)	-	(29,448)	-	(29,448)
Other comprehensive income for the year net of tax	-	-	4,922	4,922	-	4,922
Balance as at 31st March 2017	1,498,498	1,197,364	(1,325,293)	1,370,569	677,705	2,048,274

COMPANY	Stated capital	Revaluation reserve	Retained earnings/ accumulated losses	Total
For the year ended 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2015	1,498,498	5,905	(827,903)	676,500
Profit for the year	-	-	426,588	426,588
Other comprehensive income for the year net of tax	-	-	1,045	1,045
Balance as at 31st March 2016	1,498,498	5,905	(400,270)	1,104,133
Loss for the year	-	-	(370,214)	(370,214)
Other comprehensive income for the year Net of tax	-	-	2,264	2,264
Balance as at 31st March 2017	1,498,498	5,905	(768,220)	736,183

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the accounting policies and related Notes, which are set out on pages 74-118.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1. General

Asia Capital PLC ('the Company') is a public quoted company incorporated and domiciled in Sri Lanka. The registered office of the company and the principal place of business are both situated at Level 21, West Tower, World Trade Center, Colombo 01.

The consolidated financial statements of the company as at and for the year ended 31st March, 2017 comprise of the company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in jointly controlled entities.

Ordinary shares of the company are listed on the main board of the Colombo Stock Exchange (CSE).

1.2. Principle activities and nature of operations

During the year the principal activities of the Group were corporate finance, asset management, treasury management, dealing and investing in securities, financial services, hotels, tea packaging.

During the year primary activity of the company was to act as an investment holding company.

1.3. Parent and ultimate parent company

In the opinion of the Board of Directors, Asia Capital PLC does not have an identifiable parent of its own.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007. These financial statements also provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange.

The financial statements were authorised for issue by the Board of directors on 25th August 2017.

2.2. Basis of measurement

The financial statements of the Group has been prepared on the historical cost basis with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- The liability for defined benefit obligations are measured at the present value
- Property, plant and equipment are stated at its revalued amounts

2.3. Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees (LKR), which is the company's functional currency. All amounts have been rounded to the nearest thousand unless stated otherwise.

2.4. Use of estimates and judgements

In preparing these financial statements in conformity with SLFRSs/LKAS, management has made judgements, 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 recognised prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the respective Notes.

2.5. Materiality and aggregation

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

2.6. Comparative information

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

2.7. Going concern

The Directors have made an assessment of company's and the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the company's

and the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company and the Group. Therefore, the financial statements continue to be prepared on the going concern basis.

The going concern of the company and the Group is discussed in detail under Note 37 to the financial statements.

2.8. Directors' responsibility for the financial statements

Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and as per the provisions of Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by entities within the Group.

3.1. Basis of consolidation

3.1.1. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and

settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.1.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3.1.3. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.4. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.5. Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The company's investments in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the company's share of net assets of the joint venture since the acquisition date. Goodwill

Notes to the Financial Statements

relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the company's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the company's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the company and the joint venture are eliminated to the extent of the interest in the joint venture.

Upon loss of significant influence over the joint control over the joint venture, the company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.1.6. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign currency

3.2.1. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

The Group does not have any subsidiary associate or joint operation incorporated outside Sri Lanka which can be considered as a foreign operation.

3.3. Property, plant and equipment

3.3.1. Recognition and measurement

Items of property, plant and equipment are stated at revalued amounts.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

3.3.2. Subsequent expenditure

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

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 recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings and improvements	15 years
Computer equipment	05 years
Office equipment	10 years
Furniture and fittings	10 years
Fixtures and fittings	10 years
Motor vehicles	04 years
Plant and machinery	04 years
Hotel equipment	04 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements

The loans and receivables of the Group includes cash in hand and at bank and trade and other receivables, loans receivables which have been explained under Notes to the financial statements.

- **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The financial assets at fair value through profit or loss of the Group includes investment in equity shares which has been explained under Note 20 to the financial statements.

- **Available for sale financial assets (AFS)**

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance

costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

The available for sale financial assets of the Group includes investment in equity shares which has been explained under Note 15 to the financial statements.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control

of it, the asset is recognised to the extent of the Group continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company/Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss will be the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of ensuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realised. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss would be increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery will be credited to finance costs in the statement of comprehensive income.

- **Available for sale financial assets (AFS)**

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on

Notes to the Financial Statements

equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3.5.2. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classifications as follows:

- **Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at

amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income, when the liabilities are de-recognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

The loans and borrowings of the Group includes interest bearing borrowings (including bank overdraft) and trade and other payables which have been explained under Note 29 and 31 to the financial statements.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified. Such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

SLFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement, financial assets and financial liabilities are classified in their entirety into only one of the three levels.

3.6. Trade and other receivables

Trade and other receivables are recognised at the amounts they are estimated to realise net of provisions for impairment. Other receivables and dues from related parties are recognised at fair value less provision for impairment. The amount of the provision is recognised in the statement of profit or loss. Trade receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment.

3.7. Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand and demand deposits.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

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

3.8. Inventories

Inventories are valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the normal course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing the inventories to its present location and conditions are accounted using the following formulae.

- Food & beverage - at purchase cost - First in first out basis
- Other consumables - at purchase cost - First in first out basis
- Filter papers - at purchase cost - Weighted average cost basis
- Finished goods - at the cost of direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

3.9. Leases

3.9.1. Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

3.9.2. Leased assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in

Notes to the Financial Statements

accordance with the accounting policy applicable to that asset.

3.9.3. Lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.10. Liabilities and provisions

3.10.1. Liabilities

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

- **Trade and other payables**

Trade creditors and other payables are stated at amortised cost.

- **Provisions, contingent assets and contingent liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

All the contingent liabilities are disclosed as Notes to the financial statements unless the outflow of resources is remote.

3.11. Employee benefits

3.11.1. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.11.2. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

All employees of the Group are members of the Employees' Provident Fund and Employees' Trust Fund to which the Group contributes 12% and 3% respectively of such employee's qualifying salary.

3.11.3. Defined benefits plans

The company and the Group are liable to pay retirement benefits under the payment of Gratuity Act No. 12 of 1983. Under the said Act, the liability to an employee arises only on completion of 5 years of continued service.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets (if applicable) are deducted.

The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The Group recognises all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognised as personnel expenses in profit or loss.

The calculation is performed annually using the projected unit credit method.

3.12. Revenue

3.12.1. Revenue recognition

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

- **Corporate and government securities income**

Interest income and capital gains on sale of securities are recognised on an accrual basis.

- **Income from fee based activities**

Income from consultancy fees is recognised in the period which such transactions were effected.

- **Interest income from loans and advances, leases and hire purchase contracts**

Interest income from leases and hire purchase contracts are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the loans and advances,

Leases and hire purchase contracts (or, where appropriate, a shorter period) to the carrying amount of the loans and advances, leases and hire purchase contracts. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the leases and hire purchase contracts, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of loans and advances, leases and hire purchase contracts.

- **Overdue interest**

Overdue interest income from leasing, hire purchase and other form of loans and advances have been accounted for on cash basis.

- **Room revenue**

Room revenue is recognised on the rooms occupied on daily basis.

- **Food and beverage**

Food and beverage revenue is recognised at the time of sale.

- **Dividend income**

Dividend income is recognised when the right to receive such dividend is established.

- **Rendering of services**

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.13. Expenses

3.13.1. Expenses recognition

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

For the presentation of the statement of profit and loss the Directors are of the opinion that the function of the expenses method present fairly the elements of the Group performance, and hence such a presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the statement of profit or loss.

Repairs and renewals are charged to the statement of profit or loss in the year in which the expenditure is incurred.

3.13.2. Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised in the statement of profit or loss as it accrues.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables), are recognised in the statement of profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of profit or loss using the effective interest method.

Notes to the Financial Statements

3.14. Income tax

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

3.14.1. Current 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. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

3.14.2. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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

3.15. Statement of cash flows

The statement of cash flows has been prepared using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31ST MARCH 2017

The following are some relevant new standards, interpretations and amendments, which are not yet mandatorily effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements. The Group intends to adopt these standards, interpretations and amendments, if applicable, when they become effective.

4.1 SLFRS 9 - Financial instruments

The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 01st January, 2018, with early application permitted. Retrospective application is required, but comparative information is not

compulsory. Early application of previous versions of SLFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 01st February, 2015. The adoption of SLFRS 9 is expected to have an effect on the classification and measurement of the Group's financial assets.

4.2 SLFRS 15 - Revenue from contracts with customers

Under SLFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SLFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under SLFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 01 January 2018 with early adoption permitted. The Group is currently assessing the impact of SLFRS 15 and plans to adopt the new standard on the required effective date.

4.3 SLFRS 16 - Leases

SLFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with LKAS 17. Under SLFRS 16, leases are recorded on the balance sheet by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

SLFRS 16 applies to annual periods commencing on or after 01st January, 2019. Earlier adoption is permitted, but only SLFRS 15 Revenue from Contracts with Customers is also adopted. The Group is currently assessing the impact of SLFRS 16 and plans to adopt the new standard on the required effective date.

Notes to the Financial Statements

For the year ended 31st March		GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
5	REVENUE				
5.1	Summary				
	Gross revenue	913,641	1,438,305	486,796	1,070,779
	Less: Intra group transactions	(373,757)	(939,514)	-	-
		539,884	498,791	486,796	1,070,779
5.2	Segments				
	Investments	114,404	131,265	486,796	1,070,779
	Leisure	424,179	365,902	-	-
	Services	1,301	1,624	-	-
		539,884	498,791	486,796	1,070,779
6	OTHER OPERATING INCOME				
	Gains on disposal of property, plant and equipment	17,995	3,583	40	2,804
	Fair value gain on available for sale financial assets	-	103,368	-	103,368
	Sundry income	65,135	133,068	48,025	117,621
	Reversal of over provision	-	-	78,741	-
		83,130	240,019	126,806	223,793
7	PROVISION FOR IMPAIRMENT OF RECEIVABLES				
	Balance at the beginning of the year	527,762	525,578	732,713	540,320
	Provision/(reversal) during the year	(1,334)	2,184	312,099	192,393
	Reversal of over provision	-	-	(78,741)	-
	Balance at the end of the year (Note 7.1)	526,428	527,762	966,071	732,713
7.1	Provision for Bad and Doubtful Debts reflected in,				
	Financial assets - Held to maturity (Note 18)	18,860	18,860	18,860	18,860
	Short term lendings (Note 21)	336,837	336,837	336,837	336,837
	Trade receivables (Note 22)	12,942	12,942	11,743	11,743
	Other receivables (Note 22)	134,223	135,557	116,142	117,881
	Amounts due from related parties (Note 23)	23,566	23,566	482,489	247,392
	Balance at the end of the year	526,428	527,762	966,071	732,713
8	NET FINANCE INCOME/(EXPENSES)				
	Financing Income				
	Interest income - Related parties	-	-	-	5,339
	- Others	4,548	3,304	4,579	2,990
		4,548	3,304	4,579	8,329
	Financing Expenses				
	Interest on overdraft	(36,351)	(11,771)	(18,759)	(7,113)
	Interest on other borrowings	(163,781)	(110,112)	(137,699)	(85,953)
		(200,132)	(121,883)	(156,458)	(93,066)
	Net finance income/(expenses)	(195,584)	(118,579)	(151,879)	(84,737)

For the year ended 31st March	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000

9 PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is stated after charging all expenses including the following:

Included in administrative expenses

Auditors' remuneration - Audit fees & expenses	1,368	1,793	750	1,050
- Non audit services	595	1,439	595	1,389
Directors' emoluments	42,783	33,242	42,783	33,242
Directors' fees	12,180	11,044	12,180	11,044
Secretarial fees	1,673	1,740	733	424
Depreciation on property, plant and equipment	143,732	148,141	7,385	8,810
Amortisation of intangible assets	5,778	5,867	5,485	5,491
Legal fees	6,897	1,999	440	803

Personnel Costs Includes:

Defined benefit plan - Gratuity	8,044	8,851	4,063	4,349
Defined contribution plan costs - EPF and ETF	24,796	19,728	10,786	8,169
Staff incentives	11,771	5,617	7,348	1,620
Other staff costs	196,408	161,589	84,438	66,650

For the year ended 31st March	GROUP		COMPANY	
	2017	2016	2017	2016
Number of employees	285	211	44	30

For the year ended 31st March	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000

10 INCOME TAX EXPENSES

Current tax expenses - Company	834	22,347	834	22,347
Current tax expenses - Subsidiaries (Note 10.2)	509	465	-	-
Current tax expenses - Total	1,343	22,812	834	22,347
Deferred tax originated during the year	-	(63,419)	-	-
	1,343	(40,607)	834	22,347
Under/(over) provision in respect of prior years	-	11,284	-	11,133
	1,343	(29,323)	834	33,480

Notes to the Financial Statements

For the year ended 31st March	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
10.1 Reconciliation of accounting profit/(loss) and taxable income				
Accounting profit/(loss) before tax	(761,990)	(433,448)	(369,380)	460,068
Aggregate disallowable items	514,498	856,870	370,404	277,003
Aggregate allowable items	(153,846)	(94,309)	(4,259)	(12,709)
Income not subject to tax	(24,888)	(213,444)	(1,332)	(609,917)
Taxable profit/(loss) on trade or business	(426,226)	115,669	(4,567)	114,445
Other taxable income	7,392	9,346	4,580	8,339
Tax losses set off under section 32	(2,596)	(43,543)	(1,603)	(42,974)
Taxable income/(loss)	4,796	81,472	2,977	79,810
Income tax @ 28%	1,343	22,812	834	22,347
Current tax expense	1,343	22,812	834	22,347
10.1.1 Reconciliation of accumulated tax losses				
Balance at the beginning of the year	2,064,143	1,860,722	526,713	571,457
Under/(over) provision in respect of prior years	-	-	39,950	(1,770)
Loss for the year	379,391	246,964	-	-
Loss utilised during the year	(2,596)	(43,543)	(1,603)	(42,974)
	2,440,938	2,064,143	565,060	526,713
10.2 Subsidiary companies				
Asia Leisure Holdings (Private) Limited	266	197	-	-
Asia Leisure (Private) Limited	19	27	-	-
Asia Digital Entertainment (Private) Limited	-	9	-	-
Shinagawa Beach Resorts (Private) Limited	1	-	-	-
Wadduwa Resorts (Private) Limited	2	5	-	-
Asia Leisure Travels (Private) Limited	-	102	-	-
Asia Capital Projects (Private) Limited	-	1	-	-
Asia Fort Sri Lanka Direct Investment Fund Limited	221	124	-	-
	509	465	-	-
10.3 Summary				
Asia Fort Sri Lanka Direct Investment Fund (Private) Limited				
The company is liable to taxation at the rate of 28% on its taxable profit. The income tax liability for the current year was Rs. 221,232 (2016/17: Rs.123,759)				
Asia Growth Fund 1 (Private) Limited				
The company is liable to taxation at the rate of 28% on its taxable profit. However, no provision has been made due to tax losses. The accumulated tax losses carried forward to year of assessment 2017/18 is Rs. 2,640,192 (2016/17: Rs. 2,716,563).				
Asia Capital Technologies (Private) Limited				
The company is liable to taxation at the rate of 28% on its taxable profit. However, no provision has been made due to tax losses and the accumulated tax losses carried forward to the year of assessment 2017/18 is Rs. 56,115,980 (2016/17: Rs. 83,791,289).				

Asia Capital Projects (Private) Limited (Asia Wealth Management (Private) Limited)

The company is liable to taxation at the rate of 28% on its taxable profit. However, no provision has been made due to tax losses (2016/17: Rs. 736).

Asia Leisure Holdings (Private) Limited

The company is liable to taxation on hotel profit and income at the rate of 28%. The income tax liability for the current year was Rs. 266,017 (2015/16: Rs.196,206). The accumulated tax loss carried forward to the year of assessment 2017/18 was Rs.160,66,525 (2016/17: Rs.150,099,383).

Asia Leisure (Private) Limited

The company is liable to taxation at the rate of 28% on its taxable profit. The income tax liability for the current year was Rs.19,035 (2015/16: Rs. 26,863) Tax losses carried forward to the year of assessment in 2017/18 is Rs. 292,952,429 (2016/17: Rs. 281,951,095)

Asia Digital Entertainment (Private) Limited

The company is liable to taxation at the rate of 28% on its taxable profit. However, no provision has been made due to tax losses. (2016/17: Rs. 9,044).

Asia Tea Packaging (Private) Limited

The company is liable to taxation at the rate of 28% on its taxable profit. However no provision has been made due to tax losses. The accumulated tax loss carried forward to year of assessment 2017/18 is Rs. 84,767,537 (2016/17: Rs. 83,791,289)

Wadduwa Resorts (Private) Limited

The company is liable to taxation at the rate of 28% on its taxable profit. The income tax liability for the current year was Rs. 2,486 (2015/16: Rs. 5,255). The accumulated tax loss carried forward to year of assessment 2017/18 is Rs. 332,364,733 (2016/17: Rs. 220,983,000)

Shinagawa Beach Resorts (Private) Limited

The company is liable to taxation at the rate of 28% on its taxable profit. However, no provision has been made due to tax losses.

Asia Leisure Travels (Private) Limited

The company is liable to taxation at the rate of 28% on its taxable profit. However no provision has been made due to tax losses.

Notes to the Financial Statements

11 BASIC EARNING/(LOSS) PER SHARE

11.1 Basic earnings/(loss) per share is calculated by dividing the net profit attributable to ordinary shareholders for the year by the weighted average number of ordinary shares outstanding during the year.

The following data has been used in the computation of the basic earnings per share:

For the year ended 31st March	GROUP		COMPANY	
	2017	2016	2017	2016
Profit/(loss) after tax attributable to equity holders of the company (Rs.'000)	(713,288)	(376,357)	(370,214)	426,588
Weighted average number of ordinary shares outstanding during the year (No's '000)	131,330	131,330	131,330	131,330
Basic earnings/(loss) per share (Rs.)	(5.43)	(2.87)	(2.82)	3.25

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

For the year ended 31st March	Balance as at 01.04.2016 (Restated) Rs.'000	Additions Rs.'000	Disposals/transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
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12.1.1 Cost/valuation

Freehold assets

Land	1,974,197	12,058	(46,800)	1,939,455
Buildings and improvements	922,577	10,043	(17,374)	915,246
Motor vehicles	552	738	(230)	1,060
Office equipment	33,383	769	(31)	34,121
Fixtures and fittings	18,215	168	-	18,383
Furniture and fittings	93,752	3,302	(154)	96,900
Computer equipment	20,743	2,450	-	23,193
Plant and machinery	62,547	507	(141)	62,913
Hotel equipment	100,370	680	-	101,050

Leasehold assets

Motor vehicles	68,129	-	-	68,129
Total	3,294,465	30,715	(64,730)	3,260,450

12.1.1.1 In the course of construction

For the year ended 31st March	Balance as at 01.04.2016 Rs.'000	Inurred during the Year Rs.'000	Balance as at 31.03.2017 Rs.'000
Building work-in-progress	91,894	12,550	104,444
	91,894	12,550	104,444

12.1.2 Depreciation

For the year ended 31st March	Balance as at 01.04.2016 Rs.'000	Charge for the year Rs.'000	On disposals/ transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
Buildings and improvements	33,652	52,341	(809)	85,184
Motor vehicles	321	159	-	480
Office equipment	4,386	7,196	(17)	11,565
Fixtures and fittings	3,127	3,031	-	6,158
Furniture and fittings	14,594	22,067	(59)	36,602
Computer equipment	8,989	4,330	-	13,319
Plant and machinery	8,317	14,168	-	22,485
Hotel equipment	14,265	26,074	(72)	40,267
Leasehold assets				
Motor vehicles	17,271	14,366	-	31,637
Total depreciation	104,922	143,732	(957)	247,697
Net carrying value as at 31.03.2016				3,281,437
Net carrying value as at 31.03.2017				3,117,197

12.2 Company

	Balance as at 01.04.2016 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
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12.2.1 Cost

Freehold Assets				
Motor vehicles	321	-	-	321
Office equipment	2,761	142	(15)	2,888
Fixtures and fittings	9,222	168	-	9,390
Furniture and fittings	11,649	-	(48)	11,601
Computer equipment	10,305	960	-	11,265
Leasehold Assets				
Motor vehicles	14,800	-	-	14,800
Total	49,058	1,270	(63)	50,265

Notes to the Financial Statements

12.2.2 Accumulated Depreciation on Cost

	Balance as at 01.04.2016 Rs.'000	Charge for the year Rs.'000	Disposals/ transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
Freehold assets				
Motor vehicles	321	-	-	321
Office equipment	748	331	(15)	1,064
Fixtures and fittings	2,077	1,233	-	3,310
Furniture and fittings	3,043	1,323	(48)	4,318
Computer equipment	7,176	798	-	7,974
Leasehold assets				
Motor vehicles	5,545	3,700	-	9,245
Total depreciation	18,910	7,385	(63)	26,232
Net carrying value as at 31.03.2016				30,148
Net carrying value as at 31.03.2017				24,033

12.2.3 Group freehold lands and building

Value of lands & ownership

Company	Location	Land extent In acres/perches & roods	Number of buildings	Carrying value of lands & buildings Rs.
Shinagawa Beach Resorts (Private) Limited	No 30, Old Guruniwasa Road, Welithara, Balapitiya	1A, 10P	2	841,175,900
Wadduwa Resorts (Private) Limited	No 352/16c, Ratnayaka Road, Thalpitiya, Wadduwa	3A, 1R, 36P	3	849,845,900
Asia Leisure Holdings (Private) Limited	No 70, Uththamagnana Mawatha, Welagedara, Balapitiya	1R	-	5,400,000
Asia Leisure (Private) Limited	No 288, Galle Road, Dadalla, Galle	1A, 3R, 9P	1	208,452,000
Galle Beach CC Trust (Private) Limited	No 471 & 473, Colombo Road, Dadella, Galle	1A, 3R, 30P	-	442,000,000
Katumanakelle Hill Estate (Private) Limited	Arachchige Watta, Waduwanakadawatta & Ratranhandigeliydda, Temple Mawatha, Kosgoda.	5A, 2R, 8P	-	325,000,000
	Misty Hills Badulla Road, Katumana, Nuwaraeliya	64P	1	80,608,450
River House Estate (Private) Limited	Robert De Soysa Mawatha, Walagedara, Balapitiya	5A, 1R, 26P	-	162,000,000
River House (Private) Limited	No 70, Uththamagnana Mawatha, Welagedara, Balapitiya	6A, 1R, 36P	3	399,911,600
				2,873,960,950

All above revaluations are based on market value and were carried out by Deshabandu, Professor (Dr.) Gamini Haegoda J.P., Incorporated valuer & Assessor A.I.V. (Sri Lanka), S.C.V. (U.S.A), D.I.P.F.M. (U.K) & Mr D. Jayawardene - A.I.V. (Sri Lanka), B.sc Estate & Valuation on 31st March 2016.

13 INTANGIBLE ASSETS

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
13.1 Computer software				
Cost				
Balance at the beginning of the year	66,374	66,374	30,471	30,471
Balance at the end of the year	66,374	66,374	30,471	30,471
13.1.1 Amortisation				
Balance at the beginning of the year	50,282	44,415	24,821	19,330
Amortisation for the year	5,778	5,867	5,485	5,491
Balance at the end of the year	56,060	50,282	30,306	24,821
Net carrying value	10,314	16,092	165	5,650
13.2 Goodwill				
Balance at the beginning of the year	105,368	105,443	-	-
Written off during the year	-	(75)	-	-
Balance at the end of the year	105,368	105,368	-	-
Total net carrying value	115,682	121,460	165	5,650
13.2.1 Summary of goodwill - Group				
			2017 Rs.'000	2016 Rs.'000
Wadduwa Resorts (Private) Limited			100,347	100,347
Asia Leisure (Private) Limited			5,021	5,021
			105,368	105,368

Goodwill as at the reporting date has been tested for impairment and no impairment loss was noted. The recoverable value of goodwill has been estimated based on the future cash flows.

Notes to the Financial Statements

14 LONG TERM INVESTMENTS

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Investments in subsidiaries (Note 14.1)	-	-	1,097,205	1,094,286
Investments in joint ventures (Note 14.2)	38,130	35,118	33,520	33,520
Total investments	38,130	35,118	1,130,725	1,127,806

14.1 Investments in subsidiaries

	COMPANY			
	2017		2016	
	Effective holding %	Rs.'000	Effective holding %	Rs.'000
Non-Quoted				
Asia Growth Fund 1 (Private) Limited	100%	10,050	100%	10,050
Asia Fort Sri Lanka Direct Investment Fund Limited	100%	5,001	100%	5,001
Asia Apparel Trading (Private) Limited (Note 14.1.1)	100%	4,000	100%	4,000
Asia Capital Projects (Private) Limited	100%	25,000	100%	25,000
Asia Capital Technologies (Private) Limited	100%	32,000	100%	32,000
Asia Digital Entertainment (Private) Limited	100%	4,088	100%	4,088
Asia Tea Packaging (Private) Limited	100%	86,787	100%	86,787
Asia Leisure Holdings (Private) Limited	89%	875,428	96%	872,509
Asia Leisure (Private) Limited	98%	109,494	98%	109,494
Galle Beach CC Trust (Private) Limited	49%	107,282	49%	107,282
		1,259,130		1,256,211
Less - Provision for fall in value of investments (Note 14.1.2)		(161,925)		(161,925)
Total Investments in subsidiaries		1,097,205		1,094,286

- 14.1.1** According to the Section 153 6 (a) of Companies Act No. 07 of 2007 Asia Apparel Trading (Private) Limited has been excluded from the consolidation. Asia Apparel Trading (Private) Limited had no operations during the year under review and the directors are of the opinion that this company need not to be consolidated as the results of such a consolidation to the Group accounts would have no real value to the Shareholders of Asia Capital PLC.

14.1.2 Provision for fall in value of investments

	COMPANY	
	2017 Rs.'000	2016 Rs.'000
Asia Growth Fund 1 (Private) Limited	(10,050)	(10,050)
Asia Apparel Trading (Private) Limited	(4,000)	(4,000)
Asia Capital Projects (Private) Limited	(25,000)	(25,000)
Asia Digital Entertainment (Private) Limited	(4,088)	(4,088)
Asia Tea Packaging (Private) Limited	(86,787)	(86,787)
Asia Capital Technologies (Private) Limited	(32,000)	(32,000)
	(161,925)	(161,925)

14.2 Investment in joint venture

	GROUP			COMPANY		
	Effective Holding %	2017 Rs.'000	2016 Rs.'000	Effective Holding %	2017 Rs.'000	2016 Rs.'000
Strider Capital Asia (Private) Limited	50%	38,130	35,118	50%	33,520	33,520
		38,130	35,118		33,520	33,520

The Company has entered into a joint venture agreement with Strider Corporation, a Company incorporated under the Laws of Japan on 30th of April 2015.

15 FINANCIAL ASSETS - AVAILABLE FOR SALE

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Non-current				
Investment in equity securities-Non quoted (Note 15.1)	114,853	114,853	114,853	114,853
	114,853	114,853	114,853	114,853

15.1 Investments in equity securities - non quoted

	No. of shares	Carrying value 2017 Rs.'000	No. of shares	Carrying value 2016 Rs.'000
Group				
Galle Heritage Lanka (Private) Limited	20	74,506	20	74,506
Marine Drive Hotels (Private) Limited	10	40,347	10	40,347
Total	30	114,853	30	114,853
Company				
Galle Heritage Lanka (Private) Limited	20	74,506	20	74,506
Marine Drive Hotels (Private) Limited	10	40,347	10	40,347
Total	30	114,853	30	114,853

The Management has made a fair value assessment of investment in those equity securities as at 31 March 2017 and noted that the fair value has not been changed significantly. Therefore, no adjustments were made to the financial

Notes to the Financial Statements

statements.

16 LONG TERM DEPOSITS AND ADVANCES

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Rent deposit	11,913	11,947	11,913	11,947
Advances paid	1,241	1,241	1,241	1,241
	13,154	13,188	13,154	13,188
Less: Provision for impairment	(1,241)	(1,241)	(1,241)	(1,241)
	11,913	11,947	11,913	11,947

17 INVENTORIES

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Food and beverages	12,530	10,789	-	-
Films stock	267,224	267,224	-	-
Tea stock	-	599	-	-
	279,754	278,612	-	-
Less: Provision for inventories	(267,224)	(71,372)	-	-
	12,530	207,240	-	-

Provision for inventories include provision made for inventories at Asia Digital Entertainment (Private) Limited.

18 FINANCIAL ASSETS - HELD TO MATURITY

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Commercial papers - Asia Fort Asset Management (Private) Limited	18,860	18,860	18,860	18,860
Investments in fixed deposits	51,657	32,583	35,479	32,583
Investments in reverse repurchase agreements	-	156	352	463
	70,517	51,599	54,691	51,906
Less: Provision for fall in value of investment	(18,860)	(18,860)	(18,860)	(18,860)
	51,657	32,739	35,831	33,046

19 LOANS GIVEN TO ESOP

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at the beginning of the year	-	3,414	-	3,414
Settlement during the year	-	(3,414)	-	(3,414)
Balance at the end of the year	-	-	-	-

20 FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT & LOSS

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Quoted investments (Note 20.1 & 20.2)	-	96,170	-	96,170
	-	96,170	-	96,170

20.1 Investments in equity securities - quoted

	GROUP			
	2017		2016	
	No. of shares Rs.'000	Market value Rs.'000	No. of shares Rs.'000	Market value Rs.'000
Bank, finance and insurance				
Asia Asset Finance PLC	-	-	73,976,285	96,170
	-	-	-	96,170

20.2 Investments in equity securities - quoted

	COMPANY			
	2017		2016	
	No. of shares Rs.'000	Market value Rs.'000	No. of shares Rs.'000	Market value Rs.'000
Bank, finance and insurance				
Asia Asset Finance PLC	-	-	73,976,285	96,170
	-	-	-	96,170

Notes to the Financial Statements

21 SHORT TERM LENDINGS

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Asia Couture Limited	336,837	336,837	336,837	336,837
Less: provision for bad & doubtful debts	(336,837)	(336,837)	(336,837)	(336,837)
	-	-	-	-

22 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Current				
Trade debtors	222,716	181,851	11,743	22,825
Less: provision for bad & doubtful debts	(12,942)	(12,942)	(11,743)	(11,743)
	209,774	168,909	-	11,082
Staff loan (Note 22.1)	276	286	276	286
Advances and prepayments	29,021	43,481	4,147	1,966
Deposits	-	131	-	-
Other debtors	75,212	96,690	63,128	84,337
Receivable from Asia Fort Asset Management (Private) Limited	51,546	51,546	51,546	51,546
	365,829	361,043	119,097	149,217
Less: provision for bad & doubtful debts	(134,223)	(135,557)	(116,142)	(117,881)
	231,606	225,486	2,955	31,336

22.1 Staff Loan

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at the beginning of the year	286	268	286	268
Loans granted during the year	-	18	-	18
Less: repayments	(10)	-	(10)	-
Balance at the end of the year	276	286	276	286

23 AMOUNTS DUE FROM RELATED PARTIES

	Relationship	GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Asia Apparel Trading (Private) Limited	Affiliate	4,710	4,710	4,710	4,710
Asia Growth Fund 1 (Private) Limited	Subsidiary	-	-	247	117,722
Asia Fort Sri Lanka Direct Investment Fund Limited	Subsidiary	-	-	1,469	1,079
Asia Capital Technologies (Private) Limited	Subsidiary	-	-	27,439	19,906
Asia Capital Projects (Private) Limited	Subsidiary	-	-	16,869	14,379
Asia Leisure Holdings (Private) Limited	Subsidiary	-	-	41	1,124
Asia Couture (Private) Limited	Affiliate	18,856	18,856	18,856	18,856
Asia Digital Entertainment (Private) Limited	Subsidiary	-	-	377,229	376,186
Asia Leisure (Private) Limited	Subsidiary	-	-	-	1,380
Asia Tea Packaging (Private) Limited	Subsidiary	-	-	10,688	60,243
Asia Capital Private Equity (Private) Limited	Subsidiary	-	-	31,543	31,448
Wadduwa Resorts (Private) Limited	Subsidiary	-	-	74,212	-
Shinagawa Beach Resorts (Private) Limited	Subsidiary	-	-	141,448	-
River House (Private) Limited	Subsidiary	-	-	5,448	5,407
River House Estate (Private) Limited	Subsidiary	-	-	57,322	49,054
Galle Beach CC Trust (Private) Limited	Subsidiary	-	-	53,920	12,437
Asia Leisure Travels (Private) Limited	Subsidiary	-	-	3,074	5,073
Katumankelle Hill Estate (Private) Limited	Subsidiary	-	-	205,178	192,588
Galle Beach (Private) Limited	Subsidiary	-	-	299	-
		23,566	23,566	1,029,992	911,592
Less: provision for bad & doubtful debts					
Asia Apparel Trading (Private) Limited		(4,710)	(4,710)	(4,710)	(4,710)
Asia Growth Fund 1 (Private) Limited		-	-	(247)	(26,556)
Asia Couture (Private) Limited		(18,856)	(18,856)	(18,856)	(18,856)
Asia Capital Projects (Private) Limited		-	-	(14,379)	(14,379)
Asia Tea Packaging (Private) Limited		-	-	(8,308)	(60,243)
Asia Capital Technologies (Private) Limited		-	-	(27,439)	(19,906)
Asia Digital Entertainment (Private) Limited		-	-	(377,180)	(71,372)
Asia Capital Private Equity (Private)Limited		-	-	(31,370)	(31,370)
		(23,566)	(23,566)	(482,489)	(247,392)
		-	-	547,503	664,200

24 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Favourable balances				
Cash in hand & at bank	15,230	19,523	6,717	630
	15,230	19,523	6,717	630
Unfavourable balances				
Bank overdrafts	(191,475)	(32,337)	(94,389)	(4,456)
Cash and cash equivalents for the cash flow purpose	(176,245)	(12,814)	(87,672)	(3,826)

Notes to the Financial Statements

25 STATED CAPITAL

	COMPANY			
	2017		2016	
	No of shares	Value Rs.'000	No of shares	Value Rs.'000
Ordinary shares	131,329,995	1,498,498	131,329,995	1,498,498
	131,329,995	1,498,498	131,329,995	1,498,498

26 DEFERRED TAX ASSETS

	GROUP			
	2017		2016	
	Temporary differences Rs.'000	Temporary tax effect Rs.'000	Temporary differences Rs.'000	Temporary tax effect Rs.'000
On temporary differences of property, plant and equipment	(414,221)	(115,982)	(279,878)	(78,366)
On retirement benefit obligation	24,610	6,891	22,862	7,865
On tax losses carried forward	2,440,938	683,463	2,064,143	577,960
	2,051,327	574,372	1,807,127	507,459

	COMPANY			
	2017		2016	
	Temporary differences Rs.'000	Temporary tax effect Rs.'000	Temporary differences Rs.'000	Temporary tax effect Rs.'000
On temporary differences of property, plant and equipment	(6,305)	(1,765)	(10,262)	(2,873)
On retirement benefit obligation	14,706	4,117	13,844	3,876
On tax losses carried forward	586,403	164,193	526,713	147,480
	594,804	166,545	530,295	148,483

Note: Group

Deferred tax arising from the temporary differences has not been recognised due to the uncertainty of available future taxable profit for utilisation of such tax losses.

Company

Due to uncertainty of availability of future taxable profit for utilisation of tax losses, the recognition of deferred tax asset has been limited only upto deferred liability as at the reporting date. Therefore, the unrecognised deferred tax asset of the Company is Rs.167 Mn (2016/17: Rs.148 Mn).

27 RETIREMENT BENEFIT OBLIGATIONS

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at the beginning of the year	22,862	19,188	13,844	11,453
Interest for the year	2,622	2,146	1,635	1,159
Provision made during the year	5,422	6,705	2,428	3,190
Actuarial (gain)/loss recognised in OCI	(4,922)	(3,789)	(2,264)	(1,045)
Payments made during the year	(1,374)	(1,388)	(937)	(913)
Balance at the end of the year	24,610	22,862	14,706	13,844

As required by the Sri Lanka Accounting Standard 19 - 'Employee Benefits' all the companies in the Group have provided gratuity liability based on the gratuity formula method.

The principal assumptions used in determining the cost of employee benefits were are as follows:

	2017	2016
Discount rate	12.55%	10.5%
Rate of salary increase	10%	10%
Labour turnover	5%	5%
Retirement age	60	60

27.1 Sensitivity of assumption employed in the valuation

Sensitivity analysis on discounting rate and salary increment rate to Statement of Financial Position and Statement of Profit and Loss is as follows:

	Sensitivity effect on	
	Total comprehensive income increase/(reduction)	Employment benefit obligation Increase/(reduction) in the liability
Group		
Increase in discounts rate (1%)	(1,837)	(1,837)
Decrease in discount rate (1%)	2,094	2,094
Increase in salary increment rate (1%)	1,976	1,976
Decrease in salary increment rate (1%)	(1,763)	(1,763)
Company		
Increase in discounts rate (1%)	(1,413)	(1,413)
Decrease in discount rate (1%)	1,604	1,604
Increase in salary increment rate (1%)	1,627	1,627
Decrease in salary increment rate (1%)	(1,456)	(1,456)

Notes to the Financial Statements

28 NON INTEREST BEARING BORROWINGS

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at the beginning of the year	96,050	111,011	96,050	111,011
Loan obtained during the year	2,000	-	2,000	-
Payment made during the year	(10,565)	(14,961)	(10,565)	(14,961)
Balance at the end of the year	87,485	96,050	87,485	96,050

This loan is payable (on demand) to Questnet Limited, a shareholder related entity.

29 INTEREST BEARING BORROWINGS

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Direct borrowing	341	309	341	309
Preference facility loan	469,441	425,969	469,441	425,969
Borrowing under commercial papers	286,925	224,642	298,449	234,970
Borrowing under repurchase agreement	792	786	792	786
Other long term loans	397,638	651,566	97,473	133,686
	1,155,137	1,303,452	866,496	795,720
Amount repayable within one year	828,537	336,616	781,414	238,832
Amount repayable after one year	326,600	966,836	85,082	556,888
	1,155,137	1,303,452	866,496	795,720

29.1 Assets Pledged

Name of the group company and lender	Nature of facility	Facility limit Rs. Mn	Details of the assets pledged	Balance as at 31st March 2017	Balance as at 31st March 2016
Asia Capital PLC Seylan Bank PLC	Long term Loan	100	Arachchige Watta, Waduwanakadawatta & Ratranhandigeliydda, Temple Mawatha, Kosgoda.	79,761,905	94,047,619
Wadduwa Resorts (Private) Limited Seylan Bank PLC	Long term Loan	325	Taprobana Hotel Land and building located at No 325/16, Ratnayaka Road, Thalpitiya, Wadduwa. Corporate Guarantee of Asia Capital PLC (Note 35)	250,002,000	281,597,222
Asia Leisure Holdings (Private) Limited Seylan Bank PLC	Long term Loan	52	Rs. 40 Mn Fund corporate guarantee of Asia Capital PLC	20,361,659	29,088,086

29.2 Analysis of current/non-current portion of interest bearing borrowings

	Payable within one year Rs.'000	Payable after one year Rs.'000
Group		
Direct borrowing	341	-
Preference facility loan	469,441	-
Borrowing under commercial papers	286,925	-
Other long term loans	71,830	326,600
	828,537	326,600
Company		
Direct borrowing	341	-
Preference facility loan	469,441	-
Borrowing under commercial papers	298,449	-
Other long term loans	13,183	85,082
	781,414	85,082

Interest bearing borrowings include preference facility loan amounting to Rs. 115,433,000 obtained from Fast Gain International Limited, a shareholder related entity. Interest bearing borrowings also include borrowing under commercial papers amounting to Rs. 77,380,000 obtained from Strider Capital Asia (Pvt) Ltd.

30 DEFERRED INCOME

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Deferred income from investment in equity securities	11,485	11,485	11,485	11,485
	11,485	11,485	11,485	11,485

31 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade creditors	22,035	28,064	-	-
Sundry creditors including accrued expenses	149,039	165,661	41,771	46,148
	171,074	193,725	41,771	46,148

32 AMOUNTS DUE TO RELATED PARTIES

	Relationship	GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Galle Beach Hotel (Private) Limited	Subsidiary	-	-	221	330
Shinagawa Beach Hotel (Private) Limited	Subsidiary	-	-	-	9,288
Wadduwa Resorts (Private) Limited	Subsidiary	-	-	-	10,977
Asia Leisure (Private) Limited	Subsidiary	-	-	1,389	-
		-	-	1,610	20,595

Notes to the Financial Statements

33 SUMMARISED FINANCIAL INFORMATION OF SUBSIDIARIES

	Assets		Liabilities		Equity		Revenue		Profit after tax		Total comprehensive income	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Asia Growth Fund (Pvt) Ltd.	22	94,565	325	117,910	(303)	(23,345)	-	-	23,042	(284)	23,042	(284)
Asia Fort Sri Lanka Direct Investment Fund Ltd.	13,186	12,161	2,270	2,086	10,916	10,076	1,365	-	841	446	841	446
Asia Capital Private Equity (Pvt) Ltd.	26,269	26,268	31,679	31,594	(5,410)	(5,326)	-	-	(84)	(152)	(84)	(152)
Asia Capital Technologies (Pvt) Ltd.	13,103	12,932	30,951	23,618	(17,848)	(10,686)	1,301	1,624	(7,756)	(7,239)	(7,163)	(6,700)
Asia Digital Entertainment (Pvt) Ltd.	17,838	213,883	377,349	376,321	(359,511)	(162,438)	-	-	(197,073)	(73,841)	(197,073)	(73,830)
Asia Capital Projects (Pvt) Ltd.	585	52	17,023	14,434	(16,438)	(14,382)	-	-	(2,056)	(9,058)	(2,056)	(9,058)
Galle Beach Hotel (Pvt) Ltd.	36,111	36,211	25	29	36,086	36,183	-	-	(96)	38,589	(96)	38,589
Asia Leisure Holdings (Pvt) Ltd.	996,692	992,279	58,539	47,422	938,153	944,857	26,015	22,589	(7,301)	(10,887)	(6,594)	(3,585)
Asia Leisure (Pvt) Ltd.	227,552	219,828	158,355	134,044	69,197	85,784	73,042	66,108	(17,690)	(12,701)	(16,586)	74,790
Shingawa Beach Resorts (Pvt) Ltd.	602,190	619,505	298,322	282,420	303,868	337,085	158,484	130,451	(33,117)	(43,352)	(33,217)	94,434
Wadduwa Resorts (Pvt) Ltd.	957,612	1,015,482	428,681	388,230	528,931	627,252	105,216	76,619	(98,664)	(88,185)	(98,318)	371,389
Asia Tea Packaging (Pvt) Ltd.	5,195	71,377	11,232	60,787	(6,037)	10,590	-	-	12,711	(7,690)	12,711	21,653
River House (Pvt) Ltd.	410,563	410,563	7,597	7,556	402,966	403,007	-	-	(41)	(331)	(41)	314,582
River House Estate (Pvt) Ltd.	184,981	191,295	78,890	75,242	106,091	116,053	-	-	(9,962)	(5,136)	(9,962)	116,326
Asia Leisure Travels (Pvt) Ltd.	27,237	20,752	31,850	17,447	(4,613)	3,305	61,422	70,135	(7,924)	599	(7,916)	754
Galle Beach CC Trust (Pvt) Ltd.	544,404	531,884	106,235	90,172	438,169	441,672	-	-	(3,503)	(1,164)	(3,503)	403,971
Katumannakelle Hill Estate (Pvt) Ltd.	417,059	405,001	205,192	192,598	211,867	212,403	-	-	(536)	(542)	(536)	212,402
Nuwara Eliya Hotel & Resorts (Pvt) Ltd.	80,000	-	80,010	-	(10)	-	-	-	(10)	-	(10)	-

33.1 Non-controlling interest (NCI) in subsidiaries

	% of ownership held by NCI		% of voting rights held by NCI		Share of loss of NCI for the year ended		Share of total comprehensive income		Non-controlling interest as at 31st March	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Shingawa Beach Resorts (Pvt) Ltd.	40	32	40	32	(13,247)	(13,783)	(13,247)	(13,873)	121,548	107,867
Wadduwa Resorts (Pvt) Ltd.	31	22	31	22	(30,586)	(19,401)	(30,586)	(19,401)	163,969	137,995
Galle Beach CC Trust (Pvt) Ltd.	51	51	51	51	(1,787)	(594)	(1,787)	(594)	223,466	225,253
Asia Leisure Holdings (Pvt) Ltd.	12	-	12	-	(847)	-	(847)	-	108,826	-
Asia Leisure Travels (Pvt) Ltd.	30	-	30	-	(2,377)	-	(2,377)	-	(1,384)	-
River House Estate (Pvt) Ltd.	12	-	12	-	(1,195)	-	(1,195)	-	12,925	-
River House (Pvt) Ltd.	12	-	12	-	(5)	-	(5)	-	48,356	-
Nuwara Eliya Hotel & Resorts (Pvt) Ltd.	12	-	12	-	(1)	-	(1)	-	(1)	-

34 RELATED PARTY DISCLOSURE

34.1 Transactions, arrangements and agreements involving key management personnel (KMP) and their close family members (CFM)

According to Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly, the Board of Directors (including executive and non-executive directors), Chief Executive Officer and Chief Financial Officer have been classified as key management personnel of the company. Emoluments paid to key management personnel have been disclosed in Note 34.3.

CFM of a KMP are those family members who may be expected to influence, or be influenced by those individuals in their dealings with the entity. They may include:

- the individual's domestic partner and children
- children of the individual's domestic partner
- dependents of the individual or the individual's domestic partner

CFM are related parties to the entity. There were no transactions with CFM during the year.

34.2 Transactions with related companies

The company carries out the below mentioned transactions in the ordinary course of its business with parties who are defined as related parties by LKAS 24 'Related Party Disclosures'.

Name of the related party	Nature of the relationship	Name of the common director	Details of the transactions/balances	Value of the transactions	
				2017 Rs.'000	2016 Rs.'000
(a) Transactions with subsidiaries/sub-subsidiaries					
Asia Growth Fund 1 (Private) Limited	Subsidiary	Mr. J.H.P. Ratnayake	Reimbursement of expenses (net)	318	314
		Mr. S.A. Abeyesinhe	Transfer of investment of ALH held by AGF to ACAP	(117,793)	-
Asia Fort Sri Lanka Direct Investment Fund Limited	Subsidiary	Mr. J.H.P. Ratnayake	Interest expense on commercial papers	-	(84)
		Mr. S.A. Abeyesinhe	Reimbursement of expenses (net)	390	442
			Settlement of commercial paper	-	7,300
Asia Capital Technologies (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Reimbursement of expenses (net)	7,533	6,046
Asia Capital Projects (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Inter company fund transfers	2,518	7,008
			Expense incurred by ACAP	57	310
Asia Leisure Holdings (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Inter company fund transfers	10,117	15,856
			Interest on inter company funds	-	223
			Inter company balance settlement	(11,200)	(430,509)
Asia Leisure (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Interest on inter company funds	-	4,914
			Reimbursement of expenses (net)	1,565	(135)
			Inter company balance settlement	(3,030)	(109,495)
Asia Capital Private Equity (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Reimbursement of expenses (net)	95	186

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Name of the related party	Nature of the relationship	Name of the common director	Details of the transactions/balances	Value of the transactions	
				2017 Rs.'000	2016 Rs.'000
Asia Digital Entertainment (Private) Limited	Subsidiary	Mr. V. Siva Jr.	Intercompany fund transfers (net)	662	(1,372)
			Reimbursement of expenses	381	-
Asia Tea Packaging (Private) Limited	Subsidiary		Inter company fund transfers (net)	(49,035)	(459)
			Reimbursement of expenses	(519)	-
Shinagawa Beach Resorts (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Inter company fund transfers (net)	218,209	83,968
			Inter company balance settlement	(76,761)	(191,262)
River House (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Reimbursement of expenses	42	77
			Interest on inter company fund transfers	-	254
Wadduwa Resorts (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Intercompany fund transfers (net)	166,507	92,030
		Mr. Y. Wattanabe	Inter company balance settlement	(92,295)	(296,003)
River House Estate (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Intercompany fund transfers (net)	8,239	7,489
		Mr. V. Siva Jr.	Reimbursement of expenses	28	509
			Transfer of Kosgoda land to Katumanakelle	-	(19,774)
			Interest on inter company funds	-	1,021
Galle Beach Hotel (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Reimbursement of expenses	(12)	4,521
		Mr. V. Siva Jr.	Current account balance settlement	-	(223,040)
Galle Beach CC Trust (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Reimbursement of expenses	1,295	12,438
			Inter company fund transfers (net)	40,187	-
Katumannakelle Hill Estate (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Inter company fund transfers	208	127,960
			Interest on loan	11,925	4,938
			Reimbursement of expenses	664	4,332
			Transfer of land cost	-	55,356
Asia Leisure Travels (Private) Limited	Subsidiary	Mr. S.A. Abeyesinhe	Reimbursement of expenses	-	5,073
			Inter company fund transfers (net)	(1,999)	-
(b) Transactions with other related parties					
P.R. Secretarial Services (Private) Limited	Common directors	Mr. J.H.P. Ratnayake	Secretarial fees	301	177
Questnet Limited	Shareholder related entity		Net Settlement	(8,565)	(14,961)
Fast Gain International Limited	Shareholder related entity		Preference facility loan	115,432	-
			Interest on preference facility loan	5,354	-

34.3 Transactions with key management personnel (KMP) of the company/group

a) Loans to directors

No loans have been given to the directors of the company and its subsidiary companies

b) Compensation to key management personnel of the company and its subsidiary companies.

	GROUP		COMPANY	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Short-term employment benefits	68,937	54,911	68,937	54,911

c) The company/group has not incurred any amount as termination benefits or post employment benefits on account of the key management personnel.

34.4 Amount receivable and payable to related parties are disclosed in the Note 23 and 32 to financial statements.

34.5 Non-recurrent related party transactions

There were no other non-recurrent related party transactions other than the following in which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31st March 2017 audited financial statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange Listing Rule 9.32 and Code of Best Practices on related party transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Name of the related party	Relationship	Nature of transactions	Value of the related party transactions entered into during the financial year Rs.'000	Value of related transactions as a % of equity and as a % of total assets	Terms and conditions of the related transactions	The rationale for entering into the transactions
Asia Growth Fund (Private) Limited	Fully owned Subsidiary	Disposal of shares	117,793	15% and 6%	-	Transfer of Investment of Asia Leisure Holdings held by Asia Growth Fund to ACAP
Fast Gain International Limited	Shareholder related entity	Preference facility loan	115,432	16% and 6%	Payable on maturity including, accumulated interest	Long term Investment

34.6 Recurrent related party transactions

There were no other recurrent related party transaction in which aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March 2017 audited financial statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on related party transactions under the Security Exchange Commission issued under Section 13(c) of the Security Exchange Commission Act.

Notes to the Financial Statements

35 COMMITMENTS AND CONTINGENCIES

There are no material commitments and contingencies outstanding as at reporting date other than those disclosed below.

35.1 Commitments

Company

The company has issued corporate guarantees for the bank borrowings by the subsidiaries as indicated below.

Name of the company	Name of the bank	Purpose	2017 Rs.	2016 Rs.
Shinagawa Beach Resorts (Private) Limited	Seylan Bank PLC	Constructions	-	141,895,073
Asia Leisure Holdings (Private) Limited	Seylan Bank PLC	Constructions	20,361,659	29,088,086
Wadduwa Resorts (Private) Limited	Seylan Bank PLC	Constructions	250,002,000	281,597,222

36 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen which would require adjustments to or disclosures in the financial statements other than those disclosed below.

Disposal of stake in Asia Leisure Holdings

Asia Capital PLC has disposed a 14.66% stake of Asia Leisure Holdings (Pvt) Ltd to Aoba Pte Ltd for consideration of USD 3,159,483 (Rs. 483.8 million) on 31st July 2017.

Subsequent to the disposal, company's total number of shares in Asia Leisure Holdings has reduced from 80,665,825 to 67,288,438 and the holding percentage has been reduced from 88.40% to 73.74%.

ESOP

In terms of the Listing Rule 5.6.10 (a), the board resolved to distribute the shares held at "ASIA CAPITAL PLC E.S.O.P - TRUST" and trust has been dissolved on 30th June 2017.

37 GOING CONCERN

37.1 Company

Asia Capital PLC

During 2016/17, the Company recorded a net loss of Rs. 368 Mn, despite the Rs. 427 Mn profit made in 2015/16 with an accumulated loss of Rs. 767 Mn (2015/16: Rs. 400 Mn). Further, the Company's total net assets had declined to Rs. 737 Mn as of 31st March 2017. (2015/16: Rs.1.1 Bn).

These factors raise substantial doubts on the company's ability to continue as a going concern.

The Company had to write-off Rs. 305 Mn as bad debts for the related party receivable from Asia Digital Entertainment (Private) Limited and that was a major factor that contributed for the decline in accumulated profits of the financial year of 2016/17.

The Company has been moved to a new line of business, investment in real estates since previous year and the management is expecting the return of the investments during the next 3 years.

Among the real estate projects undertaken, 447 Luna tower (Union Place Project) is 190 roomed luxury residential apartments project and other projects include a 56 villa ultra - luxurious resort in Galle for which the foundation stone was laid in October 2016 and a 297-room city hotel on Marine Drive in Colombo 03.

A further multi-development project in Colombo is in the planning stages. Beyond the shores of Sri Lanka, the Company and its foreign investing partner, Belluna Co. Ltd. are currently in partnership with a leading global hospitality company and will open Resort in Maldives in the near future.

Furthermore, based on the new arm of the operation the management expects significant growth in its revenue in next financial year mainly through project management activities, share disposals and arrangement fee on coordinating share transactions of other connected parties. which reduces the accumulated loss substantially in the year 2017/18.

37.1 Subsidiaries

Asia Digital Entertainment (Private) Limited

Asia Digital Entertainment (Private) Limited (ADE) has incurred a net loss of Rs. 197,073,306 (2015/16: Rs. 73,830,465) during the financial year ended 31st March 2017 and accumulated losses of Rs. 363,799,587 (2015/16: Rs.166,726,282) as at that date. ADE's current liabilities exceed its current assets by Rs. 359,878,575 (2015/16: Rs. 163,184,028) as at the reporting date. These factors raise substantial doubts on ADE's ability to continue as a going concern.

Asia Leisure (Private) Limited

Asia Leisure (Private) Limited (ALP) has incurred a net loss of Rs. 17,690,082 (2015/16: Rs.12,700,775) during the financial year ended 31st March 2017 and accumulated losses of Rs. 157,932,241 (2015/16: Rs.141,346,650) as at that date. ALP's current liabilities exceed its current assets by Rs. 76,942,473 (2015/16: Rs. 71,672,602) as at the reporting date. These factors raise substantial doubts on ALP's ability to continue as a going concern.

Asia Capital Projects (Private) Limited

Asia Capital Projects (Private) Limited (ACP) has incurred a net loss of Rs. 2,055,512 (2015/16: Rs. 9,056,992) during the financial year ended 31st March 2017 and accumulated losses of Rs. 41,437,170 (2015/16: Rs. 39,381,658) as at that date. ACP's current liabilities exceed its current assets by Rs. 16,437,170 (2015/16: Rs. 14,385,468) as at the reporting date. These factors raise substantial doubts on ACP's ability to continue as a going concern.

Wadduwa Resorts (Private) Limited

Wadduwa Resorts (Private) Limited (WR) has incurred a net loss of Rs. 98,664,245 (2015/16: Rs. 88,187,442) during the financial year ended 31st March 2017 and accumulated losses of Rs. 306,452,017 (2015/16: Rs. 208,133,432) as at that date. WR's current liabilities exceed its current assets by Rs. 160,693,425 (2015/16: Rs. 65,293,098) as at the reporting date. These factors raise substantial doubts on WR's ability to continue as a going concern.

Shinagawa Beach Resorts (Private) Limited

Shinagawa Beach Resorts (Private) Limited (SBR) has incurred a net loss of Rs. 33,117,173 (2015/16: Rs. 43,351,694) during the financial year ended 31st March 2017 and accumulated losses of Rs. 165,278,740 (2015/16: Rs. 132,061,451) as at that date. SBR's current liabilities exceed its current assets by Rs. 171,160,062 (2015/16: Rs. 70,838,364) as at the reporting date. These factors raise substantial doubts on SBR's ability to continue as a going concern.

Asia Capital Technologies (Private) Limited

Asia Capital Technologies (Private) Limited (ACT) has incurred a net loss of Rs. 7,555,607 (2015/16: Rs. 7,199,035) during the financial year ended 31st March 2017 and accumulated losses of Rs. 38,219,825 (2015/16: Rs. 31,057,696) as at that date. ACT's current liabilities exceed its current assets by Rs. 26,586,612 (2015/16: Rs. 19,554,133) as at the reporting date. These factors raise substantial doubts on ACT's ability to continue as a going concern.

However, the parent company, Asia Capital PLC has confirmed that they will continue to provide financial support to the above group companies to enable to meet their respective obligations as they fall due with their future business plans as explained in the note 37.1 to the financial statements.

Notes to the Financial Statements

38 BUSINESS SEGMENT

	Investments		Leisure		Manufacturing	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Revenue						
Total gross sales	488,161	1,070,779	424,179	365,902	-	-
Less: Inter segment sales/dividend	(373,757)	(939,514)	-	-	-	-
Net segment revenue	114,404	131,265	424,179	365,902	-	-
Segmental operating profit/(loss)	(498,338)	(391,894)	(138,689)	(141,630)	(5,730)	(8,581)
Other operating income	48,562	223,793	16,127	14,958	18,441	891
Share of profit/(loss) of associate companies	3,012	1,598	-	-	-	-
Operating profit/(loss) before provision for Fall in value of investments	(446,764)	(166,503)	(122,562)	(126,672)	12,711	(7,690)
Provision for fall in value of investments	-	26,088				
Operating profit/(loss)	(446,764)	(95,131)	(122,562)	(126,672)	12,711	(7,690)
Finance cost	(158,118)	(93,079)	(41,993)	(26,549)	-	-
Finance income	4,548	3,123	-	177	-	-
Profit before taxation	(600,334)	(185,087)	(164,555)	(153,044)	12,711	(7,690)
Income tax expenses	(1,055)	(33,721)	(288)	(331)	-	-
Profit after taxation	(601,389)	(218,808)	(164,843)	(153,375)	12,711	(7,690)
Assets						
Segment assets	587,576	974,730	3,066,040	3,053,155	5,195	71,377
Investment in joint venture	38,130	35,118	-	-	-	-
Total assets	625,706	1,009,848	3,066,040	3,053,155	5,195	71,377
Liabilities						
Segment liabilities	192,212	225,229	119,705	119,058	544	544
Interest bearing borrowings	972,713	815,616	373,923	520,168	-	-
Total liabilities	1,164,925	1,040,845	493,628	639,226	544	544
Net assets	(539,219)	(30,997)	2,572,412	2,413,929	4,651	70,833
Capital expenditure	-	207,586	43,265	150,339	-	-
Depreciation	17,859	64,343	124,758	78,388	1,115	5,104

	Services		Group	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
	1,301	1,624	913,641	1,438,305
	-	-	(373,757)	(939,514)
	1,301	1,624	539,884	498,791
	(9,791)	(14,380)	(652,548)	(556,485)
	-	377	83,130	240,019
	-	-	3,012	1,598
	(9,791)	(14,003)	(566,406)	(314,868)
	-	-	-	-
	(9,791)	(14,003)	(566,406)	(314,868)
	(21)	(2,255)	(200,132)	(121,883)
	-	4	4,548	3,304
	(9,812)	(16,254)	(761,990)	(433,448)
	-	(43)	(1,343)	29,323
	(9,812)	(16,297)	(763,333)	(404,125)
	13,172	12,967	3,671,983	4,112,229
	-	-	38,130	35,118
	13,172	12,967	3,710,113	4,147,347
	2,765	2,988	315,227	347,819
	39	2	1,346,612	1,335,787
	2,804	2,990	1,661,839	1,683,606
	10,368	9,977	2,048,274	2,463,741
	-	-	43,265	357,925
	-	306	143,732	148,141

Notes to the Financial Statements

39 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This Note represents qualitative and quantitative information about the Group's exposure to each of the above risks, The Group's objectives, policies and procedures for measuring and managing risk and the Group's management of capital. Further, quantities disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibilities for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limit and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities.

39.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligation that results in losses principally from the Group's receivables from financial instrument or customer contract (primarily from trade receivables) and from its financing activities, including deposits with banks.

- Management of credit risk includes the following components.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Reviewing the recovery on timely basis and assess the future credit worthiness.

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:

	GROUP		COMPANY	
	31st March 2017 Rs.'000	31st March 2016 Rs.'000	31st March 2017 Rs.'000	31st March 2016 Rs.'000
Financial assets - Available for sale	114,853	114,853	114,853	114,853
Financial assets - Fair value through profit and loss	-	96,170	-	96,170
Financial assets - Held to maturity	51,657	32,739	35,831	33,046
Trade and other receivables	202,585	182,005	(1,192)	29,370
Amounts due from related parties	-	-	547,503	664,200
Long-term deposits	11,913	11,947	11,913	11,947
Cash at bank	15,230	19,523	6,717	630
	396,238	457,237	715,625	950,216

The financial institutions in which the existing deposits and cash at bank are guaranteed by local and foreign credit rating agencies as A or better.

39.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Group's objective is to maintain a balance between the continuity of funding & flexibility through the use of bank overdrafts, bank loans and finance lease. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Management of liquidity risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding of netting agreements.

	GROUP		COMPANY	
	31st March 2017 Rs.'000	31st March 2016 Rs.'000	31st March 2017 Rs.'000	31st March 2016 Rs.'000
Financial assets - Held to maturity	51,657	32,739	35,831	33,046
Financial assets - Fair value through profit or loss	-	96,170	-	96,170
Trade and other receivables	202,585	182,005	(1,192)	29,370
Cash in hand and at bank	15,230	19,523	6,717	630
Total liquidity assets	269,472	330,437	41,356	159,216
Non-interest bearing borrowing	87,485	96,050	87,485	96,050
Interest bearing borrowings	1,155,137	1,303,452	866,496	795,720
Trade and other payables	171,074	193,725	41,771	46,148
Bank overdrafts	191,475	32,337	94,389	4,456
Amount due to related parties	-	-	1,610	20,595
Total liabilities	1,605,171	1,625,564	1,091,751	962,969
Net (debt)/cash	(1,335,699)	(1,295,127)	(1,050,395)	(803,753)

Capital management

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a right issue or buy back of shares.

As at 31st March	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Debt/Equity	0.83	0.93	0.64	0.60

Notes to the Financial Statements

39.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rate and interest rates that will affect the Group'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, whilst optimising the return.

39.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flow in foreign currency transactions which are affected by foreign exchange movements.

The Group is exposed to currency risk on borrowings that are denominated in a currency other than Sri Lanka Rupees (LKR). The foreign currencies in which these transactions are primarily denominated in United States Dollars (USD).

The impact on the Group profit before tax due to the change in exchange rate is as follows:

	GROUP		COMPANY	
	31st March 2017 Rs.	31st March 2016 Rs.	31st March 2017 Rs.	31st March 2016 Rs.
Preference facility loan ('000)	469,441	425,969	469,441	425,969
Net borrowing ('000)	469,441	425,969	469,441	425,969
Closing exchange rate	153.91	146.78	153.91	146.78
Net borrowing (Functional currency) ('000)	3,050	2,902	3,050	2,902
Increase in exchange rate by 3%	158.53	151.18	158.53	151.18
Impact to the PBT ('000)	(14,083)	(12,779)	(14,083)	(12,779)
Decrease in exchange rate by 3%	149.29	142.38	149.29	142.38
Impact to the PBT ('000)	14,083	12,779	14,083	12,779

39.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The exposure to the risk of changes in market interest rate relates primarily to the Group's long-term debt obligations and investments with floating interest rates.

At the reporting date, the Group's interest bearing financial instruments were as follows:

	GROUP		COMPANY	
	31st March 2017 Rs.'000	31st March 2016 Rs.'000	31st March 2017 Rs.'000	31st March 2016 Rs.'000
	Fixed rate instruments			
Financial assets				
Fixed deposits	51,657	32,739	35,831	33,046
Staff loans	276	286	276	286
Financial liabilities				
Preference facility loan	-	(425,969)	-	(425,969)
Other long-term loans	(326,600)	(652,532)	(85,082)	(133,686)
Variable rate instruments				
Financial assets				
Direct borrowings	341	309	341	309
Reverse repurchase agreement	-	156	352	463
Financial liabilities				
Reverse repurchase agreement	(792)	(786)	(792)	(786)
Preference facility loan	(407,404)	-	(407,404)	-
Commercial papers	(286,925)	(224,642)	(298,449)	(234,970)
Bank overdraft	(191,475)	(32,337)	(94,389)	(4,456)
	(1,160,922)	(1,302,776)	(849,316)	(765,763)

Cash flow sensitivity analysis for variable rate instruments

The Group is exposed to changes in market interest rates through bank overdraft and commercial papers which were borrowed at a variable interest rate.

	Profit or loss		Equity	
	1% increase Rs.'000	1% decrease Rs.'000	1% increase Rs.'000	1% decrease Rs.'000
Group				
Variable rate instruments				
Commercial papers	(2,869)	2,869	(2,869)	2,869
Bank overdrafts	(1,915)	(32)	(1,915)	(32)
Direct borrowings	-	(31)	-	(31)
Company				
Commercial papers	(2,984)	2,984	(2,984)	2,984
Bank overdrafts	(944)	944	(944)	944

Notes to the Financial Statements

40 FAIR VALUES

40.1 Fair values verses carrying amounts

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position as at 31st March 2017 are as follows:

As at 31st March	GROUP		COMPANY	
	Carrying amount Rs.'000	Fair value Rs.'000	Carrying amount Rs.'000	Fair value Rs.'000
Assets carried at amortised cost				
Trade and other receivables	202,505	202,505	(1,192)	(1,192)
Financial assets - Held to maturity	51,657	51,657	35,831	35,831
long-term deposits and advances	11,913	11,913	11,913	11,913
Amount due from related parties	-	-	547,503	547,503
Cash and cash equivalents	15,230	15,230	6,717	6,717
Liabilities carried at amortised cost				
Interest bearing borrowings	1,155,137	1,155,137	866,496	866,496
Non-interest bearing borrowings	87,485	87,485	87,485	87,485
Trade and other payables	171,074	171,074	41,771	41,771
Amount due to related parties	-	-	1,610	1,610
Bank overdraft	191,475	191,475	94,389	94,389

40.2 Fair value hierarchy

40.2.1 The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

As at 31st March	2017			
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Level 4 Rs. '000
Group				
Available for sale	-	-	114,853	114,853
	-	-	114,853	114,853
Company				
Available for sale	-	-	114,853	114,853
	-	-	114,853	114,853
As at 31st March	2016			
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Level 4 Rs. '000
Group				
Available for sale	-	-	114,853	114,853
	-	-	114,853	114,853
Company				
Available for sale	-	-	114,853	114,853
	-	-	114,853	114,853

41 DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

42 COMPARATIVE INFORMATION

Comparative figures have been re-classified where necessary in line with the presentation requirements for the current year.

43. PRIOR YEAR ADJUSTMENT - ERROR CORRECTION

In 2015/16, Galle Beach Hotel (Private) Limited, a subsidiary of the Company has disposed its land to Galle Beach CC Trust (Private) Limited, another subsidiary of the Company and this land was revalued subsequent to disposal in the same year. However, the impact to revaluation reserve at group level amounting to Rs.181,858,000 has not been adjusted in the consolidated financial statements for the year ended 31st March 2016.

Accordingly, the error has been corrected and comparative figures have been restated in the consolidated financial statements of 2016/17 to maintain comparability of the financial statements.

	Restated in 2016/17 Rs. 000'	As Disclosed in 2015/16 Rs. 000'	Adjustments Rs. 000'
Statement of Financial Position			
Revaluation Reserve	1,226,812	1,408,670	181,858
Property, Plant and Equipment	3,281,437	3,463,295	181,858

44 STOCK EXCHANGE LISTING

The Issued Ordinary Shares of the Company are listed with the Colombo Stock Exchange

Ticker Symbol - ACAP.N0000

Market Sector - Diversified Holdings

44.1 Market Price

	GROUP	
	31st March 2017 (Rs. per share)	31st March 2016 (Rs. per share)
Last Traded	7.30	5.80
Highest	13.50	11.00
Lowest	5.20	4.90

Ten Year Summary

Year ended 31st March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
OPERATING RESULTS										
Revenue	539,884	498,791	1,651,075	970,321	854,889	1,996,276	2,122,917	1,328,423	1,803,062	956,048
Profit/loss before taxation	(761,990)	(433,448)	(380,927)	(615,763)	(747,918)	843,459	1,331,927	288,795	(395,559)	(354,876)
Taxation	(1,343)	29,323	(7,680)	(6,992)	20,262	(146,226)	(180,912)	(66,435)	16,373	(16,125)
Profit/loss after taxation	(763,333)	(404,125)	(388,607)	(622,755)	(727,656)	697,232	1,151,015	222,360	(379,186)	(371,001)
Minority interest	50,045	27,768	41,439	(2,007)	(4,684)	(158,517)	(162,997)	(12,600)	(65,681)	(60,641)
Profit/(loss) attributable to shareholders	(713,288)	(376,357)	(347,168)	(624,762)	(722,972)	538,715	988,018	209,760	(444,867)	(431,642)
ASSETS										
Property, plant & equipment	3,117,197	3,281,437	1,492,604	1,290,956	839,044	680,994	680,993	328,038	94,001	94,979
Intangible assets	115,681	121,460	127,402	147,271	149,539	108,675	-	78,143	55,455	49,076
Investment property	-	-	-	98,353	32,935	42,935	-	67,039	12,023	12,731
Long term investment	-	-	-	-	-	-	-	372,210	337,053	433,991
Investment in joint venture	36,532	35,118	-	-	-	-	-	-	-	-
Financial assets - Available for sale	114,853	114,853	10,000	10,000	-	-	-	-	-	-
Deferred taxation	-	-	88,627	88,627	84,860	54,939	-	1,913	17,809	129
ESOP loan	-	-	-	-	-	-	-	17,491	17,491	17,491
Other non current assets	11,913	11,947	29,325	1,482,971	1,086,956	1,066,774	17,402	1,339,611	560,766	7,962
Current assets	313,936	582,532	982,001	3,039,296	3,381,593	2,985,043	2,457,919	3,548,588	3,255,127	3,857,563
Total assets	3,710,113	4,147,347	2,641,332	6,157,474	5,574,927	4,939,359	3,156,315	5,753,033	4,349,725	4,473,922
EQUITY AND LIABILITIES										
Stated capital	1,498,498	1,498,498	1,498,498	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558
Capital redemption reserve fund	-	-	-	-	-	-	-	-	-	-
Revaluation reserve	1,197,364	1,226,812	43,634	45,779	45,867	(4,154)	27,560	8,709	10,437	5,970
Available for sale reserve	-	-	-	5,922	11,148	6,229	5,774	1,790	1,344	1,344
Capital reserve	-	-	-	19,054	16,347	8,425	3,000	3,000	3,000	3,000
General reserve	-	-	-	(880,200)	(410,842)	(92,315)	20,474	(856,779)	(1,080,850)	(635,983)
Accumulated profits/(loss)	(1,325,293)	(732,683)	(1,192,237)	(880,200)	(410,842)	(92,315)	20,474	(856,779)	(1,080,850)	(635,983)
Shareholders' fund	1,370,569	1,992,627	349,895	305,113	777,078	1,032,744	1,165,023	271,278	48,489	488,889
Minority interest	677,705	471,114	19,852	263,492	138,609	44,096	598,549	248,106	194,959	131,945
Non-current liabilities	2,048,274	2,463,741	369,747	568,605	915,687	1,076,840	1,763,572	519,384	243,448	620,834
Current liabilities	351,210	989,698	1,888,863	2,218,270	1,645,804	443,195	172,412	748,778	186,067	92,904
Total liabilities	1,310,629	693,908	382,722	3,370,600	3,013,436	3,419,321	1,220,331	4,484,871	3,920,210	3,760,184
Total liabilities	1,661,839	1,683,606	2,271,585	5,588,870	4,659,240	3,862,517	1,392,743	5,233,649	4,106,277	3,853,088
Total equity & liabilities	3,710,113	4,147,347	2,641,332	6,157,475	5,574,927	4,939,356	3,156,315	5,753,033	4,349,725	4,473,922

Glossary

Accounting Policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Accrual Basis

The principle that revenues and costs are matched with one another, irrespective of the period of receipt or payment.

Amortisation

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

Borrowings

All interest and non-interest-bearing liabilities.

Capital Employed

Total assets less interest free liabilities, deferred income and provisions.

Cash Equivalents

Liquid investments with original maturity periods of three months or less.

Contingent Liabilities

A condition or situation at the Balance Sheet date of which the financial effect will be determined only on the occurrence, or non-occurrence of one or more uncertain future events.

Corporate Governance

The process by which cooperates are governed. It is concerned how power is exercised over management, the direction of the entity, supervision of executive action and accountabilities to share holders and others.

Current Ratio

Current assets divided by current liabilities.

Deferred Taxation

The net effect on items which have been included in the Income Statements, which would only qualify for inclusion on a tax return at a future date.

Dividend per Share (DPS)

The dividend per share is the total dividends to ordinary shareholders during a specific period divided by the number of ordinary shares outstanding.

EBIT

Earnings before interest and tax.

Earnings per Share (EPS)

Profit attributable to equity holders of the Company divided by weighted average number of ordinary shares in issue.

Equity

Shareholders' funds.

Fair Value

The amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arms length transactions.

Guarantees

Three party agreement involving promise by one party, the Guarantor to fulfill the obligation of a person owing a debt if that person failed to perform.

General Reserve

Reserves available for distributions and investment.

Gross Domestic Product (GDP)

The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

Gross Dividend

The portion of profit including tax withheld, distributed to shareholders.

Gross Profit Ratio

The percentage of gross profit to net turnover.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Interest Cover

This indicates the ability of an entity to cover long-term and short-term interest expenses with EBIT. This is calculated as EBIT divided by interest expenses on long-term and short-term borrowings.

Key Performance Indicators (KPI)

Quantifiable measurements, agreed to before hand that reflect the critical success factors of a company.

Glossary

Market Value per Share

The price at which an ordinary share can be traded in the stock market.

Market Capitalisation

The number of ordinary shares issued, multiplied by the market price of each share at a given date.

Materiality

The principle that Financial Statements should separately disclose items which are significant enough to affect evaluation or decision of users.

Net Assets per Share

Shareholders' funds divided by the weighted average number of ordinary shares in issue.

Net Profit Margin

Net profit as a percentage of net turnover.

Price Earnings Ratio

Market price of a share divided by earnings per share as reported at that date.

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business.

Return on Average Capital Employed (ROCE)

Reflects the returns that an entity received from its capital. Profit before tax plus net interest cost divided by average capital employed.

Return on Equity (ROE)

Net Profit as a percentage of shareholders' equity.

Return On average Net Assets (RONA)

Profit after tax divided by the average net assets.

Rights Issue

The raising of new capital by granting existing shareholders the right to subscribe to new shares in proportion to their current holdings. These shares are normally issued at a discount on their market price.

Segment

A Business Unit that is a distinguishable component of the Group and engaged in similar operations.

Stated Capital

Consists of issued and paid capital.

Substance over Form

Whether the accounting treatment in the Financial Statements of transactions reflect the financial reality and substance, rather than the legal form of the transaction and event which underlies them.

Strategy

A course of action, including the specification of resources required, to achieve a specified objective.

Sustainability

Meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Stakeholder

Stakeholder is the term referring to persons or group whose interests are interlined with those of a company in a variety of ways.

Total Assets

Current assets plus fixed assets.

Total Shareholder Return

Represents the change in share value of a listed company over a period of time (typically 1 year), plus dividends, expressed as a percentage of the opening share value.

Unrealised Gain

A profit that results from holding on to an asset rather than cashing it in and using the funds.

Working Capital

Capital required to finance the day-to-day operations computed as the excess of current assets over current liabilities.

NOTICE OF THE ANNUAL GENERAL MEETING

OF ASIA CAPITAL PLC FOR THE YEAR ENDED 31ST MARCH 2017

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Asia Capital PLC will be held on 29th September 2017 at 9.30 a.m. at Committee Room D, BMICH, Bauddhaloka Mawatha, Colombo 07.

AGENDA

- 1) To receive and consider the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2017 and the Report of the Auditors thereon.
- 2) To re-elect Mr. T. Tanaka who retires in terms of Article 98 of the Articles of Association of the Company and being eligible, offers himself for re-election as a Director of the Company under Article 99 of the Articles of Association of the Company.
- 3) To re-appoint Messrs. BDO Partners Chartered Accountants as the Auditors to the Company for the ensuing year and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD



Director/Secretaries

Colombo, 25th August 2017

Notes:

- A member is entitled to appoint a Proxy to attend and vote at this meeting on his/her behalf.
- A Proxy need not be a member of the Company.
- A member wishing to vote by Proxy may use the Form of Proxy enclosed.
- To be valid the completed Form of Proxy must be lodged at the Registered Office: No. 21-01, West Tower, World Trade Centre, Echelon Square, Colombo 01, Sri Lanka not less than 48 hours before the time appointed for the holding of the meeting.
- Members/Proxy Holders are kindly requested to bring along with them their National Identity Card or a similar form of accepted identity when attending the meeting.

FORM OF PROXY

I/We.....of
being a Member/Members* of the above named
 Company, hereby appoint (1).....of.....
failing him/her.

- | | |
|----------------------------|----------------|
| 2) Mr. J.H.P. Ratnayeke | or failing him |
| 3) Mr. S.A. Abeyesinhe | or failing him |
| 4) Mr. V. Siva Jr. | or failing him |
| 5) Mr. A.D. Ross | or failing him |
| 6) Mr. R.J. Wickramasinghe | or failing him |
| 7) Mr. T. Tanaka | or failing him |
| 8) Mr. Z. Merchant | or failing him |
| 9) Mr. Y. Watanabe | |

as my/our* Proxy to represent me/us* and vote and speak for me/us* on my/our* behalf at the 25th Annual General Meeting of Asia Capital PLC to be held on 29th September 2017 at 9.30 a.m. at Committee Room D, BMICH, Bauddhaloka Mawatha, Colombo 07 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

I/WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS;

	For	Against
01) To receive and consider the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2017 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
02) To re-elect Mr T. Tanaka who retires in terms of Article 98 of the Articles of Association of the Company and being eligible, offers himself for re-election as a Director of the Company under Article 99 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
03) To re-appoint Messrs. BDO Partners Chartered Accountants as the Auditors to the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed thisday of.....2017.

.....
 Signature of shareholder

Note:

- i) Please delete the inappropriate words.
- ii) Instructions for completion of Proxy are noted below.
- iii) A proxy need to be a member of the Company.
- iv) Please mark "X" in appropriate cages, to indicate your instructions as to voting.

Instructions as to completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, National Identity Card/ Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filling in the date of signature. Please ensure that all details are legible.
2. Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.
3. To be valid, the completed Form of Proxy must be deposited at the Registered Office of the Company Secretaries at Level 21, West Tower , World Trade Centre, Colombo 01 not less than 48 hours before the time appointed for the holding of the meeting.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.
6. In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

Corporate Information

Name

Asia Capital PLC

Legal Form

A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 29th October 1991 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 on 14th February 2008.

Company Registration Number

New: No. PQ 119

Old: No. N(PVS) 8282/PBS

Stock Exchange Listing

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange, Sri Lanka.

Registered Office

21-01, West Tower, World Trade Center,
Echelon Square, Colombo 1, Sri Lanka.
Telephone : +94 11 5320000
Facsimile : +94 11 2331756
Website : www.asiacapital.lk

Subsidiaries

Asia Capital Private Equity (Private) Limited
Asia Capital Projects (Private) Limited
Asia Capital Technologies (Private) Limited
Asia Digital Entertainment (Private) Limited
Asia Fort Sri Lanka Direct Investment Fund Limited
Asia Growth Fund 1 (Private) Limited
Asia Leisure (Private) Limited
Asia Leisure Holdings (Private) Limited
Asia Leisure Travels (Private) Limited
Asia Tea Packaging (Private) Limited
Forest Resorts Nuwara Eliya (Private) Limited
Galle Beach (Private) Limited
Galle Beach CC Trust (Private) Limited
Galle Beach Hotel (Private) Limited
Katumanakelle Hill Estate (Private) Limited
Nuwara Eliya Hotels and Resorts (Private) Limited
River House (Private) Limited
River House Estate (Private) Limited
Shinagawa Beach Resorts (Private) Limited
Wadduwa Resorts (Private) Limited

Joint Venture

Strider Capital Asia (Private) Limited

Board of Directors

J.H.P. Ratnayake (Chairman)
S.A. Abeyesinhe (Group Chief Executive Officer)
A.D. Ross

V. Siva Jr.
R.J. Wickramasinghe
Z. Merchant
T. Tanaka
Y. Watanabe

Audit Committee

R.J. Wickramasinghe (Chairman)
A.D. Ross
V. Siva Jr.

Remuneration Committee

R.J. Wickramasinghe (Chairman)
V. Siva Jr.
A.D. Ross

Nomination Committee

R.J. Wickramasinghe (Chairman)
V. Siva Jr.
A.D. Ross
S.A. Abeyesinhe

Related Party Transactions Review Committee

R.J. Wickramasinghe
V. Siva Jr.
A.D. Ross

Secretaries

P.R. Secretarial Services (Private) Limited
59, Gregory's Road,
Colombo 07

Registrar

Business Intelligence Limited
08, Tickell Road
Colombo 08

Auditors

BDO Partners
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02

Lawyers

Paul Ratnayake Associates
59, Gregory's Road,
Colombo 07

Bankers

Seylan Bank PLC
Commercial Bank of Ceylon PLC
Pan Asia Banking Corporation PLC
Hatton National Bank PLC
Nation Trust Bank PLC

