

Diversified.  
Innovative.  
Strategic.

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ASIA  
CAPITAL  
LIMITED

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Form of Proxy	Enclosed

# Diversified. Innovative. Strategic.

**Diversified.** ACL is listed on the Colombo Stock Exchange with an issued share capital of LKR 1.1 billion. The company had its beginnings in 1990 and is now a financial services giant, offering a comprehensive list of financial services...from investment banking to commodities broking.

**Innovative.** Our strong industry reputation comes from our famous 'power to innovate', delivering the most functional and growth oriented solutions in wealth management to a very demanding and time-conscious clientele.

**Strategic.** We have become Sri Lanka's biggest listed investment bank by following a strategic growth plan. Today, Asia Capital leads the Sri Lankan financial services sector with a massive portfolio of products and services geared to serve corporate and individual clients in Sri Lanka and overseas.



## **Corporate**

**Investment Banking**

**Equity Capital Markets**

**Debt Capital Markets**

**Asset Management**

**Equity Securities Trading**

**Fixed Income Securities Trading**

**Investment Research**

**Corporate Insurance**

**Asset Leasing**

**Project Finance**

**Advisory Services**

## **Individuals**

**Wealth Management**

**Fund Management**

**Portfolio Management**

**Equity Securities Investment**

**Fixed Income Securities Trading**

**Investment Research**

**Life Assurance & Insurance**

**Fixed Deposits**

**Asset Leasing**

**Consumer Finance**

## Corporate Information

### Name

Asia Capital Limited

### 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.

### 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 Securities (Pvt) Ltd.  
Asia Fort Sri Lanka Direct Investment Fund Ltd  
Asia Growth Fund 1 (Pvt) Ltd.  
Asia Asset Finance Ltd. (formerly known as Finance and Land Sales Ltd)  
Investor Access Asia (Pvt) Ltd.  
Asia Couture Ltd.

### Associates

Asia Siyaka Commodities (Pvt) Ltd.  
Asian Alliance Insurance Co. Ltd.

### Board of Directors

Dr. Sena Yaddhegige (Chairman - Resigned with effect from 1st July 2007)  
Harsha Amarasekera (Chairman - With effect from 1st July 2007)  
Asanga C. Seneviratne  
J.H. Paul Ratnayeke  
J.M. Swaminathan  
Priyani D. Ratna-Gopal  
Dato' Seri Tiong King Sing  
M. M. Udeshi (Resigned with effect from 3rd March 2008)  
Lalith N. de S. Wijeyeratne (Resigned with effect from 18th June 2007)

### Secretaries

Corporate Advisory Services (Pvt) Ltd  
47, Alexander Place,  
Colombo 7

### Auditors

KPMG Ford, Rhodes, Thornton & Co.  
32A, Sir Mohamed Macan Markar Mawatha,  
Colombo 3

### Lawyers

Paul Ratnayeke Associates  
59, Gregory's Road,  
Colombo 7

### Bankers

Hongkong & Shanghai Banking Corporation Ltd.  
Hatton National Bank Ltd.  
Seylan Bank Ltd.

## Corporate Structure

### Securities Trading

#### Asia Securities (Pvt) Ltd.

Business Activity: Securities Trading

#### Directors

J.H. Paul Ratnayake (Chairman)  
Asanga C. Seneviratne  
Harsha Amarasekera  
Dushyanth M. Wijayasingha  
Priyani D. Ratna-Gopal  
P. Niroshan B. Wijekoon  
M.S.I Marikar  
Holding: 100%

#### Investor Access Asia (Pvt) Ltd

Business Activity: Software Development

#### Directors

Dr. Sena Yaddhige (Chairman)  
J.H. Paul Ratnayake (Alternate Director to  
Dr. Sena Yaddhige)  
Asanga C. Seneviratne  
Prof. Lakshman R. Watawala  
Priyani D. Ratna-Gopal  
Eshan P. Perera  
I. Ralph Wijesinghe  
Holding: 100%

### Insurance

Asian Alliance Insurance Company Ltd.

Business Activity: General & Life Insurance

#### Directors

Dr. Sena Yaddhige (Chairman)  
J.H. Paul Ratnayake  
Edgar Gunatunga  
Lalith N. De S. Wijeyeratne

Prof. Lakshman R. Watawala

Deshabandhu George Ondaatjie

Chanaka de Silva

Holding: 49.2%

### Commodities Broking

#### Asia Siyaka Commodities (Pvt) Ltd.

Business Activity: Commodities Broking

#### Directors

Ravindra L. Kumararatne (Chairman)  
Anil R. Cooke  
Nissanka A. De Mel  
Lal Alawattagama  
W. M. Rohan Iddawela  
Udaya A. Sirisekera  
Dhammika J. Wedande  
Dr. Sena Yaddhige  
J.H. Paul Ratnayake  
Asanga C. Seneviratne  
Eshan P. Perera  
Holding: 40%

### Venture Capital

#### Asia Fort Sri Lanka Direct Investment Fund Ltd.

Business Activity: Venture Capital

#### Directors

J.H. Paul Ratnayake (Chairman)  
Harsha Amarasekera  
Asanga C. Seneviratne  
Eshan P. Perera  
Holding: 100%

#### Asia Growth Fund 1 (Pvt) Ltd.

Business Activity: Venture Capital

#### Directors

J.H. Paul Ratnayake (Chairman)  
Harsha Amarasekera  
Asanga C. Seneviratne  
Priyani D. Ratna-Gopal  
Eshan P. Perera  
Holding: 100%

### Fund Based Activities

#### Asia Asset Finance Ltd (formerly known as Finance and Land Sales Ltd.)

Business Activity: Finance House

#### Directors

J.H. Paul Ratnayake (Chairman)  
Asanga C. Seneviratne  
Wignarajah Sellamuttu  
Ramana Sellamuttu  
Eshan P. Perera  
Dushyanth M. Wijayasingha  
Nishan Sumanadeera  
Holding: 98.64%

#### Asia Couture Ltd.

Business Activity: Manufacture & Export of  
Apparel

#### Directors

J.H. Paul Ratnayake (Chairman)  
Harsha Amarasekera  
Mahinda Galagedara  
Asanga C. Seneviratne  
Eshan P. Perera  
Holding: 100%

## Board of Directors



**Dr. Sena Yaddehige**

*Chairman*

*Resigned with effect from 1st July 2007*

Dr. Sena Yaddehige is a Sri Lankan born British Scientist/Engineer and a UK based industrialist. He is the Managing Director of Precision Varionics International Ltd, which is part of a group involved in the development of high technology, automated manufacturing, and the export of automotive components and systems to Europe and the United States. The PCI Group also manufactures precision injection mouldings for automotive and industrial markets. Dr. Yaddehige is the Chairman of Asia Capital Limited, Asian Alliance Insurance Company Ltd, Richard Pieris & Co Ltd, Richard Pieris Exports Ltd, Kegalle Plantations Ltd, Maskeliya Plantations Ltd, and several other companies.



**Harsha Amarasekera**

*Deputy Chairman*

*Chairman with effect from 1st July 2007*

Mr. Harsha Amarasekera is an Attorney-at-Law by profession, specializing in Commercial, Banking and Securities Law. He serves as the Deputy Chairman of Asia Capital Limited. He also served as an Independent Director in C.W.Mackie & Co. Ltd, Chemical Industries (Colombo) Ltd, Connaissance Holdings Ltd, Keells Food Products Ltd and Vallibel Power Erathna Ltd.



**Asanga C. Seneviratne**

*Director/CEO*

Mr. Asanga Seneviratne currently serves as the CEO of Asia Capital Limited, and Managing Director of Asia Securities (Pvt) Ltd since 1998. He is also the Managing Director of Investor Access Asia (Pvt) Ltd, promoter of the first real-time online securities trading system linked directly to the Colombo Stock Exchange.





**Priyani D. Ratna-Gopal**

*Director*

Appointed to the Board of Asia Capital Limited on 4th November 2004, Ms. Ratna-Gopal heads the Capital Markets team. She also serves on the boards of Asia Securities (Pvt) Ltd and Investor Access Asia (Pvt) Ltd.

She previously worked at Indosuez Credit Agricole in Hong Kong, covering the Asian Markets in Equity Sales.



**J. H. Paul Ratnayake**

*Director*

Mr. Paul Ratnayake is a leading commercial lawyer and is the Senior Partner and Founder of Paul Ratnayake Associates. He graduated with Honours from the University of Ceylon (Colombo) and holds an LLM degree awarded by the University of London. He is an Attorney-at-Law of the Supreme Court of Sri Lanka and a Solicitor of the Supreme Court of England and Wales.



**J. M. Swaminathan**

*Director*

Mr. J. M. Swaminathan is an Attorney-at-Law and holds a Masters in Law as well as a Masters in Philosophy from the University of Colombo. He is a Partner of M/s. Julius & Creasy. He is also a Lecturer and Examiner at the Sri Lanka Law College. He is a member of the Intellectual Property Commission of Sri Lanka, as well as the Company Law Advisory Commission of Sri Lanka. He is also a Director of several companies which include Lanka Aluminium Industries Ltd, Acme Aluminium Industries Ltd, Colonial Motors Limited and LOLC Finance Ltd.

## Board of Directors *Contd.*



**M. M. Udeshi**

*Director*

*Resigned with effect from 3rd March 2008*  
Mr. Moraji Udeshi joined CV Bhatt Group of Companies in 1947. He was appointed Chairman and Managing Director of the CV Bhatt Group in 1991. He is also a Director of Asha Phillip Securities Ltd, Asha Central Hospitals Ltd and CT Land Development Ltd.



**Lalith N. de S. Wijeyeratne**

*Director*

*Resigned with effect from 18th June 2007*  
Mr. Lalith N. de S. Wijeyeratne is a Fellow of the Institute of Chartered Accountants of Sri Lanka. He has over twenty-five years experience in finance, both locally and internationally. He joined Richard Pieris & Company Ltd in 1997 as Finance Director, and now serves on the Board of Directors of Richard Pieris & Co. Ltd. He is also a Director of Richard Pieris Exports as well as several other companies.



**Dato' Seri Tiong King Sing, JP**

*Director*

Dato' Seri Tiong King Sing, JP, is the Deputy Chairman/Chief Executive Officer of Wijaya Baru Global Berhad, a company listed on the Main Board of Bursa Malaysia. He holds a Degree in Business Administration and Management. He is also the President/Chief Executive Officer of Wijaya Baru Group of Companies and sits on the Board of Bintulu Port Authority.

He also holds substantial shareholdings in various public listed companies in Malaysia, namely Timberwell Berhad, NV Multi Corporation Berhad and Cepat Wawasan Berhad.

Dato' Seri Tiong is presently a Member of Parliament of Malaysia and the Treasurer General of Sarawak Progressive Democratic Party. Dato' Seri Tiong is also a patron of several charitable and non-profit making organizations, particularly in Sarawak, Malaysia.

## Management Team



**[1] Dihan Dedigama**

*Associate Director, Asia Securities (Pvt) Ltd*

**[2] P. Niroshan B. Wijekoon**

*Director, Asia Securities (Pvt) Ltd.*

**[3] Priyani D. Ratna-Gopal**

*Director, Asia Capital Ltd.*

**[4] Hussain Gani**

*Associate Director, Asia Securities (Pvt) Ltd*

**[5] Dushyanth M. Wijayasingha**

*Chief Operating Officer*

**[6] M.A.M. Niyaz**

*Associate Director, Asia Securities (Pvt) Ltd*

**[7] Asanga C. Seneviratne**

*Director / CEO*

**[8] Peter Jansen**

*Senior Manager, HR & Administration*

**[9] Nishan Sumanadeera**

*Vice President, Legal & Corporate Finance*

**[10] I. Ralph Wijesinghe**

*Director, Investor Access Asia (Pvt) Ltd.*

**[11] Reza Shah**

*Senior Manager - Information Technology*

**[12] Nandi Antony**

*Head of Treasury*

**[13] Sabri Marikkar**

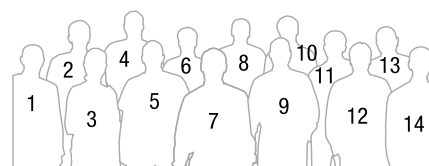
*Director, Asia Securities (Pvt) Ltd*

**[14] Eshan P. Perera**

*Group Chief Financial Officer*

**[15] Mahesh Peiris (Absent)**

*Associate Director, Asia Securities (Pvt) Ltd*



## Chairman's Report



Interest rates also surged, with the risk free yield on Government treasuries rising from 12.96% in 2006 to 19.96% as at end March 2007, while the rupee depreciated sharply during the year.

As the new Chairman of Asia Capital, it is my pleasure to present to you the Annual Report and audited financial statements of the company for the year ended March 31, 2007. As you are aware, Dr. Sena Yaddehige, the Chairman of Asia Capital since November 28, 2002, resigned on July 1, 2007, subsequent to the financial year under review. At the outset, I would like to apologize for the delay in releasing this report, but following the changes in the shareholding of the Company, the reconstituted Board required more time to review the entire group and, for the sake of prudence, make provisions for debts deemed to be doubtful, as you will see later in this report.

Despite the challenging macro-economic environment, Asia Capital performed reasonably well, posting healthy operating results, although the Group's net profitability declined due to the costs associated with the closure of its apparel manufacturing business. Core investment banking operations were robust and all subsidiaries and associate companies performed well, strengthening their respective market positions and profitability. Asia Securities retained its position as one of Sri Lanka's leading stock broking companies, while Asian Alliance Insurance significantly enhanced its market presence and achieved

Despite the challenging macro-economic environment, Asia Capital performed reasonably well, posting healthy operating results, although the Group's net profitability declined due to the costs associated with the closure of its apparel manufacturing business.

The year under review was a challenging one for the country and in turn for the company, on many fronts. The volatile security situation together with soaring international prices of crude oil, which impacted on importation costs, prevented Sri Lanka from reaching its full economic growth potential. Severe pressure was exerted on the fiscal and external balances of the country, leading to a sharp rise in inflation to 17.5% at year end from 13.7% at the start of the financial year. Interest rates also surged, with the risk free yield on Government treasuries rising from 12.96% in 2006 to 19.96% as at end March 2007, while the rupee depreciated sharply during the year.

record profitability. Asia Asset Finance Limited (formerly Finance & Land Sales Limited) recorded a healthy profit in 2007 - its second year under Asia Capital leadership - following a string of previous losses. Asia Siyaka Commodities once again maintained its market dominance in the low grown tea industry, recording an increase in profitability. The group is well poised to benefit from a turnaround in the economic and investment climate in the country, for which a lasting peace is vital.

A detailed review of operations and the future outlook of the group's various business units are available later in this report. Therefore I

## Chairman's Report *Contd.*

would like to conclude my statement by extending my appreciation to Dr. Sena Yaddehige, for his astute leadership and guidance. I would also like to thank the Board of Directors for placing their confidence in me by appointing me Chairman of your Company as well as for their support and active participation in guiding the company forward.

Finally, my sincere appreciation goes out to all members of the staff of Asia Capital for their dedicated service and to our shareholders for their continued loyalty to the company.



**Harsha Amarasekera**

*Chairman*

29th August 2008

## Chief Executive Officer's Review



The sharp increase in interest rates and inflation hurt business and investor confidence, in addition to denting real investment and consumer demand and leading to cost pressures on the industry, thus contracting profit margins and returns on capital.

## Chief Executive Officer's Review *Contd.*

Dear Shareholder: Whilst welcoming you warmly to the sixteenth Annual General meeting, I am pleased to present to you this review of the financial performance, operational status and the strategic position of your company for the financial year ending 31 March 2007.

As you are aware, the business environment continued to deteriorate during the financial year following a resurgence in violence in the northern and eastern provinces and a sharp rise in interest rates, inflation and depreciation of the currency. Despite the new Government's willingness to recommence peace negotiations with the Liberation Tigers of Tamil Eelam (LTTE) and the existence of a Cease Fire Agreement which was supervised by the international community,

beginning of the year to a high of 17.5% at the year end.

The sharp increase in interest rates and inflation hurt business and investor confidence, in addition to denting real investment and consumer demand and leading to cost pressures on the industry, thus contracting profit margins and returns on capital.

Despite this difficult economic environment your company achieved reasonable financial results.

Our core Investment Banking operations conducted under Asia Capital continued to flourish despite the difficult investment and political

**The Corporate Finance division was actively involved in several investment advisory, capital market and corporate finance assignments in sectors as diverse as telecommunications, plantations, tourism and infrastructure development.**

attacks on the security forces by the rebels dampened investor and business confidence. As a direct result, Government expenditure relating to defensive military action and also sharply rising crude oil importation costs exerted severe pressure on the fiscal and balance of payments fronts leading to deterioration in the key macroeconomic fundamentals of the country.

In the aforementioned scenario, the Government Fiscal Deficit rose from -8.4% in 2006 to -8.0% in 2007. As a consequence, interest rates and inflation rose sharply, during the financial year with the benchmark Twelve Month Treasury Bill yield rising from 10.37% at the beginning of January 2006 to 12.96% at the beginning of January 2007, and the Consumer Price Index surging from 13.7% at the

scenario. The Corporate Finance division was actively involved in several investment advisory, capital market and corporate finance assignments in sectors as diverse as telecommunications, plantations, tourism and infrastructure development. We are continuing to build on our strengths in corporate finance and advisory operations and plan to extend our product/service range.

The Fixed Income Securities and Treasury division made headway despite rising interest rates and tightening money market conditions. The division performed creditably to ease the group's cash requirements whilst minimizing borrowing costs against the backdrop of deteriorating monetary liquidity. We intend to augment and expand the operations of the division with the recruitment of personnel,



deployment of a new portfolio management system and also offer new products and services in the future.

In securities trading, Asia Securities once again maintained its ranking as the premier stock broker in the country. The company achieved record operating profitability on the back of sharply higher revenue, although net profit of Rs. 49.6 million was lower than that of the previous year (Rs. 71 million) on account of non-recurring write-offs. Despite the provisions, Asia Securities returned a rate of equity well in excess of overall market yields.

Insurance underwriter Asian Alliance Insurance Company Limited continued to perform strongly both operationally and financially, gaining market share and improving on its key operating metrics in the core life assurance segment, namely the average premium value per policy, whilst posting record earnings. Underpinned by strong growth in business volumes and sharp focus on cost control, net profit grew by 175% year-over-year to Rs. 70.8 million. Asian Alliance Insurance is now a force to be reckoned with in the life assurance industry and will continue to build on these gains by investing in people, information technology, systems and process.

Our commodities broker, Asia Siyaka Commodities, recorded a profit of Rs. 325.55 million, whilst Asia Asset Finance (formerly Finance and Land Sales Ltd.) continued its steep upwards trend, going from a loss in 2005, to a profit of Rs. 13.68 million in 2007, more than double its profit of Rs. 5.82 million in 2006. Investor Access Asia also exhibited a turnaround from a loss last year, to a profit of Rs. 739,284.13.

I wish to thank my fellow Directors whose guidance and counsel I count as one of the company's greatest assets. I extend my sincerest thanks to all my colleagues and staff whose determination to excel under trying conditions underpins the success of your Company. Finally, my sincere gratitude goes out to all stakeholders, whose support and loyalty have contributed in no small measure towards the success of the Company.



**Asanga C. Seneviratne**  
*Chief Executive Officer*

29th August 2008

# Sectoral Review of the Group



## Investment Banking

This sector comprises of Corporate Finance, Treasury and Asset Management activities and continued to be the largest contributor to the profitability of the company.

The Corporate Finance Division excelled in its second year as a separate unit during the period under review, and recorded a profit of Rs. 5.177 million.

During the period under review, the Treasury did well to minimize the adverse financial impacts resulting from the difficult operating environment that existed due to the rising rates of interest. Plans are underway to recruit quality staff into the Treasury, whilst installing a new fixed income trading system, aimed at building a healthy fixed income portfolio, which would generate substantial revenue in the future. In this context we are of the view that our partner/broker in the USA would be able to provide us with substantial fixed income deal flow, from its vast clientele of key US based Funds.



**Nishan Sumanadeera**

*Vice President – Legal & Corporate Finance*



**Nandi Antony**

*Head of Treasury*

The image shows a blurred view of a stock market ticker board. The text is white on a dark background and is arranged in a grid-like pattern. The values are slightly out of focus, but some are clearly legible. The data appears to be organized into columns, likely representing different financial metrics for various stocks or indices.

19.25	38.69	+0.94	2.4%
37.52	17.13	-0.62	-3.49%
17.02	41.47	+0.07	0.17%
40.86	27.09	+0.13	0.48%
26.07	22.17	-0.40	-1.79%



**Priyani D. Ratna-Gopal**

*CEO*

## Securities Trading Asia Securities (Pvt) Ltd.

During the year under review the quoted securities market witnessed some fluctuations but a strong economic growth forecast and healthy corporate earnings alongside heavy local participation saw another good year for Asia Securities. The new President of Sri Lanka's initial attempt to discuss peace with the LTTE in February and October 2006 failed to restart a discussion of a political settlement which saw a downturn in the Quoted Securities market.

Subsequently the President's vow to destroy terrorism saw an increase in the military campaign against the LTTE mainly in the east. The military victories in the East against Tamil Tigers towards the end of the financial year saw the All Share Price Index surging past 3000 point barrier to record an all time high of 3016.4 points.

However Asia Securities maintained its market share and its position in the industry even with this fluctuating market during the Financial Year 2007. Though it was a challenging year for the securities market in Sri Lanka, Asia Securities posted a 15% growth in revenue year on year to reach Rs. 353.8 million. However during the same period in review the net profit decreased to Rs. 49.6 million. This decrease was mainly due to the significant increase in operational expenses.

Asia Securities has capitalised on every major trade and activity within the stock market in the last year.

Asia Securities is continuing to focus its efforts on improving and boosting its internal human capital resources, with a greater emphasis on training in trading and strengthening research capabilities to ensure the highest levels of service in the industry.

As always the Company continues to view IT as a key method of improving delivery of the product to customers and with the use of the Company's online trading system CDAX, significant strides have been made in expanding our customer base.

### Asia Securities (Pvt.) Ltd.

(Securities Trading)

Holding: 100%

### Directors

J.H. Paul Ratnayeke (Chairman)

Asanga C. Seneviratne

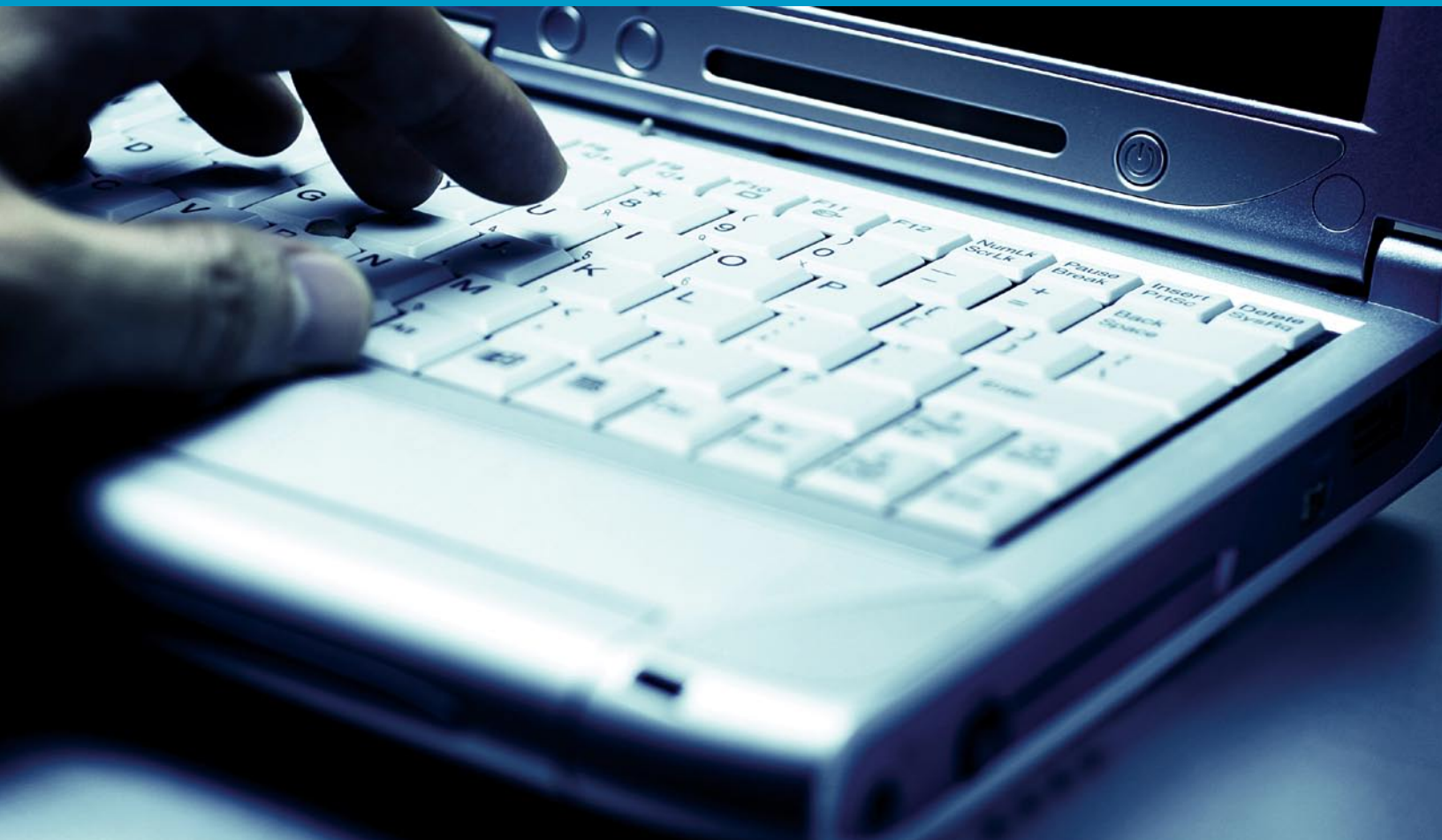
Harsha Amarasekera

Priyani D. Ratna-Gopal

Dushyanth M. Wijayasingha

P. Niroshan B. Wijekoon

M.S.I. Marikar





I. Ralph Wijesinghe

Director

## Value Added Services Investor Access Asia (Pvt) Ltd.

CDAX (Colombo Direct Access Exchange), the flagship product of Investor Access Asia (Pvt) Ltd (IAA), was selected by three more domestic stock brokers as the preferred online trading system for the Colombo Stock Exchange. With this sign up, the total number of domestic stock brokers that are offering online trading facilities to their clients via CDAX has risen to seven. CDAX, Sri Lanka's pioneer real-time direct access online trading system, has been designed to meet the requirements of professional traders as well as retail investors.

CDAX has been instrumental in making live share trading a reality for investors both in the remotest areas of Sri Lanka and in far flung parts of the world. Its unique design has enabled CDAX connected stock brokers to expand their operations in outstation cities by setting up full fledged live share trading centers via CDAX terminals.

IAA had a soft launch of CDAX Net, its web based real time online trading platform. CDAX Net, which does not require a software installation, gives CDAX users the freedom to login and start trading live from any internet-enabled computer.

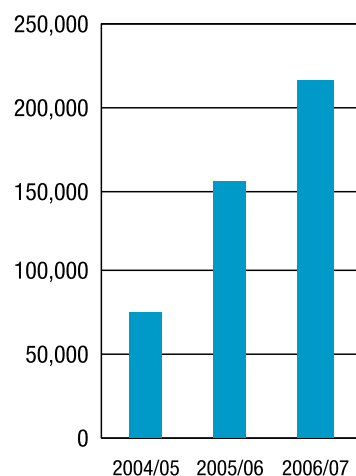
CDAX executed 225,387 trades over the past 12 months, which is a growth of 38.7% over the previous year.

DACS, the broker back office system of IAA, was purchased by two more domestic stock brokers. DACS is a secure, integrated, highly scalable system equipped with all the necessary requirements for broker back office operations.

IAA will continue to focus on developing and upgrading its systems to stay abreast of the latest technologies in order to meet the requirements of the modern investor.

During the year under review, the Company recorded a net profit of Rs. 739,284.13 which is a significant turnaround from the losses recorded in the previous years. However, the true profitability and benefit of IAA is reflected in the performance of Asia Securities, since CDAX has enabled Asia Securities to rapidly expand its operations, both outstation and overseas.

### CDAX Trades



### Investor Access Asia (Pvt) Ltd.

(Software Development)

Holding: 100%

#### Directors

Dr. Sena Yaddehige (Chairman)

J. H. Paul Ratnayeke (Alternative Director to Dr. Sena Yaddehige)

Asanga C. Seneviratne

Prof. Lakshman R. Watawala

Priyani D. Ratna-Gopal

Eshan P. Perera

I. Ralph Wijesinghe







**Ramal G. Jasinghe**  
CEO

## Insurance Asian Alliance Insurance Co. PLC

Asian Alliance Insurance has come of age in the 8 years since its incorporation, ushering in a new experience in insurance transactions.

The total Gross Written Premium (GWP) from both Life and Non Life Operations exceeded the Rs. 1 billion mark once again, with Life Insurance achieving a GWP of Rs. 891 million and Non Life Operations achieving Rs. 384 million. We have recorded a Profit after Tax of Rs. 113 million, which is a 60% growth over the last year. The Net Assets of the Company increased to Rs. 268 million. Earnings per Share increased to Rs. 4.53 per share.

Asian Alliance Insurance invested heavily in updating its team's capabilities by exposing employees from every Division to overseas training opportunities. It is with pride that we showcase our team of professionals who have been largely self-motivated in developing Information Technology (IT) systems, work flow processes, and performance measures. This has brought about substantial savings to the Company in terms of both capital and manpower costs.

The Company was able to distribute a Bonus to its Life policyholders for the third consecutive year in 5 years of its Life operations. This illustrates the strength of our Life business portfolio, as well as the success of our distribution channel.

The Company disbursed considerably large claims during the year with success, confirming the credibility of the management of the Company with our Reinsurers, who have steadfastly supported the Management in processing these claims.

The ability to meet the future commitments in the course of our Non Life business has been duly certified by our consultant Non Life Actuaries.

Asian Alliance Insurance has a well structured Corporate Plan that has scripted its progress in detail over the next 5 years. Whilst consolidating our strengths and investing in the talents of our multi disciplinary team, we recognise the emerging opportunities to exploit, as well as meeting the challenges that these opportunities bring.

We bade a fond farewell to Mr. Edgar Gunatunga, Deshamanya George Ondaatje, and Mr. Chanaka de Silva who resigned from the Board of Directors, and warmly welcome Mr. Harsha Amarasekera, Mr. Asanga Seneviratne, Mr. Dhammika Perera and Mr. Nimal Perera, who joined the Board recently. Asian Alliance Insurance became a fully-owned subsidiary of Asia Capital Limited subsequent to the end of the financial year 2007.

In closing I thank all our stakeholders, including our policyholders, brokers, intermediaries, clients and most importantly, our esteemed shareholders, who have placed their confidence and forbearance in our management for the progress of Asian Alliance Insurance.

### Asian Alliance Insurance Company Ltd.

(General & Life Insurance)

Holding: 49.2%

### Directors

Dr. Sena Yaddhige (Chairman)

J. H. Paul Ratnayake

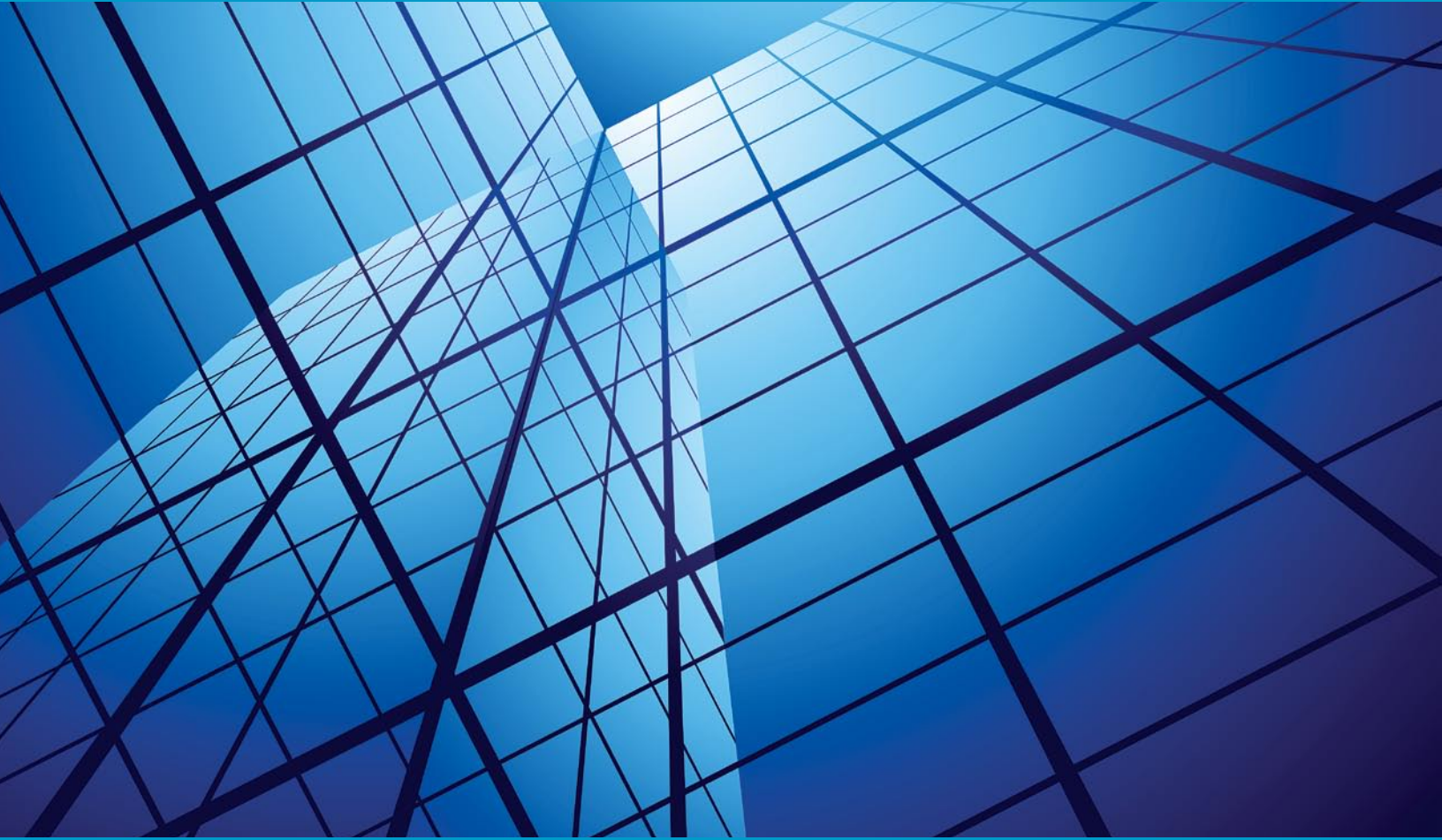
Harsha Amarasekera

Lalith N. De S. Wijeratne

Prof. Lakshman R. Watawala

Asanga C. Seneviratne

Nimal Perera



## Fund Based Activities Asia Asset Finance Ltd.

(formerly Finance and Land Sales Ltd.)

In line with Asia Capital's strategy of building a composite financial services group, Finance and Land Sales Ltd. (FLSL) was renamed Asia Asset Finance Ltd. (AAFL) in October 2006. Asia Asset Finance Ltd. is an authorised Finance Company registered with the Central Bank of Sri Lanka. Its main lines of business are to accept public deposits, to finance leasing and hire purchasing of vehicles and to provide asset-backed financing to both individuals and corporates.

Following the restructuring of the Balance Sheet, and strengthening of internal processes in the previous year, the company focused on business development during the year under review. A competent and experienced marketing team was recruited at the Head Office in Colombo, and also to staff the Negombo branch.

As a direct result of these strategies, the company's deposit base increased from Rs. 290 million in 2005/2006, to Rs. 482 million in 2006/2007, whilst the Advances portfolio increased from Rs. 171 million in 2005/2006 to Rs. 510 million in 2006/2007. As a consequence, the company recorded a profit of Rs. 13.7 million, an impressive gain when compared with last year's profit of Rs. 5.8 million.

Asia Asset Finance Ltd. is a valuable addition to the group as it enables the group to offer a wider array of financial products to the market and the synergies created by such a wide product portfolio are immense. AAFL is currently developing their in-house competencies to offer value added services to corporates in order to finance their needs. These involve working capital, export related trade financing, and stock related bridging financing, all backed by comprehensive collateral. In addition, AAFL offers personal wealth management for individuals, thus leveraging the group synergies in insurance and asset management, for both individuals and corporates.



**Jayanath Karunaratne**

CEO (With effect from 3rd March 2008)

### Asia Asset Finance Ltd.

(Finance House)

Holding: 98.64%

Roshan Nanayakkara (CEO - Resigned with effect from 29th February 2008)

### Directors

J. H. Paul Ratnayeke (Chairman)

Asanga C. Seneviratne

Eshan P. Perera

Dushyanth M. Wijayasingha

Nishan Sumanadeera

Wignarajah Sellamuttu

Ramana Sellamuttu





**Anil R. Cooke**

*President/CEO (With effect from 1st April 2008)*

## **Commodities Brokering Asia Siyaka Commodities (Pvt) Ltd.**

Asia Siyaka turned out another excellent year of performance despite intensely competitive and price-sensitive business environment, and tight market conditions. Its focus on value added services has served to increase customer loyalty and has also been a deciding factor in obtaining new business from both existing and new clients.

During the year under review the company achieved a turnover of Rs. 325.55 million, exhibiting a growth of 12%, a highly commendable performance in the current business context. Prudent cost management and judicious treasury management has enabled the company to record a profit of Rs. 38.22 million, with a growth rate of 9% from the previous year.

The core determinant of the brokerage income is the size of the market. This is best analysed by looking at figures for 'Low Grown' and 'High & Medium Grown' tea. Our market share for Low Grown tea was approximately 18%, with a sales quantity of over 34 million kg. High and Medium Grown tea had a market share of just over 11%, with a sales quantity approaching 14 million kg.

The company is now in the process of evolving new strategies to enhance and maximize the profit potential of the company with special attention being paid to value added services, new business and related diversification options.

### **Asia Siyaka Commodities (Pvt) Ltd.**

(Commodities Brokering)

Holding: 40%

#### **Directors**

Ravindra L. Kumaratatne

*(President/CEO - Resigned with effect from 31st March 2008)*

Anil R. Cooke

Nissanka A. De Mel

Udaya A. Sirisekera

Lal Alawattegama

W. M. Rohan Iddawela

Dhammika J. Wedande

Dr. Sena Yaddehige

J. H. Paul Ratnayake

Asanga C. Seneviratne

Eshan P. Perera

## Report of the Directors

The Directors of Asia Capital Limited, have pleasure in presenting 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, 2007.

### REVIEW OF PERFORMANCE FOR THE YEAR ENDED 31ST MARCH, 2007

The operations of the Company and its Subsidiaries for the year ended 31st March, 2007, are reviewed in the Chief Executive Officer's Report which starts on page 13 of this Annual Report.

### PRINCIPLE ACTIVITIES

The Group is engaged in several diversified business activities which are stated on page 5 of this Annual Report.

### GROUP TURNOVER

The Turnover of the Group for the year ended 31st March, 2007, amounted to Rs. 932.84 Mn. An analysis of turnover is disclosed in Note 3 to the Financial Statements on page 50.

### DIVIDEND

The Directors do not recommend the payment of a dividend in respect of the year ended 31st March 2007

### PROPERTY, PLANT & EQUIPMENT

An analysis of the Property, Plant and Equipment is given in Note 10 to the Accounts set out on pages 54 and 55.

### SHARE CAPITAL

There were no changes in the issued share capital of the Company during the year.

### RESULTS AND RESERVES

For the year ended 31 March	Group		Company	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
Profit/(loss) before goodwill amortization	2,229	119,835	(194,868)	16,259
Amortisation of (Goodwill)/Negative goodwill	-	131	-	-
Profit/(loss) before tax expense	2,229	119,966	(194,868)	16,259
Income tax Expense	(30,034)	(54,346)	826	(10,759)
Retained profit/(loss) after taxation	(30,805)	65,620	(194,042)	5,500
Minority interest	(186)	(247)	-	-
Retained profit/(loss) attributable to shareholders	(30,991)	65,373	-	5,500
Retained profit/(loss) at the beginning of the year	89,701	131,722	61,701	163,595
Dividend payment	-	(107,394)	-	(107,394)
Adjustments / Transfers	7,894	-	-	-
Retained profit /(loss) at the end of the year	66,604	89,701	(132,341)	61,701

**DIRECTORS**

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

Dr. Sena Yaddehige  
 Mr. Harsha Amarasekera  
 Mr. Asanga C. Seneviratne  
 Mr. J.H. Paul Ratnayake  
 Mr. J.M. Swaminathan  
 Ms. Priyani D. Ratna-Gopal  
 Mr. Lalith N. de S. Wijeyeratne  
 Mr. M.M. Udeshi  
 Dato' Seri Tiong King Sing

**Directors who have resigned**

Dr. Sena Yaddehige (Resigned on 1st July 2007)  
 Mr. Lalith N. de S. Wijeyeratne (Resigned on 18th June 2007)  
 Mr. M. M. Udeshi (Resigned on 3rd March 2008)

Names of the present Directors appear on page 4 under Corporate Information.

**DIRECTORS SHAREHOLDINGS**

As at 31st March	2007	2006
Dr. Sena Yaddehige	-	-
Mr. Harsha Amarasekera	15,600	-
Mr. J.H.Paul Rathnayake	-	-
Mr. J.M. Swaminathan	-	-
Mr. Asanga C. Seneviratne	81	81
Ms. Priyani D. Ratna-Gopal	-	-
Mr. Lalith N. de S. Wijeyeratne	-	-
Mr. M.M.Udeshi	500	100
Dato' Seri Tiong King Sing	32,984,200	32,984,200

**ARRANGEMENT FOR ACQUISITION OF SHARES BY DIRECTORS**

The Company has provided an interest free loan of Rs. 17.5 Mn to the Employee Share Ownership Plan (ESOP) Trust. Directors may be eligible in future to purchase ordinary shares of the Company pursuant to the Trust Deed of the Employee Share Ownership Plan Trust. No shares were allotted from the ESOP during the year.

**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 29 to the accounts set out on pages 70 and 71.

**MARKET PRICE PER SHARE**

The market price per share as quoted by the Colombo Stock Exchange is as follows:

	2007 (Rs.)	2006 (Rs.)
Highest Price	18.50	24.00
Lowest Price	10.50	10.00
Price as at the end of Financial year	14.00	15.25

## Report of the Directors *Contd.*

### MAJOR SHAREHOLDINGS

As at 31st March	2007		2006	
	No. of Shares	%	No. of Shares	%
K.S. Tiong	32,984,200	29.98	32,984,200	29.98
Rockport Ltd	28,200,000	25.63	28,200,000	25.63
Sezeka Limited	28,100,100	25.54	28,100,100	25.54
WML/Richard Pieris & Co Ltd	4,932,950	4.48	-	-
ESOP	2,025,440	1.84	2,025,440	1.84
WML/Mr. Lalith Prabash	1,291,000	1.17	1,163,700	1.05
Employees Trust Fund Board	1,075,690	0.97	1,075,690	0.97
H. Don Carolis & Sons Ltd	698,600	0.63	698,600	0.63
Seylan Bank Ltd/Asia Fort Asset Management (Pvt) Ltd.	372,000	0.33	-	-
Mouldex Ltd	332,100	0.30	332,100	0.30
Mr. Rohith Udalagama	238,700	0.21	238,700	0.21
Mr. J.R.J. Ephraums	215,100	0.19	175,100	0.15
Mr. D.M. Rajapakse	210,600	0.19	150,000	0.13
AIO Investments (Pvt) Ltd.	204,400	0.18	-	-
Mr. H.K.J. Dharmadasa	192,600	0.17	192,600	0.17
WML/Ceylinco Shriram Capital Mgmt. Ser. Co. Ltd.	170,100	0.15	-	-
Seylan Bank Ltd/R.C Rathnayake	120,100	0.10	-	-
DPMC Financial Services (Pvt) Ltd.	112,300	0.10	-	-
Thurston Investments Ltd.	110,000	0.10	-	-
Distilleries Company of Sri Lanka Ltd.	108,680	0.09	108,680	0.09

The percentage of shares held by the public as at 31 March, 2007 was 99.99 %.



## SHAREHOLDERS

The number of registered shareholders of the Company as at 31st March 2007 was 9,070 (31st March 2006 was 9,245) with the distribution and analysis of shareholdings being as follows:

No of shares held	31 March 2007			31 March 2006		
	No. of Share holders	Total Shareholding	%	No. of Share holders	Total Shareholding	%
1 - 1,000	7,865	1,296,486	1.18	8,011	1,364,092	1.24
1,001 - 5,000	908	2,099,784	1.91	940	2,164,628	1.97
5,001 - 10,000	137	1,048,540	0.95	147	1,160,090	1.05
10,001 - 50,000	128	2,952,610	2.68	114	2,666,640	2.42
50,001 - 100,000	11	802,920	0.73	12	947,590	0.86
100,001 - 500,000	13	2,491,680	2.27	13	2,516,280	2.29
500,001 - 1,000,000	1	698,600	0.64	1	698,600	0.64
1,000,001 & Over	7	98,609,380	89.64	7	98,482,080	89.53
	<b>9,070</b>	<b>110,000,000</b>	<b>100</b>	<b>9,245</b>	<b>110,000,000</b>	<b>100</b>

Categories of Shareholders	31 March 2007			31 March 2006		
	No of Shareholders	Total Shareholding	%	No of Shareholders	Total Shareholding	%
Individuals	8,885	42,797,808	38.91	9,041	42,985,199	39.08
Institutions	185	67,202,192	61.09	204	67,014,801	60.92
<b>Total</b>	<b>9,070</b>	<b>110,000,000</b>	<b>100</b>	<b>9,245</b>	<b>110,000,000</b>	<b>100</b>

Categories of Shareholders	31 March 2007			31 March 2006		
	No of Shareholders	Total Shareholding	%	No of Shareholders	Total Shareholding	%
Residents	8,983	20,125,630	18.30	9,153	20,233,580	18.39
Non - Residents	87	89,874,370	81.70	92	89,766,420	81.61
<b>Total</b>	<b>9,070</b>	<b>110,000,000</b>	<b>100</b>	<b>9,245</b>	<b>110,000,000</b>	<b>100</b>

## Report of the Directors *Contd.*

### NET ASSETS PER SHARE (GROUP)

The Net Assets per Share as at 31st March, 2007 amounts to Rs. 11.60 (Rs.11.81 as at 31st March, 2006)

### DONATIONS

No donations were made by the Group to charities during the year. (Rs. 50,000/- in 2005/2006).

### AUDITORS

The accounts for the year have been audited by KPMG Ford, Rhodes, Thornton & Company (Chartered Accountants), who offer themselves for re-appointment. A resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

### FINANCIAL COMMITMENTS

No material financial commitments were outstanding as at 31st March, 2007.

### CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at 31st March, 2007, other than as disclosed in the accounts.

### POST BALANCE SHEET EVENTS

No circumstances have arisen since the Balance Sheet date, which would require adjustments to or disclosure in the accounts other than as disclosed in the accounts.

By order of the Board

**Corporate Advisory Services (Pvt) Ltd.**

*Secretaries*

29th August 2008

Colombo.

## Statement of Directors' Responsibilities

The Directors of the Company state below their responsibilities in relation to the Financial Statements of the Company and its Subsidiaries for the year ended 31st March, 2007. These differ from the Auditors responsibilities, which are set out in their report given on page 36.

The Companies Act No. 17 of 1982 requires that the Directors prepare Financial Statements for each year, giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and the profit and loss of the Company and the Group for that financial year.

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 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 as required by the Companies Act No. 17 of 1982.

The Directors have taken reasonable steps to safeguard the assets of the Company and of the Group and to establish appropriate systems of internal controls in order to prevent and detect fraud and other irregularities. Even though it is not possible to provide absolute assurance against fraud and other material mis-statements, the Directors confirm that there is reasonable assurance regarding the activities of the Company.

The Directors are responsible for providing the auditors with every opportunity to carry out the necessary audit work in enabling them to present their audit report.

The Directors confirm to the best of their knowledge all taxes and dues payable by the Group, and all contributions, levies and taxes payable on behalf of the employees of the Group and all other known statutory obligations that were due as at the Balance Sheet date have been paid or provided for in the Financial Statements.

By order of the Board

**Corporate Advisory Services (Pvt) Ltd**

*Secretaries*

29th August 2008

Colombo

## Corporate Governance

The company recognises the need to adopt the code of best practice and for good Corporate Governance in order to safeguard shareholder rights and discharge its social responsibility. Given below is a brief description of the measures adopted by the company.

The Board of Directors currently consists of nine members including the Chairman and the Chief Executive Officer. The Board is responsible for the formulation of overall business policy and strategy, providing leadership and guidance, agreeing priorities and setting standards for the management and conduct of the business. The Board meets at least four times a year and meets more frequently if circumstances warrant. The Board of Directors are committed to upholding the highest standards of integrity and transparency in their governance of the company. The Chief Executive Officer is delegated with the responsibility of monitoring the progress and implementing the policies of the company formulated by the Board.

The management of the company exercises its authority within the policy framework established by the Board and the ethical framework and business practice inherent to the group, which demands that best practices are followed in dealing with employees, customers, suppliers and the community at large. The guidelines for the Internal Control Systems ensures that the assets of the company are protected against any unauthorised use or misappropriation and that proper records are maintained and reliable information is received by the Board on a timely basis. The Board reviews annual budgets and forecasts on a regular basis. Well-established consolidation and reporting systems exist for both statutory and monthly management information. The Board places great emphasis on complete disclosure of both financial and non-financial information within the bounds of commercial reality. The Board recognises the importance of selecting and retaining competent employees.

The Board constantly strives to enhance shareholder value while maintaining good relations with them at all times.

## Financial Information



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## Report of the Auditors



**KPMG Ford, Rhodes, Thornton & Co.**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300,  
Sri Lanka.

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### TO THE MEMBERS OF ASIA CAPITAL LIMITED

We have audited the Balance Sheet of Asia Capital Limited as at 31 March 2007, the consolidated Balance Sheet of the Company and its subsidiaries as at that date, and the related Statements of Income, Cash Flows and Changes in Equity for the year then ended, together with the Accounting Policies and Notes as set out therein.

### Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements based on our audit.

### Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion - Company

- Market value of Richard Pieris Quoted shares, which was classified under long term investment, has been falling continuously within last three years and as at the balance sheet date it was Rs. 109.3 Million below the cost. However no provision has been made in the financial statements for the permanent diminution in value as required by SLAS 22: Accounting for investments.

In our opinion, except for the effects, if any, as might have been determined to be necessary on the financial statements in respect of the matters referred in preceding paragraphs, the Company maintained proper books of account for the year ended 31 March 2007 and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Cash Flow and Changes in Equity and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards provide the information required by the Companies Act, No.17 of 1982 and give a true and fair view of the Company's state of affairs as at 31 March 2007, its loss and cash flows for the year then ended.

Without further qualifying our opinion, we draw attention to the matters disclosed in Note 35 to the Financial Statements.

KPMG Ford, Rhodes, Thornton & Co, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved.

A.N. Fernando FCA  
M.R. Mihular FCA  
P.Y.S. Perera FCA  
T.J.S. Rajakarier FCA  
Ms. S. Joseph ACA

S. Sirikanathan FCA  
Ms. M. P. Perera FCA  
C.P. Jayatilake FCA  
W.W.J.C. Perera FCA



### Opinion - Group

- Market value of Richard Pieris Quoted shares, which was classified under long term investment in Asia Capital books, has been falling continuously within last three years and as at the balance sheet date it was Rs. 109.3 Million below the cost. However no provision has been made in the financial statements for the permanent diminution in value as required by SLAS 22: Accounting for investments.
- No impairment test has been carried out for the goodwill on consolidation of Rs. 150 Million as required by SLAS 25 (Revised) Business Combination.
- The financial statements of Asia Couture Ltd, a fully owned subsidiary of the company, have not been audited for the year ended 31 March 2007 and for the previous year and the consolidated financial statements have been prepared based on the unaudited financial statements of these years. As per the information available to us Asia Couture Ltd had sold its factory with other allied buildings, machinery and equipment for a consideration of Rs. 78,000,000/- and transferred the employees of the company, as per the agreement entered into with a third party on 1 February 2006. Further according to the unaudited financial statements, Asia Couture Limited has incurred a loss of Rs. 358,627 for the year ended 31/03/2007. However according to the information available investment in Asia Couture has been disposed fully on 10th March 2008.

Asia Couture Limited is not a going concern and we have not received comfort on the recoverability and classification of asset amounts of Rs. 264,300,534 and on the classification of liabilities of Rs. 70,434,141 included in the consolidated financial statements as at 31 March 2007.

- Auditors report of Investor Access Asia (Private) Limited, 100% owned subsidiary of Asia Capital Limited carry qualifications relating to the following;

- a) The PAYE payable arisen on remuneration paid to directors neither has been remitted nor provision has been made in the financial statements. Further, the company has not obtained VAT registration although the revenue reported exceeds the stipulated exemption limits.
- b) The auditors have not received independent confirmations in relating to Rs. 2,584,103 due from Asia Securities (Pvt) Ltd, a related company.

In our opinion except for the effects, if any, as might have been determined to be necessary on the financial statements in respect of the matters referred in preceding paragraphs, the consolidated Balance Sheet and Statement of Income, Cash Flow and Changes in Equity and the Accounting Policies and Notes thereto, have been properly prepared and presented in accordance with the Companies Act, No.17 of 1982 and the Sri Lanka Accounting Standards, and give a true and fair view of the state of affairs as at 31 March 2007, its loss and cash flows for the year then ended and its subsidiaries dealt with thereby, so far as concerns the members of the company.

Without further qualifying our opinion, we draw attention to the matters disclosed in Notes 34 and 35 to the Financial Statements.

### Directors' Interest in Contracts with the Company

According to the information made available to us, the directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31 March 2007 except as stated in Note 29 to these financial statements.

Chartered Accountants

Colombo.  
29th August 2008

## Income Statement

For the year ended 31 March		GROUP		COMPANY	
		2007	2006	2007	2006
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>	3	932,836	743,097	487,360	342,039
Cost of Sales		(467,887)	(424,328)	(403,351)	(258,046)
<b>Gross Profit</b>		464,949	318,769	84,009	83,993
Other Income and Gains	4	21,177	107,547	2,119	2,560
Selling and Distribution Expenses		(22,207)	(49,954)	(12,424)	(1,000)
Administrative Expenses		(238,653)	(201,162)	(50,711)	(31,607)
Other Operating Expenses		(135,957)	(48,730)	(9,529)	(6,463)
Provision for fall in value of investments		(14,888)	(8,764)	(12,358)	-
Provision for bad & doubtful debt		(97,249)	(5,880)	(131,716)	(10,120)
Finance Cost	5.1	(67,569)	(82,891)	(66,508)	(63,883)
Finance Income	5.2	37,827	56,014	2,250	42,779
Share of Profit of Associate companies	12.2.1	54,799	35,017	-	-
<b>Profit / (Loss) Before Tax</b>	6	2,229	119,966	(194,868)	16,259
Income Tax Expense	7	(33,034)	(54,346)	826	(10,759)
<b>Profit / (Loss) for the Year</b>		(30,805)	65,620	(194,042)	5,500
<b>Attributable to</b>					
Equity Holders of the Parent Company		(30,991)	65,373	-	-
Minority Interest		186	247	-	-
<b>Profit / (Loss) for the Year</b>		(30,805)	65,620	(194,042)	5,500
Basic Earnings / (Loss) per Share (Rs.)	8	(0.28)	0.59	(1.76)	0.05
Dividend per Share (Rs.)		-	-	-	-

The Accounting Policies and Notes from pages 43 to 73 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.




## Balance Sheet

As at 31 March	Note	GROUP		COMPANY	
		2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	10	75,843	88,400	43,652	61,639
Investment Properties	11	13,438	14,145	-	-
Investments in Subsidiaries	12.1	-	-	423,574	371,381
Investments in Associates	12.2	177,992	133,352	84,932	84,932
Other Long Term Investments	12.3	561,740	377,972	561,740	377,972
Goodwill	9	150,088	150,088	-	-
ESOP Loans	13	17,491	17,491	17,491	17,491
Long term Deposits and Advances	14	14,824	14,824	4,762	4,762
		1,011,416	796,272	1,136,151	918,177
<b>Current Assets</b>					
Short Term Investments	15	849,837	1,192,872	578,118	909,788
Short Term Lendings	16	-	17,087	-	17,087
Inventories	17	42,525	42,525	-	-
Trade and Other Receivables	18	1,046,315	2,370,873	14,926	479,292
Amounts due from Related Parties	19	1,952	4,539	89,354	130,435
Cash and cash equivalents	20	109,379	117,852	1,695	2,642
		2,050,008	3,745,748	684,093	1,539,244
<b>Total Assets</b>		<b>3,061,424</b>	<b>4,542,020</b>	<b>1,820,244</b>	<b>2,457,421</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share Capital	21	1,100,000	1,100,000	1,100,000	1,100,000
Capital Redemption Reserve Fund		13,800	13,800	-	-
Share Premium		14,558	14,558	14,558	14,558
Capital Reserves		3,174	2,500	-	-
Exchange Equalisation Reserve		78,316	78,316	-	-
Accumulated Profit / (Loss)		66,604	89,701	(132,341)	61,701
<b>Shareholders' Fund</b>		<b>1,276,452</b>	<b>1,298,875</b>	<b>982,217</b>	<b>1,176,259</b>
Minority Interest		542	247	-	-
		1,276,994	1,299,122	982,217	1,176,259
<b>Non-Current Liabilities</b>					
Debentures	22	14,629	15,129	-	-
Deferred Taxation	23	739	12,000	-	10,759
Retirement Benefit Obligations	24	11,993	8,828	4,728	3,464
Non - Interest Bearing Borrowings	26	64,162	54,162	-	-
		91,523	90,119	4,728	14,223
<b>Current Liabilities</b>					
Interest Bearing Borrowings - Current Portion	25	616,345	1,051,490	616,345	1,051,490
Trade and Other Payables	27	781,599	1,911,706	14,615	44,180
Income Tax Payable		23,995	33,988	-	189
Amount Due to Related Parties	28	-	-	-	43,847
Bank Overdrafts	20	270,968	155,595	202,339	127,233
		1,692,907	3,152,779	833,299	1,266,939
<b>Total Equity and Liabilities</b>		<b>3,061,424</b>	<b>4,542,020</b>	<b>1,820,244</b>	<b>2,457,421</b>
Net Assets per Share (Rs.)		11.60	11.81	8.93	10.69

The Accounting Policies and Notes from pages 43 to 73 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

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,

  
Harsha Amarasekera  
Chairman

  
Asanga C. Seneviratne  
Chief Executive Officer

29th August 2008  
Colombo.

## Cash Flow Statement

For the year ended 31 March	Note	GROUP		COMPANY	
		2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		2,229	119,966	(194,868)	16,259
<b>Adjustments for;</b>					
Provision for Retiring Gratuity	24	3,547	3,084	1,264	547
Depreciation on Property, Plant & Equipment	10	23,866	28,373	13,643	6,366
Depreciation on Investment Property		706	-	-	-
Amortisation of negative goodwill		-	(131)	-	-
(Profit) / Loss on sales of Property, Plant & Equipment		-	(20,970)	-	(85)
Write off of other Receivables		-	1	-	-
Provision for Bad & Doubtful Debts		97,249	5,880	131,716	10,120
Provision for fall in value of investments		14,888	8,764	12,358	(684)
(Profit) / Loss on sale of other investments		-	(72,397)	-	(56,661)
Share of Associate companies' profit before taxation		(54,799)	(35,017)	-	-
Interest income		(37,827)	(54,134)	(49,571)	(40,899)
Exchange Gain		-	126,561	-	-
Finance cost		67,569	88,297	66,508	67,684
<b>Operating profit/(loss) before working capital changes</b>		<b>117,428</b>	<b>198,277</b>	<b>(18,950)</b>	<b>2,647</b>
(Increase)/decrease in short term investments		343,034	(578,389)	227,800	(478,425)
(Increase)/decrease in short term lendings		17,087	3,946	17,087	(4,655)
(Increase)/decrease in inventories		-	2,841	-	-
(Increase)/decrease in trade and other receivables		1,235,986	(616,739)	346,227	27,480
(Increase)/decrease in amount due from related parties		2,588	4,769	41,081	53,455
Increase /(decrease) in trade and other payables		(1,164,095)	640,082	(36,307)	18,694
Increase/(decrease) in amount due to related parties		-	-	(43,847)	43,847
<b>Cash generated from operations</b>		<b>552,028</b>	<b>(345,213)</b>	<b>533,091</b>	<b>(336,957)</b>
Gratuity paid		(382)	(14,496)	-	-
Income tax paid		(20,300)	(26,017)	(7,342)	-
<b>Net cash from/(used in) operating activities</b>		<b>531,346</b>	<b>(385,726)</b>	<b>525,749</b>	<b>(336,957)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Acquisition of Property, Plant & Equipment		(17,463)	(53,100)	(1,810)	(34,427)
Acquisition/Disposal of Investment Property		-	(14,145)	-	-
Proceeds from sale of Property, Plant & Equipment		6,153	113,905	6,154	195
Investment in subsidiary companies		-	-	(52,243)	(90,100)
Dividend Received from Associates		18,400	11,700	-	-
Purchase of investments		(206,895)	(848,170)	(92,206)	(693,176)
Sale proceeds from disposal of investments		-	467,053	-	315,391
Interest received		37,827	54,134	35,994	40,899
<b>Net cash flows from/(used in) investing activities</b>		<b>(161,978)</b>	<b>(268,623)</b>	<b>(104,111)</b>	<b>(461,218)</b>

For the year ended 31 March		GROUP		COMPANY	
		2007	2006	2007	2006
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
		10,000	-	-	-
		(500)	-	-	-
		(435,145)	(20,682)	(433,164)	-
		-	375,599	-	375,599
		-	473,672	-	473,672
		-	(106,425)	-	(107,394)
		-	(207)	-	(207)
		(67,569)	(88,297)	(64,527)	(67,684)
		<b>(493,214)</b>	<b>633,660</b>	<b>(497,691)</b>	<b>673,986</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>					
		(123,846)	(20,689)	(76,053)	(124,189)
	20	(37,743)	(17,054)	(124,591)	(402)
	20	(161,589)	(37,743)	(200,644)	(124,591)

The Accounting Policies and Notes from pages 43 to 73 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## Statement of Changes in Equity

For the year ended 31 March 2007

	Share Capital Rs.'000	Share Premium Rs.'000	Accumulated Profit / (Loss) Rs.'000	Total Rs.'000
<b>COMPANY</b>				
Balance as at 1st April 2005	1,100,000	14,558	163,595	1,278,153
Profit / (Loss) for the year	-	-	5,500	5,500
Dividend paid	-	-	(107,394)	(107,394)
<b>Balance as at 31st March 2006</b>	<b>1,100,000</b>	<b>14,558</b>	<b>61,701</b>	<b>1,176,259</b>
Profit / (Loss) for the year	-	-	(194,042)	(194,042)
<b>Balance as at 31st March 2007</b>	<b>1,100,000</b>	<b>14,558</b>	<b>(132,341)</b>	<b>982,217</b>

	Share Capital Rs.'000	Capital Redemption Reserve Fund Rs.'000	Share Premium Rs.'000	Capital Reserve Rs.'000	Exchange Equalisation Reserve Rs.'000	Accu- mulated Profit / (Loss) Rs.'000	Total Rs.'000	Minority Interest Rs.'000	Total Attributable to Equity Holders Rs.'000
<b>GROUP</b>									
Balance as at 1st April 2005	1,100,000	13,800	14,558	2,500	(48,467)	131,722	1,214,113	-	1,214,113
Profit / (Loss) for the year	-	-	-	-	-	65,373	65,373	247	65,620
Transferred to Exchange equalisation reserve	-	-	-	-	126,783	-	126,783	-	126,783
Dividend paid	-	-	-	-	-	(107,394)	(107,394)	-	(107,394)
<b>Balance as at 31st March 2006</b>	<b>1,100,000</b>	<b>13,800</b>	<b>14,558</b>	<b>2,500</b>	<b>78,316</b>	<b>89,701</b>	<b>1,298,875</b>	<b>247</b>	<b>1,299,122</b>
Retained Earnings Adjustment	-	-	-	-	-	8,568	8,568	119	8,687
Transferred to reserves	-	-	-	674	-	(674)	-	(10)	(10)
Profit / (Loss) for the year	-	-	-	-	-	(30,991)	(30,991)	186	(30,805)
<b>Balance as at 31st March 2007</b>	<b>1,100,000</b>	<b>13,800</b>	<b>14,558</b>	<b>3,174</b>	<b>78,316</b>	<b>66,604</b>	<b>1,276,452</b>	<b>542</b>	<b>1,276,994</b>

The Accounting Policies and Notes from pages 43 to 73 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## Summary of Significant Accounting Policies

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 GENERAL

The Consolidated Financial Statements of Asia Capital Limited for the year ended 31 March 2007 comprise the Company, its subsidiaries (together referred to as the 'Group') and the Group's interest in associates. The financial statements were authorized for issue by the Directors on 29th August 2008.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

##### 1.1.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLAS), adopted by the Institute of Chartered Accountants of Sri Lanka.

##### 1.1.2 Basis of Preparation

The Financial Statements of the Group are presented in Sri Lankan Rupees and prepared under the historical cost convention in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustments have been made for inflationary factors affecting these accounts. The Financial Statements are prepared in Sri Lankan Rupees (Rs.)

#### Changes in Accounting Policies and adoption of new and revised Sri Lanka Accounting Standards during the year.

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

These Financial Statements have adopted the following new and revised SLAS that are effective in the current financial year and the accounting policies of the Company have been revised where relevant to reflect the changes in the provisions of these SLAS.

The adoption of the new and revised standards has resulted in changes to the method of presentation and additional disclosures being made in the financial statements.

The following are the new and revised SLAS that are relevant to the Company;

SLAS 03 (Revised 2005)

Presentation of financial statements

SLAS 05 (Revised 2005)

Inventories

SLAS 10 (Revised 2005)

Accounting policies, Changes in Accounting Estimates & Errors.

SLAS 12 (Revised 2005)

Events after balance sheet date

SLAS 14 (Revised 2005)

Income Taxes

SLAS 18 (Revised 2005)

Property, Plant and Equipment

SLAS 26 (Revised 2005)

Consolidated and separate financial statements

SLAS 27 (Revised 2005)

Investments in Associates

SLAS 30 (Revised 2005)

Related Party Disclosures

SLAS 34 (Revised 2005)

Earnings per Share

SLAS 41

Impairment of Assets

SLAS 40 (Revised 2005)

Investment Property

### 1.2 BASIS OF CONSOLIDATION

#### 1.2.1 Subsidiaries

The Financial Statements of the group represents the consolidation of the financial statements of the company and its subsidiaries as mentioned below, in accordance with section 150 (1) (a) of

## Summary of Significant Accounting Policies *Contd.*

the Companies Act No. 17 of 1982, and the Sri Lanka Accounting Standards No 26.

Asia Securities (Pvt) Ltd  
 Asia Growth Fund 1 (Pvt) Ltd  
 Asia Fort Sri Lanka Direct Investment Fund Ltd  
 Asia Couture Ltd  
 Investor Access Asia (Pvt) Ltd  
 Asia Asset Finance Ltd

### **1.2.2 Profit and Losses**

The total profit and losses of all the Subsidiaries are included in the consolidated Income Statement with the proportion of profit or loss after taxation pertaining to the minority shareholders of Subsidiaries being deducted as "Minority Interest".

### **1.2.3 Assets and Liabilities**

All assets and liabilities of the Company and its Subsidiaries are included in the Group Balance Sheet. The proportionate interest of minority shareholders of Subsidiaries in the net assets of the Group, are indicated separately in the consolidated Balance Sheet under the heading "Minority Interest".

### **1.2.4 Intra Group Transactions**

Intra group balances and intra group transactions and resulting unrealized profits are eliminated in full in the consolidated financial statements. Unrealized losses resulting from intra group transactions are eliminated unless the cost can be recovered.

### **1.2.5 Associates**

Investment in companies where the Company's share of the holding is more than 20% and where the Company has a significant influence in financial and operating decisions of policies have been treated as investment in Associate companies. The results of these Companies have been accounted for on the equity method of accounting, where the investor's share of profits or losses are incorporated in the Group's Income Statement, and the related investments are presented in the Balance Sheet at values adjusted to reflect the investor's share of retained assets. The carrying amount of the Company's investment is reduced to the extent of the dividends received from these Associate companies.

### **1.2.6 Goodwill**

Goodwill, which is the excess of the purchase price or consideration over the fair value of net assets, acquired at the date of acquisition, and arising in connection with the acquisition of Subsidiaries or Associates, is recognized as an intangible asset in the consolidated financial statements. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

### **1.2.7 Venture Capital Investments**

The Subsidiary companies in its normal course of business (venture capital) sometimes acquire a significant interest in the equity of the companies, which seek financial assistance of the Company. Such investments are not considered as control entities or as Associates of the Group and are accounted for as equity investments.

### **1.2.8 Other Investments**

Investment in companies where the Group's holding is less than 20% and where the group does not exercise significant influence and/or control over the financial and operating policies/decisions are accounted for on the basis stated in 1.3.3. below. The income from these investments is recognized only to the extent of dividend received.

### **1.2.9 Financial Period**

All companies in the group other than Asian Alliance Insurance Co. Ltd., have a common financial year, which ends on 31st March.

### **1.2.10 Foreign Currency Translation**

All foreign currency transactions are converted to Sri Lankan Rupees at the rates of exchange prevailing at the time the transactions were effected.

All monetary assets and liabilities denominated in foreign currencies have been translated into local currencies, at the rate of exchange ruling at the balance sheet date while all non monetary items are reported at the rate prevailing at the time transactions were effected.

The exchange differences arising there from have been dealt with in the income statement.

### Reporting Currency

The reporting currency of Asia Couture Limited is US\$ as it conducts the majority of its business in US\$ and is entitled to the benefits provided to the company by the Board of Investment of Sri Lanka (BOI). Its financial statements have been converted to the reporting currency of the Group, (Sri Lankan Rs.) for consolidation purposes.

## 1.3 ASSETS AND BASES OF THEIR VALUATION

### 1.3.1 Property, Plant and Equipment

#### 1.3.1.1 Recognition and Measurement

The Property, Plant & Equipment are recorded at cost less accumulated depreciation and impairment losses as set out below.

The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any expenses incurred in bringing the assets to its working conditions for its intended use.

Expenditure incurred for the purpose of acquiring, extending or making permanent improvements by means of which to carry on the business or to increase the earnings capacity of the business has been treated as capital expenditure.

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### 1.3.1.2 Subsequent Costs/Replacement

The cost of replacing part of an item of property, plant & equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant & equipment are recognized in the Income Statement as incurred.

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

#### 1.3.1.3 Leased Assets

Assets used by the Group, which have been funded through finance leases, are reflected in the Balance Sheet at their cash price and the resulting lease obligation are included as creditors, net of finance

charges. The relevant finance charges and depreciation are charged to the Income Statement.

#### 1.3.1.4 Depreciation

Provision for depreciation is calculated on the cost of Property, Plant and Equipment in order to write off such amounts over the estimated useful lives of such assets. The rates of depreciation used on a straight line method are as follows:

Buildings	5%-10%
Computer equipment	10%-20%
Office equipment	10%-20%
Furniture & Fittings	10%-20%
Fixtures & Fittings	10%
Motor Vehicles	25%
Machinery	10%
Generator	15%-20%
Computer Software	20%

Property, Plant and Equipment are depreciated from the month the assets are available for use over their estimated useful lives.

#### 1.3.1.5 Impairment of Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that it might be impaired.

An impairment loss is recognized if the carrying amount of an asset or its cash - generating units exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and Groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group of units) on pro rata basis.

## Summary of Significant Accounting Policies *Contd.*

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

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

### 1.3.2 Investment Properties

Investment properties are recognised in the Financial Statement by using the Cost Model and all other accounting policies are in line with the Property, Plant and Equipment.

### 1.3.3 Investments

#### 1.3.3.1 Short-Term Investments

Short term investments in quoted shares are stated at lower of cost and market value on an individual investment basis with any result on gain or loss recognized in the Income Statement.

Short-term investments in unquoted shares are stated at cost unless otherwise stated.

#### 1.3.3.2 Long-Term Investments

Where the Group's interest in equity capital is less than 20% or where the Group does not exercise significant influence or control over the financial and operating policies, investments are stated at cost.

Quoted and Unquoted investments in shares held on long term basis are stated at cost in the parent Company's financial statements, investment in Subsidiaries and Associates are carried at cost under parent Company's financial statements.

Provision for diminution in value is made when in the opinion of the directors there has been a decline, other than temporary in the value of the investment.

### 1.3.4 Trade and Other Receivables

Loans, advances and other receivables are stated in the Balance Sheet at their estimated realizable amounts, net of provisions for bad and doubtful receivables. Other receivables and dues from related parties are recognized at cost less provision for bad and doubtful receivables.

### 1.3.5 Loans and Advances to Customers

Loans and Advance to customers are stated in the Balance Sheet net of provision for possible loan losses.

#### Provision for Loan Losses

Specific provision for possible loan losses are based on a continues review of the loan and advances portfolio in accordance with Sri Lanka Accounting Standard No. 33 on Revenue Recognition and Disclosures in the Financial Statements of the Finance Company and the parameters set by the Central Bank of Sri Lanka. Accordingly specific provisions have made as follows

Period Outstanding	Provision Made Net of Realisable Value of Securities
6 to 12 months	50%
Over 12 Months	100%

### 1.3.6 Leases

Assets leased to customers, which transfer substantially all the risk and rewards associated with ownership other than legal title are accounted for as finance leases.

Amounts receivable under finance leases net of initial rental received, unearned lease income and provision for doubtful recovery are classified as lease receivable in the Balance Sheet.



Specific provision has been made in relation to identified bad and doubtful leases as follows.

<b>Period Outstanding</b>	<b>Provision Made Net of Realisable Value of Securities</b>
6 to 12 months	50%
Over 12 Months	100%

### 1.3.7 Inventories

Inventories are valued at lower of cost and net realisable value. Net realisable value is the price which inventories can be sold in the ordinary course of business, less the estimated cost of completion and estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted as follows.

Raw Materials – At purchase cost on weighted average basis.

Finished goods and work in progress – At the cost of direct material, direct labour and an appropriate apportionment of fixed production overheads based on normal operating capacity.

### 1.3.8 Cash and Cash Equivalents

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

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits at banks net of outstanding bank overdrafts.

The Cash Flow Statement has been prepared using the “indirect method”. Interest paid is classified as operating cash flows, interest and dividends received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presentation of Cash Flow Statement.

## 1.4 LIABILITIES AND PROVISIONS

### 1.4.1 Current Liabilities

Liabilities classified as current liabilities in the balance sheet are those obligations payable on demand or within one (1) year from the Balance Sheet date. Items classified as non-current liabilities are those obligations, which expire beyond a period of one (1) year from the Balance Sheet date.

### 1.4.2 Non Current Liabilities

All known liabilities have been accounted for in preparing the Financial Statements. Provision and liabilities are recognised when the group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 1.4.3 Trade and Other Payables

Trade and other payable are stated at their cost.

### 1.4.4 Provisions

Provisions are made for all obligations existing as at the Balance Sheet date when it is possible that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the accounts.

### 1.4.5 Retirement Benefit Obligations

#### a) Defined Benefit Plan – Gratuity

Provision in the accounts had been made on account of retirement gratuity from the first year of service of the employee in conformity with Sri Lanka Accounting Standards – 16 “Retirement Benefit Costs”. The gratuity provision is neither funded nor actuarially valued. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only after the completion of 5 years of continued service.

#### b) Defined Contribution Plans

Employees Provident Fund and Employees Trust Fund

All employees who are eligible for Employees provident fund contribution and employees trust fund contribution are covered by relevant contribution funds in line with respective statutes and regulations.

## Summary of Significant Accounting Policies *Contd.*

### **1.4.6 Events Occurring After the Balance Sheet Date**

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

### **1.4.7 Capital Commitments and Contingencies**

All material capital commitments and contingent liabilities of the Company are disclosed in the respective notes to the accounts.

## **1.5 INCOME STATEMENTS**

### **1.5.1 Revenue**

Group revenue represents proceeds from the sale of investments, dividends, underwriting commissions, brokerage income, professional charges, interest income, lease and hire purchase income and sale of goods.

Company revenue represents proceeds from sale of investments, dividends professional charges and interest income.

#### **1.5.1.1 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognized.

#### **1.5.1.2 Interest Income**

Interest receivable is recognized on accrual basis. Interest ceases to be taken into revenue when the recovery of interest or principal is in arrears for over six months. Thereafter interest on advances is accounted for on cash basis. Interest on non-performing loans and advances is credited to the interest in suspense account.

#### **1.5.1.3 Income From Fee Based Activities**

Commission from underwriting, brokerage income and consultancy fees are recognized in the period in which such transactions were effected.

#### **1.5.1.4 Dividend Income**

Dividend income is recognized when the Company's right to receive such dividend is established.

#### **1.5.1.5 Lease and Hire Purchase Income**

Income recognized on assets leased to customers is the interest component of the lease rentals receivable during the year. The unearned lease income included in the lease rentals receivable is taken in to revenue over the term of the lease commencing from the month in which the lease is executed in proportion to the capital outstanding.

#### **1.5.1.6 Interest Income - Others**

Interest income is recognized on accrual basis.

#### **1.5.1.7 Sale of Goods and Services**

Revenue from sale of goods is recognized at the point of transferring the significant risk and rewards of ownership, which occurs at the point of delivery or upon performance of services.

#### **1.5.1.8 Corporate and Government Bonds**

Incomes from capital gain on sale of securities are recognised on an accrual basis.

### **1.5.2 Expenditure Recognition**

- a) All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.
- b) Borrowing costs are recognized as an expense in the period in which they are incurred.
- c) For the purpose of presentation of Income Statement, the Directors are of the opinion that the nature of expenses method/ present fairly the elements of the enterprises performance, hence such presentation method is adopted.

## **1.6 TAXATION**

### **1.6.1 Taxes on Income**

The group liability to taxation is computed in accordance with the provisions of the Inland Revenue Act. No. 10 of 2006 ( as amended) taking into consideration the maximum relief available.

### 1.6.2 Deferred Taxation

Deferred taxation is provided based on the liability method on timing differences to the extent that they are expected to reverse in the future. The balance in the deferred taxation account represents, income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book value of such assets, off set by the provision for retirement benefit which is deductible for income tax purposes only on payment.

Deferred tax assets are utilized for all deductible timing differences and carried forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible timing differences and carry forward of unused tax losses can be utilised. Deferred tax assets are only utilized to the extent that it is probable that the timing differences will reverse in the foreseeable future and taxable profits will be available against which timing differences can be utilized.

The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

### 1.7 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the "indirect method" Interest paid is classified as operating cash flows, interest and dividends received are classified as investing cash flows while dividends paid and government grants received are classified as financing cash flows for the purpose of presenting of Cash Flow Statement.

### 1.8 COMPARATIVE INFORMATION

The Accounting Policies have been consistently applied by the Company and are consistent with those of the previous year's figures and phrases and have been re-arranged wherever necessary to conform to the current presentation.

### 1.9 BUSINESS SEGMENT REPORTING

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segments) or in providing products or services within a particular economic

environment (Geographical Segments) which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of Group's business. There are no distinguishable components to be identified as geographical segment of the group. The business segments are reported based on the Group's management and internal reporting structure.

Segment assets are those operating assets that are employed by a segment in its operating activities and directly attributable to the segment or allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and directly attributable to the segment or allocated to the segment on a reasonable basis.

## 2. CORPORATE INFORMATION

### 2.1 Domicile and Legal Form

Asia Capital Limited, is a limited liability company incorporated and domiciled in Sri Lanka, and listed on the Colombo Stock Exchange. The Registered Office of the Company and the principal place of business is situated at 21st Floor, West Tower, World Trade Center, Colombo 01.

### 2.2 Principle Activities and Nature of Operations

During the year the principle activities of the Group were stock brokering, corporate finance, asset management, margin trading, treasury management and dealing and investing in securities.

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

### 2.3 Number of Employees

The average number of employees of the Company and its Subsidiaries for the year was 133 (2006 – 79).

## Notes to the Financial Statements

For the year ended 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>3. REVENUE</b>				
<b>3.1 Summary</b>				
Gross Revenue	932,863	743,097	487,387	342,039
Less: Revenue Related Taxes	(27)	-	(27)	-
	932,836	743,097	487,360	342,039
<b>3.2 Segments</b>				
Financial Services	481,358	332,581	487,387	342,039
Security Trading	349,940	301,646	-	-
Manufacturing	-	69,464	-	-
Other Services	11,646	2,478	-	-
Fund Based Activities	89,919	36,928	-	-
	932,863	743,097	487,387	342,039
<b>3.3 Goods and Services Analysis</b>				
Sale of Goods	-	69,464	-	-
Rendering of Services	932,863	673,633	487,387	342,039
	932,863	743,097	487,387	342,039
<b>4. OTHER INCOME AND GAINS</b>				
Dividend Income	17	969	-	-
Management Fees	2,098	2,475	2,098	2,475
Write Back of Related Party Payable	16,361	29,880	-	-
Gains/(Loss) on Disposal of Property, Plant and Equipment	-	20,970	-	85
Gains/(Loss) on Dealing Securities	-	15,736	-	-
Bad Debt Recoveries	-	33,268	-	-
Sundry Income	2,701	4,249	21	-
	21,177	107,547	2,119	2,560

For the year ended 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>5. FINANCE COST AND INCOME</b>				
<b>5.1 FINANCE COST</b>				
Interest on Overdraft	15,023	19,461	13,962	453
Interest on Loans	52,546	63,430	52,546	63,430
<b>Total Finance Cost</b>	<b>67,569</b>	<b>82,891</b>	<b>66,508</b>	<b>63,883</b>
<b>5.2 FINANCE INCOME</b>				
Interest Income	35,947	54,134	370	40,899
Guarantee Fees	1,880	1,880	1,880	1,880
<b>Total Finance Income</b>	<b>37,827</b>	<b>56,014</b>	<b>2,250</b>	<b>42,779</b>

**6. PROFIT / (LOSS) BEFORE TAX IS STATED AFTER CHARGING/(CREDITING) ALL EXPENSES INCLUDING THE FOLLOWING:**

Auditors' Fees	1,362	927	550	450
Director's emoluments	30,747	23,823	-	1,627
Secretarial Fees	528	786	848	616
Depreciation	23,183	28,373	12,959	6,366
Donations	-	50	-	50
Legal fees	968	604	369	143
<b>Personal Cost Includes;</b>				
Defined benefit plan - Gratuity	3,547	3,084	1,265	547
Defined contribution plan costs - EPF and ETF	5,915	10,155	341	359
Staff Incentives	25,523	19,340	571	1,010
Other staff costs	42,865	34,124	5,095	5,169
<b>7. INCOME TAX EXPENSES</b>				
Current tax on ordinary activities for the Year - Company (7.1)	9,933	-	9,933	-
Current tax on ordinary activities for the Year - Subsidiaries (7.3)	28,217	35,902	-	-
Share of Associate companies' Tax (7.2)	4,690	8,480	-	-
Social Responsibility Levy	283	90	-	-
Withholding Tax	1,172	-	-	-
Deferred taxation charge/ (reversal) (23)	(11,261)	9,874	(10,759)	10,759
	<b>33,034</b>	<b>54,346</b>	<b>(826)</b>	<b>10,759</b>

## Notes to the Financial Statements *Contd.*

For the year ended 31 March	COMPANY	
	2007 Rs.'000	2006 Rs.'000
<b>7.1 The company is liable to tax at a rate of 35% on the taxable profit.</b>		
Accounting Profit/(Loss) before tax	(194,868)	16,259
Aggregate disallowed items	180,017	21,977
Aggregate allowable items	(3,768)	(5,798)
Income not subject to tax	22,854	(71,662)
Tax Profit/(Loss) on Trade or Business	4,235	(39,224)
Other Taxable Income	-	-
Tax Losses Set Off under Section 32 and Qualifying Payments	(1,482)	-
Taxable Income	2,753	-
Income Tax @ 15 %	413	-
Adjustment Year of Assessment 2004/2005	5,561	-
Year of Assessment 2005/2006	3,959	-
Current Tax Expense	9,933	-
<b>Tax Loss Reconciliation</b>		
Opening Balance	510,625	471,400
Prior year adjustment	(82,732)	-
Loss for the Year	-	39,225
Loss Utilised during the year	(1,482)	-
	426,411	510,625

The company is entitled to a tax rebate of 5% of the taxable income where the number of shareholders registered in the share register are not less than 300 throughout the year. If the taxable income is less than Rs. 5 Mn the applicable tax rate is 15%.

	GROUP	
	2007 Rs.'000	2006 Rs.'000
<b>7.2 Share of Associate Company tax</b>		
Asia Siyaka Commodities (Pvt) Ltd.	5,954	7,222
Asian Alliance Insurance Co. Ltd.	(1,264)	1,258
	4,690	8,480
<b>7.3 Subsidiary Companies</b>		
Asia Securities (Pvt) Ltd.	27,812	35,902
Investor Access Asia (Pvt) Ltd	405	-
	28,217	35,902

#### 7.4 Summary

##### *Asia Securities (Private) Limited*

The company is liable to taxation at the rate of 35% (2006 - 32.5%) on its taxable profits. The income tax liability for the current year was Rs. 28,313,510/- (2006 - Rs.35,660,829/-).

*Asia Fort Sri Lanka Direct Investment Fund Limited*

The company is liable to taxation at the rate of 20% (2006 - 20%) on its taxable profits, however no provision has been made due to available carried forward tax loss of Rs.14,202,721/- (2006 - 14,051,159/-)

*Asia Growth Fund 1 (Private) Limited*

Under the Inland Revenue Act, The Company's profit and income earned by providing venture capital funds, including dividends and profits arising on the sale of shares, are exempt from income tax for a period of 10 (ten) years, from the year of assessment in which the Company commenced its business activities. The Company is liable to taxation at the rate of 20% (2006 - 20%) on its taxable profit, however no provision has been made due to available tax loss of Rs.515,594/- (2006 - 377,974/-).

*Asia Couture Limited*

As per the agreement entered in to between the subsidiary (Asia Couture Limited) and the Board of Investments of Sri Lanka (BOI) under the section 17 of BOI Law No. 4 of 1978, the subsidiary will be exempted from tax for a period of 8 years commencing from the year in which the first export is effected. Accordingly tax exemption commenced in the year of assessment 1999/2000 and will continue until 2006/2007.

*Asia Asset Finance Ltd.*

Interms of the Inland Revenue Act, NO. 10 of 2006 (As amended) the Company would be liable to income tax at 35% (2006 - 32.5%), however no provision has been made due to available carried forward tax loss of Rs.341,111,432/- (2006 - Rs. 290,703,298/-).

*Investor Access Asia ( Private) Limited*

The company is liable to taxation at the rate of 35% (2006 - 32.5%) on its taxable profits. The income tax liability for the current year was Rs. 4,518/-.

**8. BASIC EARNINGS / (LOSS) PER SHARE**

8.1 Basic Earnings/(Loss) per Share is calculated by dividing the profit attributable to ordinary shareholders for the year (after deducting preference share dividends) by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

8.2 The following data has been used in the computation of the basic earnings/(loss) per share:

	GROUP		COMPANY	
	2007 Rs.	2006 Rs.	2007 Rs.	2006 Rs.
Profit/(Loss) after tax attributable to Ordinary Shareholders	(30,805,030)	65,373,789	(194,042,138)	5,500,237
Weighted Average number of Ordinary Shares	110,000,000	110,000,000	110,000,000	110,000,000
<b>Earnings/ (Loss) per share - Basic</b>	<b>(0.28)</b>	<b>0.59</b>	<b>(1.76)</b>	<b>0.05</b>
<b>9. GOODWILL</b>				
Goodwill as at the beginning of the year	150,088	150,088	-	-
Goodwill as at the end of the year	150,088	150,088	-	-

**Note:**

Goodwill was acquired in a business combination prior to 1st June 2005. In accordance with the transitional provisions of revised SLAS 25 Business Combinations, was amortised over a period of 20 years until 31 March 2006. According to revised SLAS 25 goodwill will no longer be amortised. Instead goodwill needs to be tested for impairment annually and assessed for any indication of impairment at each reporting date.

## Notes to the Financial Statements *Contd.*

### 10. PROPERTY, PLANT & EQUIPMENT

#### 10.1 GROUP

	Balance As At 01.04.2006 Rs.'000	Additions Rs.'000	Disposals / Transfers Rs.'000	Balance As At 31.03.2007 Rs.'000
<i>10.1.1 Cost / Valuation</i>				
<b>Freehold Assets</b>				
Motor Vehicles	43,565	119	(35)	43,649
Office Equipment	23,655	3,521	-	27,176
Fixtures and Fittings	16,774	1,475	(7)	18,242
Furniture & Fittings	30,626	1,248	(6,830)	25,044
Computer Hardware and Software	71,620	11,100	-	82,720
<b>Total</b>	<b>186,240</b>	<b>17,463</b>	<b>(6,872)</b>	<b>196,831</b>
<i>10.1.2 Depreciation on Cost</i>				
	Balance As At 01.04.2006 Rs.'000	Charge for the year Rs.'000	Disposal Rs.'000	Balance As At 31.03.2007 Rs.'000
<b>Freehold Assets</b>				
Motor Vehicles	13,429	8,506	(35)	21,900
Office Equipment	11,867	1,468	-	13,335
Fixtures and Fittings	7,574	1,796	(1)	9,369
Furniture & Fittings	11,795	2,651	(683)	13,763
Computer Hardware and Software	53,175	9,446	-	62,621
<b>Total Depreciation</b>	<b>97,840</b>	<b>23,866</b>	<b>(719)</b>	<b>120,988</b>
<b>10.1.3 Net Carrying Value</b>	<b>88,400</b>			<b>75,843</b>
<b>10.2 COMPANY</b>				
	Balance As At 01.04.2006 Rs.'000	Additions Rs.'000	Disposals / Transfers Rs.'000	Balance As At 31.03.2007 Rs.'000
<i>10.2.1 Cost / Valuation</i>				
<b>Freehold Assets</b>				
Motor Vehicles	32,670	-	-	32,670
Equipment	6,942	20	-	6,962
Fixtures and Fittings	14,230	460	(7)	14,683
Furniture & Fittings	22,574	78	(6,830)	15,822
Computer Hardware & Software	25,067	1,251	-	26,318
<b>Total</b>	<b>101,483</b>	<b>1,809</b>	<b>(6,837)</b>	<b>96,455</b>



**10. PROPERTY, PLANT & EQUIPMENT Contd.***10.2.2 Depreciation on Cost*

	Balance As At 01.04.2006 Rs.'000	Charge for the year Rs.'000	Depreciation Disposals Rs.'000	Balance As At 31.03.2007 Rs.'000
<b>Freehold Assets</b>				
Motor Vehicles	3,399	7,843	-	11,242
Equipment	4,255	340	-	4,595
Fixtures and Fittings	6,621	1,461	(1)	8,081
Furniture & Fittings	6,249	1,964	(683)	7,530
Computer Hardware & Software	19,320	2,035	-	21,355
<b>Total Depreciation</b>	<b>39,844</b>	<b>13,643</b>	<b>(684)</b>	<b>52,803</b>
<b>10.2.3 Net Carrying Value</b>	<b>61,639</b>			<b>43,652</b>

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>11. INVESTMENT PROPERTIES</b>				
Balance at the beginning of the year	14,145	-	-	-
Transferred to/(from) during the year	-	14,145	-	-
Depreciation for the year	(707)	-	-	-
	<b>13,438</b>	<b>14,145</b>	<b>-</b>	<b>-</b>
<b>12. LONG TERM INVESTMENTS</b>				
<b>Summary:</b>				
Investments in Subsidiaries (12.1)	-	-	423,574	371,381
Investments in Associates (12.2)	177,992	133,352	84,932	84,932
Other Long Term Investments (12.3)	561,740	377,972	561,740	377,972
<b>Total investments</b>	<b>739,732</b>	<b>511,324</b>	<b>1,070,246</b>	<b>834,285</b>

Notes to the Financial Statements *Contd.*

As at 31 March	COMPANY			
	Holding	2007 Rs.'000	Holding	2006 Rs.'000
<b>12.1 Investments in Subsidiaries</b>				
<b>Non-Quoted</b>				
Asia Securities (Pvt) Ltd	100%	182,500	100%	182,500
Asia Growth Fund 1 (Pvt) Ltd	100%	10,050	100%	10,050
Asia Fort Sri Lanka Direct Investment Fund Ltd	100%	5,001	100%	5,001
Asia Apparel Trading (Pvt) Ltd (Note12.1.1)	100%	4,000	100%	4,000
Asia Couture Ltd - Ordinary Shares	100%	71,275	100%	71,275
- Preference shares		33,411		33,411
Investor Access Asia (Pvt) Ltd.	100%	32,000	100%	32,000
Asia Asset Finance Ltd.	98.64%	204,073	98.64%	151,830
		542,310		490,067
<b>Less</b>				
Provision for fall in value of investments				
Asia Apparel Trading (Pvt) Ltd		(4,000)		(4,000)
Asia Growth Fund 1 (Pvt) Ltd		(10,050)		(10,000)
Asia Couture Ltd		(104,686)		(104,686)
		(118,736)		(118,686)
<b>Total Investments in Subsidiaries</b>		<b>423,574</b>		<b>371,381</b>

12.1.1 According to Section 146 2 (B) of Companies Act No. 17 of 1982 Asia Apparel Trading (Pvt.) Ltd. has been excluded from the consolidation. Asia Apparel Trading (Pvt.) Ltd. had no operations during the year under review and the directors are of the opinion that this company need not be consolidated as the results of such a consolidation to the group accounts would have no real value to the members of Asia Capital Limited.

As at 31 March	GROUP				COMPANY			
	Holding %	2007 Rs. '000	Holding %	2006 Rs.'000	Holding %	2007 Rs.'000	Holding %	2006 Rs.'000
<b>12.2 Investments in Associates</b>								
<b>Quoted</b>								
<b>Cost</b>								
Asian Alliance Insurance Co. Ltd.	49%	124,184	49%	122,953	29%	72,932	29%	72,932
		124,184		122,953		72,932		72,932
Market Value of Shares		246,027		152,951		144,773		92,293
<b>Non-Quoted</b>								
Asia Siyaka Commodities (Pvt) Ltd	40%	12,000	40%	12,000	40%	12,000	40%	12,000
		12,000		12,000		12,000		12,000

As at 31 March	Holding %	GROUP		COMPANY	
		2007 Rs. '000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>12.2 Investments in Associates Contd.</b>					
<b>Investors' Share of Retained Assets</b>					
Asia Siyaka Commodities (Pvt) Ltd.		74,466	53,225	-	-
Asian Alliance Insurance Co. Ltd.		(14,258)	(43,126)	-	-
Dividend Received		(18,400)	(11,700)	-	-
		41,808	(1,601)	-	-
Equity value of investments		177,992	133,352	84,932	84,932

12.2.1 Summary of financial information for investments in associates, adjusted for the percentage ownership held by the group:

	Holding %	Total Assets Rs.'000	Total Liabilities Rs.'000	Revenues Rs.'000	Profit/(Loss) Rs.'000
<b>2006</b>					
Asian Alliance Insurance Co. Ltd	49%	365,074	317,498	363,485	13,858
Asia Siyaka Commodities (Pvt) Ltd	40%	395,322	314,477	116,076	21,159
		760,396	631,976	479,561	35,017

<b>2007</b>					
Asian Alliance Insurance Co. Ltd	49%	571,456	489,205	476,877	33,418
Asia Siyaka Commodities (Pvt) Ltd	40%	356,923	267,491	130,222	21,381
		928,379	756,696	607,098	54,799

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>12.3 Other Long Term Investments</b>				
Investments in Equity Securities - Quoted (Note 12.3.1)	561,740	377,972	561,740	377,972
	561,740	377,972	561,740	377,972

As at 31 March	GROUP 2007			GROUP 2006		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
<b>12.3.1 Investments in Equity Securities</b>						
<b>Quoted</b>						
Richard Pieris & Co. Ltd.	6,960,303	561,740	452,420	4,934,303	377,972	370,073
		561,740	452,420		377,972	370,073

Notes to the Financial Statements *Contd.*

As at 31 March	COMPANY 2007			COMPANY 2006		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
<b>12.3.1 Investments in Equity Securities</b>						
<b>Quoted</b>						
Richard Pieris & Co. Ltd.	6,960,303	561,740	452,420	4,934,303	377,972	370,073
		561,740	452,420		377,972	370,073

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>13. ESOP TRUST LOAN</b>				
Balance at the beginning of the year	17,491	17,491	17,491	17,491
Loans granted during the year	-	-	-	-
Receipts during the year	-	-	-	-
Balance at the end of the year	17,491	17,491	17,491	17,491

No shares were allotted from the Employee Share Ownership Plan (ESOP) Trust during the year. The Company has provided an interest free loan of Rs.17.5 mn to the ESOP Trust. Directors may be eligible in future to purchase ordinary shares of the Company pursuant to the Trust Deed of ESOP Trust.

**14. LONG TERM DEPOSITS**

Deposit with the Colombo Stock Exchange	3,500	3,500	-	-
Rent Deposit	20,762	4,640	20,762	4,640
Advances made to International Grocers Alliance (Pvt) Ltd.	6,562	6,562	-	-
Others	-	122	-	122
Less : Provison for Doubtful Debt	(16,000)	-	(16,000)	-
	14,824	14,824	4,762	4,762

**15. SHORT TERM INVESTMENTS**

Interest receivable on Securities Purchased Under Agreement to Sell	-	61,688	-	-
Investments in Equity Securities (Note 15.1)	236,899	378,826	157,047	260,917
Investments in Treasury Bills	-	34,900	-	-
Interest receivable on Reverse Repurchase Agreements	-	7,697	-	7,697
Investments in Reverse Repurchase Agreements	612,938	709,761	421,071	641,174
	849,837	1,192,872	578,118	909,788

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>15.1 Investments in Equity Securities</b>				
Quoted (Note 15.1.1)	197,816	342,193	158,730	262,519
Non-Quoted (Note 15.1.2)	82,778	72,151	10,625	-
	280,594	414,344	169,355	262,519
<b>Less</b>				
Provision for fall in value of investments (Note 15.1.3)	(43,695)	(35,518)	(12,308)	(1,602)
	236,899	378,826	157,047	260,917

As at 31 March	GROUP 2007			GROUP 2006		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
<i>15.1.1 Investments in Equity Securities - Quoted</i>						
<b>Bank, Finance &amp; Insurance</b>						
Lanka Ventures Ltd.	-	-	-	2,000	30	29
Hatton National Bank Ltd. - Non Voting	60	4	3	560	31	31
Sampath Bank Ltd.	-	-	-	643,600	68,078	54,867
Vanik Incorporation Ltd. - Debentures Development Finance	1,200	120	2	1,200	120	2
Corporation of Ceylon Ltd.	49	8	10	104,733	24,796	23,068
Commercial Bank of Ceylon Ltd. - Non Voting	-	-	-	367,100	63,417	55,065
Hatton National Bank Ltd.	-	-	-	12,000	1,492	1,455
Nations Trust Bank Ltd.	100	3	3	575,000	17,707	14,087
Asia Capital Ltd.	86,400	1,608	1,210	86,400	1,608	1,318
Housing Development Finance Corporation Ltd.	59,800	13,156	9,688	59,800	13,156	10,764
LB Finance Ltd.	10	-	-	10	-	1
		14,899	10,916		190,435	160,687
<b>Diversified Holdings</b>						
John Keells Holdings Ltd.	671,063	109,759	104,015	16,080	2,562	2,537
Aitken Spence & Co. Ltd.	-	-	-	2,300	687	780
Hemas Holdings Ltd.	25	2	3	25	2	2
		109,761	104,018		3,251	3,319
<b>Hotels and Travels</b>						
Keels Hotels Ltd.	1,368,000	13,326	11,286	129,700	12,758	10,506
Asian Hotels and Properties Ltd.	575,500	30,919	26,185	525,500	28,590	29,297
Taj Lanka Hotels Ltd.	55,004	1,071	605	55,004	1,071	784
International Tourists & Hoteliers Ltd.	336	12	-	336	12	-
		45,328	38,076		42,431	40,587

Notes to the Financial Statements *Contd.*

As at 31 March	GROUP 2007			GROUP 2006		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
<b>Manufacturing</b>						
Lanka Ceramics Ltd.	63,400	7,115	2,473	63,400	7,115	2,203
Samson International Ltd.	10,040	1,733	505	10,040	1,733	474
Ceylon Grain Elevators Ltd.	697,804	15,878	9,944	597,804	14,258	8,369
Ceylon Glass Company Ltd.	600	2	2	600	2	2
Lanka IOC Ltd.	-	-	-	70,600	2,311	2,065
Tokyo Cement (Lanka) Ltd.	-	-	-	51,800	10,273	9,350
		24,728	12,924		35,692	22,463
<b>Plantations</b>						
Agalawatte Plantations Ltd.	-	-	-	74,100	1,276	1,223
Namunukula Plantations Ltd.	-	-	-	15,600	269	265
		-	-		1,545	1,488
<b>Services</b>						
Sri Lanka Telecom Ltd.	-	-	-	3,496,400	65,739	62,935
		-	-		65,739	62,935
<b>Units</b>						
Ceybank Century Growth Fund	200,000	2,000	4,642	200,000	2,000	4,142
Eagle Growth Fund	100,000	1,000	2,836	100,000	1,000	2,280
National Unit Trust	10,000	100	-	10,000	100	-
		3,100	7,478		3,100	6,422
<b>Grand Total</b>		<b>197,816</b>	<b>173,412</b>		<b>342,193</b>	<b>297,901</b>

## 15.1.2 Investments in Equity Securities - Non Quoted

	2007			2006		
	No. of Shares	Cost Rs. '000	Director's Value Rs. '000	No. of Shares	Cost Rs. '000	Director's Value Rs. '000
Paradise Coconut Products (Pvt) Ltd.	1,050,000	2,625	2,625	1,050,000	2,625	2,625
Hsenid Software International (Pvt) Ltd	150,000	5,250	5,250	150,000	5,250	5,250
Global Software Labs (Pvt) Ltd	1,632,750	16,328	16,328	1,632,750	16,328	16,328
International Grocers Alliance (Pvt) Ltd.	4,760,000	47,600	47,600	4,760,000	47,600	47,600
Compak (Pvt) Ltd	3,000	70	70	3,000	70	70
Pugoda Textile (Pvt) Ltd	24	1	1	24	1	1
Siedles T V Industries Ltd	2,000	28	28	2,000	28	28
Gem Exports Ltd	700	7	7	700	7	7
Pure Beverages Co Ltd	709	44	44	709	42	42
Finance House Consotium (Pvt) Ltd	20,000	200	200	20,000	200	200
Air Asia Lanka (Pvt) Ltd	3,250,000	10,625	10,625	-	-	-
		82,778	82,778		72,151	72,151

As at 31 March	COMPANY 2007			COMPANY 2006		
	No. of Shares	Cost Rs.'000	Market Value Rs.'000	No. of Shares	Cost Rs.'000	Market Value Rs.'000
<b>15.1.1 Investments in Equity Securities - Quoted</b>						
<b>Bank, Finance &amp; Insurance</b>						
Lanka Ventures Ltd.	-	-	-	2,000	30	29
Hatton National Bank Ltd.- Non Voting Development Finance Corporation of Ceylon Ltd.	60	4	3	560	31	31
Commercial Bank of Ceylon Ltd. - Non Voting	49	8	10	94,733	22,367	20,865
Hatton National Bank Ltd.	-	-	-	367,100	63,417	55,065
Nations Trust Bank Ltd.	-	-	-	12,000	1,492	1,455
Sampath Bank Ltd.	100	3	3	575,000	17,707	14,087
Housing Development Finance Corporation Ltd.	-	-	-	643,600	68,078	54,867
	48,400	10,648	7,841	48,400	10,648	8,712
		10,663	7,857		183,770	155,111
<b>Diversified Holdings</b>						
John Keells Holdings Ltd.	671,063	109,759	104,015	16,080	2,562	2,537
Aitken Spence & Co. Ltd.	-	-	-	2,300	687	780
Hemas Holdings Ltd.	25	2	3	25	2	2
		109,761	104,018		3,251	3,319
<b>Hotels and Travels</b>						
Keells Hotels Ltd.	1,368,000	13,326	11,286	129,700	12,758	10,506
Taj Lanka Hotels Ltd.	15,004	225	165	15,004	225	214
Asian Hotels and Properties Ltd.	406,200	21,755	18,482	356,200	19,426	19,858
		35,306	29,933		32,409	30,578
<b>Manufacturing</b>						
Lanka IOC Ltd.	-	-	-	70,600	2,311	2,065
		-	-		2,311	2,065
<b>Services</b>						
Sri Lanka Telecom Ltd.	-	-	-	1,995,000	37,778	35,910
		-	-		37,778	35,910
<b>Units</b>						
Ceybank Century Growth Fund	200,000	2,000	4,642	200,000	2,000	4,142
Eagle Growth Fund	100,000	1,000	2,836	100,000	1,000	2,280
		3,000	7,478		3,000	6,422
<b>Grand Total</b>		<b>158,730</b>	<b>149,286</b>		<b>262,519</b>	<b>233,405</b>

Notes to the Financial Statements *Contd.*

	COMPANY			COMPANY		
	No. of Shares 2007	Cost 2007 Rs. '000	Director's Value 2007 Rs. '000	No. of Shares 2006	Cost 2006 Rs. '000	Director's Value 2006 Rs. '000
As at 31 March						
15.1.2 <i>Investments in Equity Securities - Non Quoted</i>						
Air Asia Lanka (Pvt) Ltd	3,250,000	10,625	10,625	-	-	-

	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
As at 31 March				
15.1.3 <i>Provision for fall in value of investments</i>				
<b>Bank, Finance &amp; Insurance</b>				
Development Finance Corporation of Ceylon Ltd.	-	1,828	-	1,602
Asia Capital Ltd.	398	290	-	-
Housing Development Finance Corporation Ltd.	3,563	456	2,903	-
Vanik Incorporation Ltd. - Debentures	118	118	-	-
<b>Diversified Holdings</b>				
John Keells Holdings Ltd.	7,226	-	7,226	-
<b>Hotels and Travels</b>				
Keells Hotels Ltd.	2,179	-	2,179	-
Asian Hotels and Properties Ltd.	1,460	-	-	-
Taj Lanka Hotels Ltd.	406	276	-	-
International Tourists & Hoteliers Ltd.	-	12	-	-
<b>Manufacturing</b>				
Lanka Ceramics Ltd.	2,216	4,912	-	-
Samson International Ltd.	1,229	1,259	-	-
Ceylon Grain Elevators Ltd.	5,947	5,497	-	-
Ceylon Glass Company Ltd.	1	1	-	-
Tokyo Cement (Lanka) Ltd.	-	923	-	-
<b>Plantations</b>				
Agalawatte Plantations Ltd.	-	54	-	-
Namunukula Plantations Ltd.	-	4	-	-
<b>Services</b>				
Sri Lanka Telecom Ltd.	-	936	-	-
<b>Non Quoted</b>				
Paradise Coconut Products (Pvt) Ltd.	2,625	2,625	-	-
Global Software Labs (Pvt) Ltd.	16,327	16,327	-	-
	43,695	35,518	12,308	1,602



As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>16. SHORT TERM LENDINGS</b>				
Asia Couture Ltd	-	-	-	336,837
Asian Alliance Insurance Co. Ltd.	-	11,309	-	11,309
Dhanasiri Recreations (Pvt) Ltd	5,778	5,778	5,778	5,778
	5,778	17,087	5,778	353,924
Less: Provision for Bad & Doubtful Debts	(5,778)	-	(5,778)	(336,837)
	-	17,087	-	17,087
<b>17. INVENTORIES</b>				
Raw Material	20,045	20,045	-	-
Finished Goods	22,480	22,480	-	-
	42,525	42,525	-	-
<b>18. TRADE AND OTHER RECEIVABLES</b>				
Trade Debtors	505,886	1,720,888	12,348	12,037
Less: Provision for Bad & Doubtful Debts	(20,365)	(7,281)	(12,348)	-
	485,521	1,713,607	-	12,037
Loans and Advances (Note 18.1)	159,716	94,199	-	-
Hire Purchase Receivables (Note 18.2)	124,942	27,243	-	-
Hire Purchase Consumer Durables (Note 18.3)	18,975	-	-	-
Lease Receivables (Note 18.4)	206,159	40,900	-	-
Staff Vehicle Loan (Note 18.5)	453	649	453	649
Staff Loan (Note 18.6)	2,097	3,112	-	-
Advances and Prepayments	41,409	50,605	2,765	19,724
Other Debtors	107,690	471,730	89,201	457,225
Tax Receivables	-	32,717	1,949	28,033
	1,146,962	2,434,762	94,368	517,668
Less: Provision for Bad & Doubtful Debts	(100,647)	(63,889)	(79,442)	(38,376)
	1,046,315	2,370,873	14,926	479,292

Notes to the Financial Statements *Contd.*

As at 31 March	GROUP	
	2007 Rs.'000	2006 Rs.'000
<b>18.1 Subsidiary- Asia Asset Finance Ltd.</b>		
<b>Loans and Advances</b>		
<b>Performing</b>		
Property loan	87,996	48,183
Pledged loan	43,439	50,077
Personnel loan	39,059	-
Less - Unearned Interest Income	(43,165)	(17,504)
Loan Loss Provision Pledged loan	(3,958)	(4,059)
	123,371	76,697
<b>Non Performing</b>		
Property Loan	45,540	28,948
Pledged Loan	-	91
Personnel loan	557	-
Less:- Unearned Interest Income	(9,725)	(666)
Interest In Suspense	(27)	(7,837)
Loan loss Provision Property Loan	-	(3,034)
	36,345	17,502
<b>Total Loans &amp; Advances</b>	<b>159,716</b>	<b>94,199</b>
<b>18.2 Subsidiary- Asia Asset Finance Ltd.</b>		
<b>Hire Purchase Receivable</b>		
<b>Performing</b>		
Total Amount receivable	180,856	32,633
Less:- Unearned Interest Income	(60,567)	(8,676)
	120,289	23,957
<b>Non Performing</b>		
Total Amount receivable	9,159	8,586
Less:- Unearned Interest Income	(1,048)	(364)
Interest In Suspense	(1,077)	(1,179)
Loan loss Provision	(2,381)	(3,757)
	4,653	3,286
<b>Total Hire Purchase Receivable</b>	<b>124,942</b>	<b>27,243</b>

As at 31 March	GROUP	
	2007 Rs.'000	2006 Rs.'000
<b>18.3 Subsidiary- Asia Asset Finance Ltd.</b>		
<b>Hire Purchase Consumer Durables</b>		
<b>Performing</b>		
Total Amount receivable	23,533	-
Less:- Unearned Interest Income	(5,505)	-
	18,028	-
<b>Non Performing</b>		
Total Amount receivable	2,333	-
Less:- Unearned Interest Income	(360)	-
Interest In Suspense	(45)	-
Loan loss Provision	(981)	-
	947	-
Total Hire Purchase Consumer Durables	18,975	-
<b>18.4 Subsidiary- Asia Asset Finance Ltd.</b>		
<b>Lease Receivables</b>		
<b>Performing</b>		
Total Amount receivable	236,711	25,333
Less:- Unearned Interest Income	(70,122)	(4,800)
	166,589	20,533
<b>Non Performing</b>		
Total Amount receivable	64,835	67,805
Less:- Unearned Interest Income	(401)	(175)
Interest In Suspense	(9,863)	(10,708)
Loan loss Provision	(15,001)	(36,555)
	39,570	20,367
Total Lease Receivable	206,159	40,900

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>18.5 Staff Vehicle Loan</b>				
Balance at the beginning of the year	649	830	649	830
Loans granted during the year	-	123	-	123
Interest charged	-	42	-	42
Less - Repayments	(196)	(346)	(196)	(346)
Balance at the end of the year	453	649	453	649

## Notes to the Financial Statements *Contd.*

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>18.6 Staff Loan</b>				
Balance at the beginning of the year	3,112	601	-	-
Loans granted during the year	1,978	5,415	-	-
Less - Repayments	(2,993)	(2,904)	-	-
Balance at the end of the year	2,097	3,112	-	-

### 19. AMOUNTS DUE FROM RELATED PARTIES

Relationship					
Asia Couture Ltd	Subsidiary	-	-	74,244	79,562
Asia Apparel Trading (Pvt) Ltd	Subsidiary	4,635	4,539	4,635	4,539
Asia Growth Fund 1 (Pvt) Ltd	Subsidiary	-	-	578	428
Asia Fort Sri Lanka Direct Investment Fund Ltd	Subsidiary	-	-	80,114	81,014
Asia Securities (Pvt) Ltd	Subsidiary	-	-	21,663	-
Asian Alliance Insurance Co. Ltd.	Associate	1,760	4,398	1,760	4,398
Investor Access Asia (Pvt) Ltd	Subsidiary	-	-	8,922	8,799
Asia Wealth Management Co. (Pvt) Ltd.	Subsidiary	192	141	192	141
Asia Asset Finance Ltd	Subsidiary	-	-	3,057	842
		6,587	9,078	195,165	179,723
<b>Less: Provision for Bad &amp; Doubtful Debts</b>					
Asia Apparel Trading (Pvt) Ltd		(4,635)	(4,539)	(4,635)	(4,539)
Asia Growth Fund 1 (Pvt) Ltd		-	-	(578)	(219)
Asia Fort Sri Lanka Direct Investment Fund Ltd		-	-	(40,776)	(40,775)
Asia Couture Ltd		-	-	(50,900)	(3,754)
Investor Access Asia (Pvt) Ltd		-	-	(8,922)	-
		1,952	4,539	89,354	130,435

### 20. CASH AND CASH EQUIVALENTS

#### Favourable Balances

Fixed Deposits	10	10	10	10
Cash at Bank	109,244	116,538	1,560	2,507
Cash in Hand	125	1,304	125	125
	109,379	117,852	1,695	2,642

#### Unfavorable Balances

Bank Overdrafts	(270,968)	(155,595)	(202,339)	(127,233)
<b>Cash and Cash Equivalents for the cash flow purpose</b>	<b>(161,589)</b>	<b>(37,743)</b>	<b>(200,644)</b>	<b>(124,591)</b>

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>21. SHARE CAPITAL</b>				
<b>21.1 Authorized</b>				
200,000,000 Ordinary Shares of Rs.10/- each	2,000,000	2,000,000	2,000,000	2,000,000
	2,000,000	2,000,000	2,000,000	2,000,000
<b>21.2 Issued and Fully Paid</b>				
110,000,000 Ordinary Shares of Rs.10/- each	1,100,000	1,100,000	1,100,000	1,100,000
	1,100,000	1,100,000	1,100,000	1,100,000

**22. DEBENTURES****Group**

*Asia Asset Finance Ltd.*

As at 31 March 2006, consisted of 15,129 unsecured subordinated redeemable 5 years Debentures of Rs. 1,000 /-each issued by the subsidiary Asia Asset Finance Ltd in the year 2004/2005.

During the year ended 31.03.2007, 500 debentures of Rs.1,000/- were redeemed at par.

	Allotment In	Mature In	No of Debenture	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Debenture	2004	2009	420	-	420	-	-
Debenture	2005	2009	11,249	11,249	11,329	-	-
Debenture	2006	2009	3,380	3,380	3,380	-	-
				14,629	15,129	-	-

**23. DEFERRED TAXATION**

Balance at the Beginning of the Year	12,000	2,126	10,759	-
Provision/(reversal) made during the Year	(11,261)	9,874	(10,759)	10,759
Balance at the end of the Year	739	12,000	-	10,759

**Note:**

The Company has a tax loss amounting to Rs. 426,410,556/- (2006 - Revised - Rs. 427,892,842/-) that is available indefinitely for offset against future statutory income of the Company subject to the limit of 35% of the statutory income in each year of assessment. A deferred tax asset has not been recognized since it is not possible that future taxable profits will be available against which the company can utilise the benefits there from.

Notes to the Financial Statements *Contd.*

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>24. RETIREMENT BENEFIT OBLIGATIONS - GRATUITY</b>				
Balance at the Beginning of the Year	8,828	20,240	3,464	2,917
Provision made during the Year	3,547	3,084	1,264	547
Payments made during the Year	(382)	(14,496)	-	-
Balance at the end of the Year	11,993	8,828	4,728	3,464
<b>25 INTEREST BEARING LIABILITIES</b>				
Amount repayable after one year				
Loans (Note 25.1)	-	-	-	-
Import Loans (Note 25.2)	-	-	-	-
	-	-	-	-
Amount repayable within one year				
Loans (Note 25.1)	-	-	-	-
Import Loans (Note 25.2)	-	-	-	-
Borrowing Under Repurchase Agreement	445,345	645,891	445,345	645,891
Direct Borrowing (Note 25.3)	171,000	405,599	171,000	405,599
	616,345	1,051,490	616,345	1,051,490
	616,345	1,051,490	616,345	1,051,490
<b>25.1 Loans</b>				
Balance at the beginning of the year	-	16,844	-	-
Instalments paid during the year	-	(16,844)	-	-
Balance at the end of the year	-	-	-	-
Amount repayable within one year	-	-	-	-
Amount repayable after one year	-	-	-	-
<b>25.2 Import Loans</b>				
Balance at the beginning of the year	-	3,838	-	-
Instalments paid during the year	-	(3,838)	-	-
Balance at the end of the year	-	-	-	-
Amount repayable within one year	-	-	-	-
Amount repayable after one year	-	-	-	-

## 25.3 Direct Borrowing

Lender	Amount Borrowed Rs.000	Balance As At 31/3/2007	Repayment	Interest Rate
Hongkong and Shanghai Banking Corporation Ltd.	75,000	75,000	30th April 2007	19.50%
Hatton National Bank Ltd.	72,000	72,000	4th April 2007	26.00%
Hatton National Bank Ltd.	24,000	24,000	30th April 2007	17.50%
	171,000	171,000		

As at 31 March	GROUP		COMPANY	
	2007 Rs.'000	2006 Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>26 NON - INTEREST BEARING LIABILITIES</b>				
Balance at the beginning of the year	54,162	54,162	-	-
Loan obtained during the year	10,000	-	-	-
Instalments paid during the year	-	-	-	-
Balance at the end of the year	64,162	54,162	-	-
Amount repayable within one year	-	-	-	-
Amount repayable After one year	64,162	54,162	-	-
<b>27 TRADE AND OTHER PAYABLES</b>				
Trade Creditors	210,744	1,470,714	-	-
Deposits from Customers	482,906	290,441	-	-
Sundry Creditors including Accrued Expenses	87,949	150,551	14,615	44,180
	781,599	1,911,706	14,615	44,180
<b>28 AMOUNTS DUE TO RELATED PARTIES</b>				
	<b>Relationship</b>			
Asia Securities (Pvt) Limited	Subsidiary	-	-	43,847
		-	-	43,847

## Notes to the Financial Statements *Contd.*

### 29 DIRECTORS' INTEREST IN CONTRACT

Name of Related Party	Transaction	2007 Amount Received/(Paid) Rs.	2006 Amount Received/(Paid) Rs.
<b>(a) Transactions with Subsidiaries</b>			
<b>Asia Securities (Pvt) Ltd</b>	Interest Free Fund Transfer	17,895,838	289,075,526
	Administrative Expenses	(79,095,562)	(112,171,427)
	Transfer of Office/Computer Equipment	(415,500)	(719,980)
<i>Mr. J. H. Paul Ratnayeke, Mr. Asanga C. Seneviratne, Mr. Harsha Amarasekera and Ms Priyani D. Ratna-Gopal , Directors of the company are also Directors of Asia Securities (Pvt) Ltd.</i>			
<b>Asia Growth Fund 1 (Pvt) Ltd</b>	Interest Free Fund Transfer	(150,000)	(70,000)
<i>Mr. J. H. Paul Ratnayeke, Mr. Asanga C. Seneviratne, Mr. Harsha Amarasekera and Ms. Priyani D. Ratna-Gopal, Directors of the company are also Directors of Asia Growth Fund 1 (Pvt) Ltd.</i>			
<b>Asia Fort Sri Lanka Direct Investment Fund Ltd</b>	Interest Free Fund Transfer	900,000	930,000
<i>Mr. J. H. Paul Ratnayeke, Mr. Asanga C. Seneviratne and Mr. Harsha Amarasekera, Directors of the company are also Directors of Asia Fort Sri Lanka Direct Investment Fund Ltd.</i>			
<b>Investor Access Asia (Pvt) Ltd.</b>	Reimbursement of Expenses	(4,019,045)	(5,779,613)
	CDAX Online Trade Charges	3,895,326	3,240,924
	Purchase of Computer Equipment	-	(106,913)
<i>Dr. Sena Yaddhegige, Mr. J. H. Paul Ratnayeke, Mr. Asanga C. Seneviratne and Ms. Priyani D. Ratna-Gopal, Directors of the company are also Directors of Investor Access Asia (Pvt) Ltd.</i>			
<b>Asia Asset Finance Ltd.</b>	Reimbursement of Expenses	(2,480,369)	(657,747)
<i>Mr. J. H. Paul Ratnayeke and Mr. Asanga C. Seneviratne Directors of the company are also Directors of Asia Asset Finance Ltd.</i>			
<b>(b) Transactions with Associates</b>			
<b>Asian Alliance Insurance Co. Ltd</b>	Management fee charged	1,800,000	1,800,000
	Interest on short term Loan	805,910	1,571,059
	Reimbursement of Expenses	297,648	297,648
	Settlement of loan	9,612,108	1,252,626
	Guarantee Fee charged	5,004	-

*Dr. Sena Yaddhegige, Mr. J. H. Paul Ratnayeke and Mr. Lalith N. De S. Wijeyeratne, Directors of the company are also Directors of Asian Alliance Insurance Co. Ltd*



**29 DIRECTORS' INTEREST IN CONTRACT CONTD.**

Name of Related Party	Transaction	2007 Amount Received/(Paid) Rs.	2006 Amount Received/(Paid) Rs.
<b>Asia Siyaka Commodities (Pvt) Ltd</b>	Guarantee Fee charged	1,875,004	1,880,008
<i>Dr. Sena Yaddehige, Mr. J. H. Paul Ratnayeke and Mr. Asanga C. Seneviratne, Directors of the company are also Directors of Asia Siyaka Commodities (Pvt) Ltd.</i>			
<b>(c) Transactions with Other Related Parties</b>			
<b>Paul Ratnayeke Associates</b>	Legal Fees Paid	(2,015,931)	(136,626)

*Mr. J. H. Paul Ratnayeke, Director of the company is also a partner of Paul Ratnayeke Associates.*

**(d) Compensation of Key Management Personnel**

The key management personnel includes members of the board of directors of the group of companies and the directors of strategic business units

	GROUP Rs.	COMPANY Rs.
Remuneration	12,087,000	-
Incentives	17,192,977	-
Directors' fees	1,000,000	1,000,000
<b>Non Cash Benefits</b>		
Vehicles hire charges	4,341,624	-
Cell phone charges	1,145,860	28,224
Fuel charges	1,701,023	85,258

**30 RELATED PARTY TRANSACTION**

There are no related party transactions during the year other than those stated in Notes 19, 28, 29 and 31 to the Financial Statements.

## Notes to the Financial Statements *Contd.*

### 31 CONTINGENT LIABILITIES

There are no material contingent liabilities outstanding as at the Balance Sheet date other than those disclosed below. The Company has issued corporate guarantees for the bank borrowings by the subsidiary/Associates companies as indicated below.

Name of the Company	Name of the Bank	Purpose	2007 Amount (Rs.)	2006 Amount (Rs.)
Asian Alliance Insurance Co. Ltd.	HSBC	Marine Cargo Survey & Claims Settlement	6,600,000	6,600,000
Asia Securities (Pvt) Ltd.	HSBC	Over Draft	40,000,000	20,000,000
Asia Siyaka Commodities (Pvt) Ltd.	HSBC	Corporate Guarantee	50,000,000	50,000,000
	Bank of Ceylon	Advances to clients	5,000,000	5,000,000
	Sampath Bank	Advances to clients	5,000,000	5,000,000
	NDB	Packing material operations	30,000,000	30,000,000
	People's Bank	Corporate Guarantee	100,000,000	150,000,000

### 32 CAPITAL COMMITMENTS

There were no material capital commitments as at the balance sheet date.

### 33 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements other than the following.

The Investment in Asia Couture Ltd was disposed of for a consideration of Rs. 4 Million on 10th March, 2008 and the company ceased to be a subsidiary from that date. Considerable write backs will be given effect to in the accounts for the year ending 31st March, 2008.

### 34 GOING CONCERN

#### a) Subsidiary

*Asia Growth Fund 1 (Pvt) Ltd.*

Asia Growth Fund 1 (Pvt) Ltd. has recorded a loss of Rs. 137,620/- during the year and the accumulated loss amounts to Rs. 694,003/- as at 31st March 2007. Current liabilities exceeds the current assets by Rs. 644,018/- and total liabilities exceeds the total assets by Rs. 643,963/. As a result there is substantial doubt that the company will not be able to continue as a going concern.

However, the directors are confident that the company will be able to continue in business in view of the continued funding from its related companies.

#### b) Subsidiary

*Asia Fort Sri Lanka Direct Investment Fund Ltd.*

Asia Fort Sri Lanka Direct Investment Fund Ltd. has incurred an accumulated loss of Rs. 31,656,718/- as at 31st March 2007 and current liabilities exceeds the current assets by Rs. 79,481,505/- and total liabilities exceeds the total assets by Rs. 26,655,648/- and as a result there is substantial doubt that the company will not be able to continue as a going concern.

However, the directors are confident that the company will be able to continue in business in view of the continued funding from its related companies.

### 35 INVESTMENT IN INVESTOR ACCESS ASIA LTD (IAAL)

As at 31 March 2007 the value of the Investment made by Asia Capital Ltd. in Investor Access Asia Ltd. (IAAL), a fully owned subsidiary, amounted to Rs. 32 million. Further as of that date IAAL shows negative net assets of Rs. 1,363,640. No testing for impairment has been carried out for this investment as required by SLAS 41, Impairment of Assets.

The board, however, is of the view that as at the balance sheet date investment in IAAL is not impaired and therefore no provision is required.

Business Segment	Financial Services		Securities Trading		Manufacturing		Other Services		Fund Based Activities		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>												
Total gross sales	487,388	344,281	353,835	309,493	-	69,464	11,646	5,719	89,919	36,928	942,788	765,885
Less : Inter segment sales/dividend	(6,030)	(11,700)	(3,895)	(7,847)	-	-	-	(3,241)	-	-	(9,925)	(22,788)
Gross segment revenue	481,358	332,581	349,940	301,646	-	69,464	11,646	2,478	89,919	36,928	932,863	743,097
Revenue based taxes	(27)	-	-	-	-	-	-	-	-	-	(27)	-
<b>Net Segment Revenue</b>	481,330	332,581	349,940	301,646	-	69,464	11,646	2,478	89,919	36,928	932,836	743,097
Segmental Operating Profit / (Loss)	(70,286)	23,426	41,017	92,408	(359)	(63,176)	666	(3,595)	(156)	(36,020)	(29,118)	13,043
Other Operating Income	4,426	45,386	37,739	16,717	-	50,986	478	-	16,362	50,341	59,005	163,430
<b>Operating Profit / (Loss) Before Provision for Fall in Value of Investments</b>	(65,860)	68,812	78,756	109,125	(359)	(12,190)	1,144	(3,595)	16,205	14,321	29,887	176,473
Provision for fall in value of investments	(12,358)	-	-	-	-	-	-	-	(2,530)	(8,764)	(14,888)	(8,764)
<b>Operating Profit / (Loss)</b>	(78,218)	68,812	78,756	109,125	(359)	(12,190)	1,144	(3,595)	13,676	5,557	14,999	167,709
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-
Share of associate company's profit	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Profit / (Loss) Before taxation	-	-	-	-	-	-	-	-	-	-	-	-
Income tax Expense	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit / (Loss) After Taxation</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Assets</b>												
Segment assets	1,426,573	2,089,355	530,037	1,686,941	264,301	268,091	9,111	7,675	653,410	355,005	2,883,432	4,407,067
Investment in associates	177,992	-	-	-	-	-	-	-	-	-	177,992	134,953
<b>Total assets</b>	1,604,565	2,089,355	530,037	1,686,941	264,301	268,091	9,111	7,675	653,410	355,005	3,061,424	4,542,020
<b>Liabilities</b>												
Segment liabilities	633,298	230,859	207,553	1,534,351	70,434	68,906	1,822	341,587	520,826	3,705	1,433,933	2,179,408
Interest Bearing Borrowings	256,500	1,051,490	55,285	-	-	-	-	-	37,973	-	349,758	1,051,490
Deferred tax liability	-	10,758	739	1,242	-	-	-	-	-	-	739	12,000
<b>Total Liabilities</b>	889,798	1,293,107	263,577	1,535,593	70,434	68,906	1,822	341,587	558,799	3,705	1,784,430	3,242,898
Capital expenditure	1,810	45,361	10,507	3,017	-	-	2,766	2,665	-	2,057	15,082	53,100
Depreciation	13,643	6,366	4,397	3,913	-	12,503	4,490	3,939	-	1,652	22,530	28,373

## Ten Year Summary

Year ended 31st March	2007 Rs.'000	2006 Rs.'000	2005 Rs.'000	2004 Rs.'000	2003 Rs.'000	2002 Rs.'000	2001 Rs.'000	2000 Rs.'000	1999 Rs.'000	1998 Rs.'000
<b>OPERATING RESULTS</b>										
Revenue	932,836	743,097	1,678,846	2,636,189	1,552,293	1,477,230	590,354	258,419	194,769	663,639
Profit/(loss) before taxation	2,229	119,966	267,032	251,732	2,747	105,096	(183,754)	43,015	(25,683)	227,108
Taxation	(33,034)	(54,346)	(17,875)	(45,542)	(11,396)	(22,625)	(2,823)	(11,074)	(6,600)	(7,098)
Profit/(loss) after taxation	(30,805)	65,620	249,157	206,190	(8,649)	82,471	(186,577)	31,941	(32,283)	220,010
Minority Interest	(186)	(247)	-	562	(13,573)	(8,275)	1,263	4,777	-	-
Profit/(loss) attributable to shareholders	(30,991)	65,373	249,157	206,752	(22,222)	74,196	(185,314)	36,718	(32,283)	220,010
<b>ASSETS</b>										
Goodwill	150,088	150,088	150,088	-	33,450	1,209	2,417	2,763	3,108	-
Property, Plant & Equipment	75,843	88,400	168,288	136,885	143,898	156,101	150,601	169,043	37,146	41,963
Investment Properties	13,438	14,145	-	-	-	-	-	-	-	-
Long Term Investments	739,732	511,324	411,020	527,243	891,978	1,114,838	1,184,338	1,290,349	1,248,122	849,578
ESOP Loan	17,491	17,491	17,491	17,491	17,491	38,023	37,190	37,190	37,190	39,361
Long Term Deposits	14,824	14,824	14,617	16,027	7,775	6,528	6,538	8,050	4,743	8,433
Current Assets	2,050,008	3,745,748	2,116,806	974,943	361,784	1,622,917	735,125	1,163,386	774,682	1,706,669
	3,061,424	4,542,020	2,878,310	1,672,589	1,456,376	2,939,616	2,116,209	2,670,781	2,104,991	2,646,004
<b>EQUITY AND LIABILITIES</b>										
Issued Capital	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Capital Redemption Reserve Fund	13,800	13,800	13,800	13,800	14,440	13,840	1,840	-	-	-
Share Premium	14,558	14,558	14,558	14,558	14,558	14,558	14,558	465,500	465,500	463,000
Capital Reserves	3,174	2,500	2,500	2,500	2,500	9,250	2,500	-	-	2,500
Exchange Equalisation Reserve	78,316	78,316	(48,467)	(22,385)	(15,015)	(9,290)	-	-	-	--
Accumulated Profits/(Losses)	66,604	89,701	131,722	(114,469)	(149,594)	38,968	(16,478)	(292,789)	(329,507)	(297,224)
Shareholders' Fund	1,276,452	1,298,875	1,214,113	994,004	966,889	1,167,326	1,102,420	1,272,711	1,235,993	1,268,276
Pre-operational and Share Issue Expenses	-	-	-	-	-	(13,338)	(15,692)	(33,934)	(6,886)	(8,217)
Minority Interest	542	247	-	-	6,238	12,521	7,883	38,268	-	-
	1,276,994	1,299,122	1,214,113	994,004	973,127	1,166,509	1,094,611	1,277,044	1,229,107	1,260,059
Negative Goodwill	-	-	-	-	-	24,302	48,603	55,547	62,490	-
Non Current Liabilities	91,523	90,119	91,657	78,179	35,449	47,205	49,169	38,721	9,582	8,868
Current Liabilities	1,692,907	3,152,779	1,572,540	600,406	447,800	1,701,600	923,826	1,299,469	803,812	1,377,077
	3,061,424	4,542,020	2,878,310	1,672,589	1,456,376	2,939,616	2,116,209	2,670,781	2,104,991	2,646,004







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