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ASIA  
CAPITAL  
PLC

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**2008** Annual Report



# Contents

Corporate Information	p.2
Corporate Structure	p.3
Board of Directors	p.4
Report of the Directors	p.6
Statement of Directors' Responsibilities	p.11
Independent Auditor's Report	p.12
Income Statement	p.14
Balance Sheet	p.15
Cash Flow Statement	p.16
Statement of Changes in Equity	p.18
Summary of Significant Accounting Policies	p.19
Notes to the Financial Statements	p.25
Ten Year Summary	p.51
Notes	p.52

# Corporate Information

## **Name**

Asia Capital PLC

## **Legal Form**

A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 29th October 1991 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 on 14th February 2008.

## **Company Registration Number**

New No. PQ 119

Old No. N(PVS) 8282/PBS

## **Stock Exchange Listing**

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

## **Registered Office**

#21-01, West Tower, World Trade Center,  
Echelon Square, Colombo 1, Sri Lanka.

Telephone : +94 11 5320000

Facsimile : +94 11 2331756

Website : [www.asiacapital.lk](http://www.asiacapital.lk)

## **Subsidiaries**

Asia Securities (Pvt) Ltd.

Investor Access Asia (Pvt) Ltd.

Asian Alliance Insurance PLC

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.)

Asia Apparel Trading (Pvt) Ltd.

## **Associates**

Asia Siyaka Commodities (Pvt) Ltd.

## **Board Of Directors**

H.L.L.M.Nanayakkara (Chairman/Managing Director)  
*(appointed w.e.f. 18th March 2009, appointed Chairman w.e.f. 22nd May 2009)*

S.H.Amarasekera (Chairman)

*(resigned w.e.f. 15th May 2009)*

J.H.P.Ratnayake (Deputy Chairman)

*(appointed Deputy Chairman w.e.f. 22nd May 2009)*

A.C.Seneviratne (Chief Executive Officer)

J.M.Swaminathan *(resigned w.e.f. 14th May 2009)*

(Ms.) P.D.Ratna-Gopal *(resigned w.e.f. 1st June 2008)*

S.T.K.Sing *(resigned w.e.f. 18th February 2010)*

F.X.R.Pereira *(appointed w.e.f. 11th September 2009)*

A. D. Ross *(appointed w.e.f. 18th February 2010)*

## **Secretaries**

P. R. Secretarial Services (Pvt) Ltd  
59, Gregory's Road,  
Colombo 7

## **Auditors**

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

## **Lawyers**

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

## **Bankers**

Hongkong & Shanghai Banking Corporation Ltd  
Hatton National Bank PLC  
Bank of Ceylon  
Seylan Bank PLC

# Corporate Structure

## Securities Trading

### Asia Securities (Pvt) Ltd.

Business Activity: Securities Trading

#### Directors :

J.H.P.Ratnayeke (Chairman)  
D.D.Dedigama (Chief Executive Officer)  
(appointed w.e.f. 22nd May 2008)  
A.C.Seneviratne (resigned w.e.f. 6th July 2007)  
D.M.Wijayasinghe  
(resignation tendered w.e.f. 28th February 2010)  
(Ms.) P.D.Ratna-Gopal (resigned w.e.f. 31st May 2008)  
S.H.Amarasekera (resigned w.e.f. 15th May 2009)  
P.N.B.Wijekoon  
M.S.I.Marikar (resigned w.e.f. 13th July 2009 & appointed w.e.f. 3rd December 2009)  
U.N.Sumanadeera (appointed w.e.f. 30th October 2007 & resigned w.e.f. 16th October 2009)  
H.L.L.M.Nanayakkara (appointed w.e.f. 22nd October 2009)  
D. A. S. Abeyesinhe (appointed w.e.f. 25th November 2009 & appointed Alternate Director to Mr. H. L. L. M. Nanayakkara w.e.f. 25th November 2009)  
Holding : 100%  
Auditors : KPMG Ford Rhodes Thornton & Co.

## Investor Access Asia (Pvt) Ltd

Business Activity: Software Development

#### Directors :

(Dr.) S.Yaddehige (Chairman) (nomination revoked w.e.f. 16th September 2008)  
J.H.P.Ratnayeke (Alternate Director to S. Yaddehige) (nomination revoked w.e.f. 16th September 2008)  
I.R.Wijesinghe  
A.C.Seneviratne  
(Ms.) P.D.Ratna-Gopal (resigned w.e.f. 1st June 2008)  
(Prof.) L.R.Watawala (resigned w.e.f. 15th September 2008)  
E.P.Perera (nomination revoked w.e.f. 16th September 2008)  
D.M.Wijayasinghe (appointed w.e.f. 25th September 2008 & resignation tendered w.e.f. 28th February 2010)  
D.R.Shah (appointed w.e.f. 16th September 2008 & resignation tendered w.e.f. 28th February 2010)  
H.L.L.M.Nanayakkara (appointed w.e.f. 14th July 2009)  
D.A.S. Abeyesinhe (appointed w.e.f. 11th March 2010)  
T.C. Ranatunga (appointed w.e.f. 11th March 2010)  
Holding : 100%  
Auditors : Amerasekera & Co.

## Insurance

### Asian Alliance Insurance Company PLC.

Business Activity: General & Life Insurance

#### Directors :

(Dr.) S.Yaddehige (Chairman) (vacation of office under Article 108 (f) of the Articles of Association w.e.f. 17th November 2008)  
S.H.Amarasekera (Chairman) (appointed w.e.f. 24th September 2007, appointed Chairman w.e.f. 1 December 2008, resigned w.e.f. 15th May 2009)  
J.H.P.Ratnayeke (Chairman) (appointed Chairman w.e.f. 15th July 2009)  
H.L.L.M.Nanayakkara (Deputy Chairman) (appointed w.e.f. 15th July 2009)  
(Prof.) L.R.Watawala  
L.N.De S. Wijeyeratne (resigned w.e.f. 15th February 2010)  
A.C.Seneviratne (appointed w.e.f. 24th September 2007)  
W.D.N.H.Perera (appointed w.e.f. 14th November 2007)  
E.Gunatunge (resigned w.e.f. 18th June 2007)  
G.L.A.Ondaatje (resigned w.e.f. 18th June 2007)  
R.C.D.De Silva (resigned w.e.f. 14th August 2007 and re-appointed 15th February 2010)  
K.D.D.Perera (appointed w.e.f. 24th September 2008 & resigned w.e.f. 24th March 2010)  
R.G.Jasinghe (appointed w.e.f. 15th July 2009)  
R.J.Wickremasinghe (appointed 15th February 2010)  
Holding : 51.09%  
Auditors : KPMG Ford Rhodes Thornton & Co.

## Commodities Broking

### Asia Siyaka Commodities (Pvt) Ltd

Business Activity: Commodities Broking

#### Directors :

A.R.Cooke (President/CEO)  
N.A.De Mel  
R.L.Kumararatne (resigned w.e.f. 31st March 2008)  
U.A.Sirisekera  
L.Alawattagama  
W.M.R.Iddawela  
D.J.Wedande  
(Dr.) S.Yaddehige (resigned w.e.f. 30th November 2009)  
J.H.P.Ratnayeke  
A.C.Seneviratne  
E.P.Perera (resigned w.e.f. 08th August 2008)  
S.H.Amarasekera (appointed w.e.f. 08th August 2008 & resigned w.e.f. 15th May 2009)  
H.L.L.M.Nanayakkara (appointed w.e.f. 1st September 2009)  
D.Muthukumarana (appointed w.e.f. 17th December 2009)  
Holding: 40%  
Auditors : H.L.B. Edirisinghe & Co.

## Venture Capital

### Asia Fort Sri Lanka Direct Investment Fund (Pvt) Ltd.

Business Activity: Venture Capital

#### Directors :

J.H.P.Ratnayeke (Chairman)  
A.C.Seneviratne  
(Ms.) P.D.Ratna-Gopal (resigned w.e.f. 1st June 2008)  
S.H.Amarasekera (resigned w.e.f. 15th May 2009)  
E.P.Perera (resigned w.e.f. 22nd May 2009)  
H.L.L.M.Nanayakkara (appointed w.e.f. 1st June 2009)  
Holding : 100%  
Auditors : KPMG Ford Rhodes Thornton & Co.

## Asia Growth Fund 1 (Pvt) Ltd.

Business Activity: Venture Capital

#### Directors :

J.H.P.Ratnayeke (Chairman)  
H.L.L.M. Nanayakkara (appointed w.e.f. 27th May 2009)  
A.C.Seneviratne (resigned w.e.f. 22nd May 2009)  
S.H.Amarasekera (resigned w.e.f. 15th May 2009)  
(Ms.) P.D.Ratna-Gopal (resigned w.e.f. 1st June 2008)  
E.P.Perera (resigned w.e.f. 4th June 2009)  
D.A.S. Abeyesinhe (appointed w.e.f. 11th March 2010)  
Holding : 100%  
Auditors : KPMG Ford Rhodes Thornton & Co.

## Fund Based Activities

### Asia Asset Finance Ltd

(formerly known as Finance and Land Sales Ltd.)

Business Activity: Finance House

#### Directors :

J.H.P.Ratnayeke (Chairman) (resigned w.e.f. 31st July 2009)  
W.Sellamuttu (disqualified as per Article 85(f) of the Articles of Association w.e.f. 11th September 2008)  
R.Sellamuttu (resigned w.e.f. 22nd May 2007)  
A.C.Seneviratne (resigned w.e.f. 22nd May 2009)  
D.M. Wijayasinghe (resigned w.e.f. 12th January 2010)  
E.P.Perera (resigned w.e.f. 22nd May 2009)  
U.N. Sumanadeera (resigned w.e.f. 31st August 2009)  
H.L.L.M.Nanayakkara (appointed w.e.f. 17th March 2009)  
A.J.Karunaratne (appointed w.e.f. 14th July 2009 & resigned w.e.f. 19th March 2010)  
D.Muthukumarana (appointed w.e.f. 14th July 2009)  
R.J.A.Gunawardena (appointed Alternate Director to H.L.L.M.Nanayakkara w.e.f. 7th December 2009 & appointed Director w.e.f. 24th December 2009)  
P.M.B. Fernando (appointed w.e.f. 4th March 2010)  
Holding : 98.64%  
Auditors : Aiyar & Co.

# Board of Directors

## **H. L. L. M. Nanayakkara (Chairman/Managing Director)**

*(appointed with effect from 18th March 2009, appointed Chairman with effect from 22nd May 2009)*

Mr. Manohan Nanayakkara is the Chairman/Managing Director of Asia Capital PLC and the Managing Director of Asia Securities (Pvt) Ltd. He is a Director of Capital Reach Holdings and its subsidiaries, and also sits on the boards of all associate and subsidiary companies of Asia Capital PLC.

He was the former Chief Operating Officer/Director of Asian Hotels and Properties Limited, previously known as Crescat, and the former General Manager of the Bureau for Infrastructure Investment (BII). He also acted as the Chief Executive Officer/Managing Director of CF Venture Fund. He is a Director of Pradana Limited, an Investment Management Company.

He holds the following academic qualifications and experience: Fellow Member of the Institute of Chartered Management Accountants (FCMA); Master of Science in Accounting (MSA) from James Madison University of Virginia, USA; Masters in Applied Finance (MAF) and Masters in Business Administration (MBA) from Queensland University of Technology, Queensland, Australia.

He was the Project Specialist who designed and managed the Capital Market Project of USAID which provides assistance for the privatisation and establishment of the Securities and Exchange Commission of Sri Lanka (SEC), and the development of the Colombo Stock Exchange (CSE).

## **S. H. Amarasekera (Chairman)**

*(resigned with effect from 15th May 2009)*

Mr. Harsha Amarasekera is an Attorney-at-Law by profession, specializing in Commercial, Banking and Securities Law. He served as the Chairman of Asia Capital PLC. He also serves 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.

## **J. H. P. Ratnayeke (Deputy Chairman)**

*(appointed Deputy Chairman with effect from 22nd May 2009)*

Mr. Paul Ratnayeke is a Senior Corporate Lawyer who is also the precedent partner of Paul Ratnayeke Associates, a leading law firm in Sri Lanka which he founded in 1987 handling all areas of law and international legal consultancy work.

Mr. Ratnayeke is a Solicitor of England and Wales and an Attorney at Law of the Supreme Court of Sri Lanka. He has been awarded a Masters Degree in Law by the University of London.

Currently Mr. Ratnayeke holds directorships in several companies of which 8 are public quoted companies. He has also been elected/appointed as Chairman/Deputy Chairman to several of these companies.

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

## **A. C. Seneviratne (CEO)**

Mr. Asanga Seneviratne currently serves as the CEO of Asia Capital PLC since 2002. He is also a Director of Investor Access Asia (Pvt) Ltd, promoter of the first real-time online securities trading system linked directly to the Colombo Stock Exchange.

## **P. D. Ratna-Gopal**

*(resigned with effect from 1st June 2008)*

Appointed to the Board of Asia Capital PLC on 4th November 2004, Ms. Ratna-Gopal headed the Capital Markets team prior to this. She also served 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. M. Swaminathan**

*(resigned with effect from 14th May 2009)*

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.

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

*(resigned with effect from 18th February 2010)*

Dato' Seri Tiong King Sing, JP, is the Chief Executive Officer of Wijaya Baru Global Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad. He holds a Masters Degree in Business Administration and Management as well as Political Science. He is also the President/Chief Executive Officer of Wijaya Baru Group of Companies.

Dato' Seri Tiong holds substantial shareholdings in various Public Listed Companies in Malaysia, namely Timberwell Berhad, NV Multi Corporation Berhad, Ralco Corporation Berhad, Cepat Wawasan Berhad and Online One Corporation Berhad.

Dato' Seri Tiong is presently a Member of Parliament of Malaysia and the Treasurer General and Youth Chief of Sarawak Progressive Democratic Party (one of the component parties of the Governing Coalition). Dato' Seri Tiong is also the Chairman of Barisan Nasional Backbenchers Club (a club consisting of Members of Parliament, Malaysia belonging to the Governing Coalition). He is also a patron of several charitable and non-profit making organizations, particularly in Sarawak, Malaysia.

**F. X. R. Pereira**

*(appointed with effect from 11th September 2009)*

Mr. F. X. Ranjit Pereira was appointed to the board of Asia Capital PLC as a Non-Executive Independent Director. He is a post-graduate Diploma holder in 'International Trade Law & Practice' from the University of Colombo and is a Fellow of the Chartered Institute of Management Accountants – UK (F.C.M.A) and the Institute of Chartered Management Accountants – Sri Lanka. He served continuously on the Divisional Committee of CIMA (Sri Lanka Division) from 1973 to

1993 and again from 2002 to 2004. Mr. Pereira served as President of the CIMA branch 1982-83. He was Regional Representative for the South Asia region in 1989 -1992 and 2002-2004 on the Council of Chartered Institute of Management Accountants, London; where he also served on the Executive Committee of CIMA – London - 2003-2004.

Mr. Pereira has held directorates in several high ranking Sri Lankan organisations throughout his career, among them being Lankem Ceylon Ltd, where he served as Director Finance & Company Secretary from 1980 to December 1989, Finance Manager & Company Secretary of Lankem Developments Ltd, from 1977 to December 1989, Director Finance & Company Secretary of Sigiriya Village Ltd, Multistrech Ltd and Lankem Exports Ltd up to 1989, Finance Director of Richard Pieris & Co. Ltd from January – August 1990 and Director Finance & Administration of the Janasaviya Trust Fund from December 1990 to July 1995.

He currently serves on the board of Infrastructure and Institution Development Consultancy (Pvt) Ltd, as Director Finance & Company Secretary and also practices as an independent Consultant to private sector organisations and for the IDA – World Bank; ADB and numerous other multilateral institutions.

**A. D. Ross**

*(appointed with effect from 18th February 2010)*

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

Mr. Ross has 37 years of experience in the fields of Chartered Accountancy and Certified Public Accountancy. He is currently the Managing Director of Baker Tilly Hong Kong Limited (Certified Public Accountants), the Finance Director of Windy City International Limited (the operator of Dan Ryan's Restaurants Group) and an Independent Executive Director on the board of Global Tech (Holdings) Limited, which is listed on the Hong Kong Stock Exchange.

# Report of the Directors

The Directors of Asia Capital PLC have pleasure in submitting their Report together with the audited Financial Statements of the Company and the audited Consolidated Financial Statements of the Group for the year ended 31st March 2008.

## Principal Activities

During the year the principal activities of the Group were stock brokering, corporate finance, asset management, treasury management, dealing and investing in securities, financial services and insurance.

During the year the primary activities of the Company were to act as an investment holding company.

## Review Of Operations

During the year under review, global macroeconomic conditions deteriorated considerably, directly impacting local economic performance. Furthermore, the escalation of the military conflict in the Northern Province heightened uncertainty, thus dampening business and investment confidence. The aforesaid conditions negatively impacted global and domestic financial markets, impairing asset values and thus having a disproportionately greater bearing on the performance of the company and the group.

In consequence, group revenue adjusted for the consolidation of Asian Alliance Insurance PLC (which became a subsidiary of the company during the year) fell sharply, following lower investment banking and securities trading income. However, with the consolidation of revenue of Asian Alliance Insurance PLC, group revenue grew albeit by a modest 2.5% to Rs. 956.1 million.

Given the underperformance of the core securities trading businesses, the group recorded an operating loss of Rs. 18.6 million during the year in contrast to the profit of Rs. 181.8 million reported in the previous year (inclusive of share of profits of associate companies but before provisions, goodwill charges and adjustments for asset disposals).

Following the steep decline in asset values in financial markets, it was considered prudent to make full provision for the impairment in the value of investments in several group companies and thus, after adjusting for the disposal of the apparel manufacturing subsidiary and the goodwill on the conversion of Asian Alliance Insurance PLC from an associate company to a subsidiary, the group's consolidated loss before interest/finance expenses reached Rs. 248.4 million during the year in contrast to the profit of Rs. 69.8 million recorded in the previous year.

In addition, with group finance/interest costs rising by 41.6% to Rs. 95.7 million during the year, the consolidated loss before taxation reached Rs. 344.1 million, in contrast to the profit of Rs. 2.2 million recorded in the previous year. Although taxation was lower during the year, after deducting the profit attributable to minorities, the group recorded a consolidated net loss of Rs. 431.2 million during the year in contrast to the loss of Rs. 30.2 million reported in the previous year.

## Financial Statements

The Financial Statements of the Company are given in pages 14 to 50

## Auditors Report

The Auditor's Report on the Financial Statements is given in pages 12 to 13

## Accounting Policies

The accounting policies adopted in the preparation of Financial Statements are given in pages 19 to 24 There were no material changes in the Accounting Policies adopted.



## Financial Results

For the year ended 30th March	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
Profit/(loss) before adjustment on Disposal of Subsidiary	(550,359)	2,229	(525,887)	(194,868)
Adjustment on Disposal/Acquisition of Subsidiary	206,252	-	4,000	-
Profit/(loss) before tax expense	(344,107)	2,229	(521,887)	(194,868)
Income tax expense	(26,477)	(33,034)	-	826
Retained profit/(loss) after taxation	(370,584)	(30,805)	(521,887)	(194,042)
Minority interest	60,641	186	-	-
Profit/(loss) attributable to shareholders	(431,225)	(30,991)	-	-
Profit/(loss) at the beginning of the year	66,604	89,701	(132,341)	61,701
Dividend payment	-	-	-	-
Adjustments/ Transfers	(271,791)	7,894	-	-
Profit/(loss) at the end of the year	(636,412)	66,604	(654,228)	(132,341)

### Dividends

The Directors do not recommend a dividend for the year under review.

### Property, Plant and Equipment

An analysis of the Property, Plant and Equipment of the Company is disclosed in Note 10 of the Financial Statements on pages 29 to 30.

### Stated Capital

The Stated Capital of the Company as at 31st March 2008 was Rs. 1,114,558,000/- (110,000,000 shares)

### Donations

There were no donations made by the Company during the Year.

### Capital Commitments

There were no material capital expenditure other than those disclosed in Note 33 on page 48 of the Financial Statements.

### Provisions

The basis adopted for provisioning is disclosed in Accounting Policy No. 1.4.4 on page 22 of the Financial Statements.

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

### Provision for the Taxation

The provision for taxation is computed at the rates as disclosed in Note 7 on pages 26.

### Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory dues have been paid up to date, or have been provided for in the Financial Statements.

### Capital Commitments and Contingent Liabilities

Details of contingent liabilities and capital commitments as at 31st March 2008 are set out in Notes 32 and 33 on page 47 to 48 of the Financial Statements.

### Post Balance Sheet Events

In the opinion of the Directors, no item, transaction or event of an unusual nature has taken place between the financial year end and the date of the report that would materially affect the results of the Company or Group for the financial year in respect of which this report is made.

### Corporate Governance and Internal Controls

The Board of Directors have acknowledged the responsibility to ensure good governance in conducting the business activities of the Company.

## Report of the Directors *Contd.*

### Going Concern

The financial statement is prepared on the assumption that the Company is a going concern as the Directors are confident that the financial position of the Company and Group will significantly improve in the near future and the Company will be able to negotiate banking facilities.

### Directors during the Year

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

Mr. S.H. Amarasekera  
 Dr. S. Yaddehige  
 Mr. J.H.P. Ratnayeke  
 Mr. A.C. Seneviratne  
 Dato' S.T.K. Sing  
 Mr. J. M. Swaminathan  
 Mr. M.M. Udeshi  
 Ms. P.D. Ratna-Gopal  
 Mr. L. N. de S. Wijeratne

### Appointments

Mr. H.L.L.M. Nanayakkara was appointed with effect from 18th March 2009.  
 Mr. F.X.R. Pereira was appointed with effect from 11th September 2009.  
 Mr. A. D. Ross was appointed with effect from 18th February 2010

### Resignations

Dr. S. Yaddehige resigned with effect from 01st July 2007  
 Mr. L. N. de S. Wijeratne resigned with effect from 18th June 2007  
 Mr. M.M. Udeshi resigned with effect from 03rd March 2008.  
 Ms. P.D. Ratna-Gopal resigned with effect from 01st June 2008.  
 Mr. S.H. Amarasekera resigned with effect from 15th May 2009.  
 Mr. J. M. Swaminathan resigned with effect from 14th May 2009.  
 Dato' S. T. K. Sing resigned with effect from 18th February 2010

Mr. F.X.R. Pereira retires by rotation in accordance with Article 103 of the Articles of Association of the Company and being eligible, offers himself for re-election.

Mr. J.H.P. Ratnayeke retires by rotation in accordance with Article 98 of the Articles of Association of the Company and being eligible, offers himself for re-election.

### Arrangement for Acquisition of Shares by Directors

The Company has provided an interest free loan of Rs.17.5 Million to the Employee Share Ownership Plan (ESOP) Trust. Directors and employees will 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 Remuneration and Other Benefits of Directors

Directors remuneration and other benefits of directors are stated in Note 30 (e) on pages 46 of the Financial Statements.

### Interest Register

In terms of the Companies Act No.07 of 2007 an Interest Register was maintained during the accounting period under review.

### Directors' Interest In Shares

Name of Director	as at 31st	as at 31st
	March 2008	March 2007
	No. of Shares	No. of Shares
Mr. S.H. Amarasekera	15,600	15,600
Mr. H.L.L.M. Nanayakkara	-	-
Mr. J.H.P. Ratnayeke	-	-
Mr. A.C. Seneviratne	81	81
Dato' S.T.K. Sing	32,984,200	32,984,200
Ms. P.D. Ratna-Gopal	-	-
Mr. F.X.R. Pereira	-	-
Mr. A. D. Ross	-	-

### Directors' Interest In Transactions

None of the Directors had a direct or indirect interest in any transactions or proposed transactions with the Company other than as disclosed in Note 30 on pages 44 to 46 of the Financial Statements.

### Market Price Per Share

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

As at 31st March	2008	2007
	Rs.	Rs.
Highest Price	16.00	18.50
Lowest Price	9.75	10.50
Price as at the end of the Financial Year	10.50	14.00

## Shareholders

The distribution and analysis of shareholdings were as follows;

	as at 31st March 2008			as at 31st March 2007		
	Shareholders	No. of Shares	No. of %	Shareholders	No. of Shares	No. of %
1 – 1,000	6,134	1,077,268	0.98%	6,493	1,171,616	1.07%
1,001 – 5,000	896	1,949,689	1.78%	984	2,164,934	1.97%
5,001 – 10,000	131	965,630	0.88%	143	1,076,780	0.98%
10,001 – 50,000	103	2,361,750	2.14%	130	2,982,890	2.72%
50,001 – 100,000	12	870,320	0.79%	11	802,920	0.72%
100,001 – 500,000	8	1,423,580	1.29%	13	2,492,880	2.26%
500,001 – 1,000,000	1	698,000	0.63%	1	698,600	0.63%
1,000,000 & over	8	100,653,163	91.51%	7	98,609,380	89.65%
<b>TOTAL</b>	<b>7,293</b>	<b>110,000,000</b>	<b>100.00%</b>	<b>7,782</b>	<b>110,000,000</b>	<b>100.00%</b>

	as at 31st March 2008		
	No. of Shareholders	No. of Shares	%
Resident	7,219	44,932,940	40.85%
Non-resident	74	65,067,060	59.15%
<b>TOTAL</b>	<b>7,293</b>	<b>110,000,000</b>	<b>100.00%</b>

	as at 31st March 2008		
	No. of Shareholders	No. of Shares	%
Individual	7,143	73,876,600	67.16%
Institutional	150	36,123,400	32.84%
<b>TOTAL</b>	<b>7,293</b>	<b>110,000,000</b>	<b>100.00%</b>

## 20 Largest Holders of Equity

Name	as at 31st March 2008		as at 31st March 2007	
	No. of Shares	%	No. of Shares	%
1. Dato' S.T.K. Sing	32,984,200	29.98%	32,984,200	29.98%
2. Mr. A.B. Khalid	31,900,000	29.00%	-	-
RockPort Limited	-	-	28,200,000	25.63%
Sezeka Limited	-	-	28,100,100	25.54%
3. Pan Asia Banking Corp. PLC/Asia Fort Asset Management (Pvt) Ltd	14,912,723	13.55%	-	-
4. Seylan Bank Ltd/Asia Fort Asset Management (Pvt) Ltd.	11,172,100	10.15%	372,000	0.33%
5. Asia Fort Asset Management (Pvt) Ltd	5,292,010	4.81%	-	-
Waldock Mackenzie Ltd/Richard Peiris & Company	-	-	4,932,950	4.48%
6. Mrs. L.A.C. Amarasekera	2,025,440	1.84%	2,025,440	1.84%
7. Waldock Mackenzie/Mr. L. Prabash	1,291,000	1.17%	1,291,000	1.17%
8. Employees Trust Fund Board	1,075,690	0.97%	1,075,690	0.97%
9. H.Don Carolis and Sons Ltd	698,600	0.63%	698,600	0.63%
Mouldex Limited	-	-	332,100	0.30%
10. Mr. R. Udalgama	323,700	0.29%	238,700	0.21%

## Report of the Directors *Contd.*

Name	as at 31st March 2008		as at 31st March 2007	
	No. of Shares	%	No. of Shares	%
11. Aio Investments (Pvt) Ltd	249,400	0.22%	204,400	0.18%
Mr. J.R.J. Ephraums	-	-	215,100	0.19%
12. Mr. D.M. Rajapakse	210,600	0.19%	210,600	0.19%
13. Mr. H.K.J. Dharmadasa	192,600	0.17%	192,600	0.17%
Waldock Mackenzie/Ceylinco Shriram	-	-	170,100	0.15%
14. Seylan Bank Ltd./Ms. R.C. Ratnayeke	120,100	0.10%	120,100	0.10%
15. DPMC Financial Services (Pvt) Ltd	112,300	0.10%	112,300	0.10%
Thurstan Investments Ltd	-	-	110,000	0.10%
16. Distilleries Company of Sri Lanka Ltd	108,680	0.09%	108,680	0.09%
17. Mr. A. Lukmanjee	106,200	0.09%	-	-
18. Prudential Holdings (Pvt) Ltd	100,000	0.09%	-	-
19. McLarens Holdings Ltd	100,000	0.09%	-	-
20. Mr. M. Najmudeen	87,500	0.07%	-	-
<b>TOTAL</b>	<b>103,062,243</b>	<b>93.6%</b>	<b>101,694,060</b>	<b>92.34%</b>

### Public Shareholding

The percentage of public shareholding as at 31st March 2008 was 10.63%.

### Annual General Meeting

The notice of the Annual General Meeting will be sent in due course.

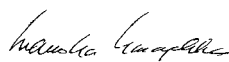
### Auditors

The Financial Statements for the year ended 31st March 2008 have been audited by Messrs. KPMG Ford, Rhodes, Thornton & Company (Chartered Accountants) who offer themselves for reappointment.

The Auditors Messrs. KPMG Ford Rhodes Thornton & Co., Chartered Accountants were paid Rs. 958,000/- (2006/2007 – Rs. 550,000/-) as Audit fees by the Company. Details of audit fees are set out in Note 6 of the Financial Statements.

A resolution relating to their reappointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

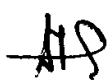
By Order of the Board



H. L. L. M. Nanayakkara  
Chairman/Managing Director



J. H. P. Ratnayeke  
Deputy Chairman/Director



**P.R. Secretarial Service (Private) Limited**  
Secretaries

30 December 2009  
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, 2008. These differ from the Auditors responsibilities, which are set out in their report given on page 12 and 13.

The Companies Act No. 7 of 2007 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.

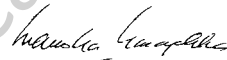
The Directors confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and that they provide the information as required by the Companies Act No. 7 of 2007.

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 misstatements, 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.

On behalf of the Board



**H. L. L. M. Nanayakkara**  
*Chairman/Managing Director*



**J. H. P. Ratnayeke**  
*Deputy Chairman/  
Director*

Colombo.  
30 December 2009

# Independent Auditor's Report



**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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Internet : [www.lk.kpmg.com](http://www.lk.kpmg.com)

## TO THE SHAREHOLDERS OF ASIA CAPITAL PLC

### Report on the Financial Statements

We have audited the Accompanying Financial Statements of Asia Capital PLC, the Consolidated Financial Statements of the Company and its subsidiaries as at March 31 2008 which comprise the Balance Sheet as at March 31, 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of Significant Accounting Policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting

principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

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

### Opinion – Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2008 and the Financial Statements give a true and fair view of the Company's state of affairs as at March 31, 2008 and its loss and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without qualifying our opinion, we draw attention to the matters disclosed in Note 36 and 37 to the Financial Statements where the Company has incurred a net loss of Rs.521 Million for the year ended 31 March 2008 and as of that date the Company's accumulated losses were Rs.654 Million and further, as at that date the Company's current liabilities exceeded their current assets by Rs.299 Million. The Company's ability to continue as a going concern depends on the success of its future endeavors and negotiation of finance facilities. Further Asia Capital PLC has not carried out impairment tests on its investments in Subsidiary Investor Access Asia (Pvt) Ltd.

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  
Ms. M. P. Perera FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA

S. Sirikananathan FCA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne ACA

M.R. Mihular FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph ACA  
S.T.D.L. Perera FCA



#### Opinion – Group

- The Financial Statements of Asia Couture Ltd, a fully owned subsidiary of the Company, which was disposed during the year, have not been audited for the current period and previous years and the Consolidated Financial Statements have been prepared based on the unaudited Financial Statements of these years.

In our opinion, except for the effects, if any, as might have been determined to be necessary to the Financial Statements in respect of the matters referred in preceding paragraphs the Consolidated Financial Statements give a true and fair view of the state of affairs as at March 31, 2008 and the loss and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company 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 36 and 37 to the Financial Statements where the Company and the Group have incurred a net loss of Rs.521 Million and Rs.371 Million respectively for the year ended 31 March 2008 and as of that date the Company's and Group's accumulated losses were Rs.654 Million & Rs.636 Million respectively. Further as at that date the Company's current liabilities exceeded their current assets by Rs.299 Million. We also draw attention to Note 35 where the net assets of Asia Asset Finance Ltd is less than half of stated capital and below the core capital requirement stipulated by The Central Bank of Sri Lanka. The Company and Group are said to be in the process of negotiating finance facilities. The Company's

and Group's ability to continue as a going concern depends on the success of its future endeavors and negotiation of finance facilities. Further the going concern of the subsidiary companies Asia Growth Fund 1 (Pvt) Ltd and Investor Access Asia (Pvt) Ltd are in doubt but the Financial Statements of the subsidiaries have been prepared on the assumption that they are going concern as the directors are confident that the financial position of these companies will improve in the near future, and the parent company has agreed to provide financial support.

#### Report on Other Legal and Regulatory Requirements

Except as mentioned above these Financial Statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

**CHARTERED ACCOUNTANTS**

Colombo  
30 December 2009

# Income Statement

For the year ended 31 March		GROUP		COMPANY	
		2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
	Note				
<b>Revenue</b>	3	956,048	932,836	172,774	487,360
Cost of Sales		(608,967)	(467,887)	(62,008)	(403,351)
<b>Gross Profit</b>		347,081	464,949	110,766	84,009
Other Income and Gains	4	66,941	21,177	2,140	2,119
Selling and Distribution Expenses		(29,794)	(22,207)	(13,979)	(12,424)
Administrative Expenses		(328,327)	(238,653)	(85,052)	(50,711)
Other Operating Expenses		(139,235)	(135,957)	(15,350)	(9,529)
Provision for fall in value of Investments		(292,345)	(14,888)	(467,077)	(12,358)
Goodwill writtenoff		(150,088)	-	-	-
(Provision)/Reversal for Bad & Doubtful Debt		6,488	(97,249)	27,254	(131,716)
Finance Cost	5.1	(95,673)	(67,569)	(89,354)	(66,508)
Finance Income	5.2	43,706	37,827	4,765	2,250
Share of Profit of Associate companies	12.2.1	20,887	54,799	-	-
<b>Profit / (Loss) Before Adjustment on Disposal of Subsidiary</b>		(550,359)	2,229	(525,887)	(194,868)
Adjustment on Disposal/Acquisition of Subsidiary		206,252	-	4,000	-
<b>Profit / (Loss) Before Tax</b>	6	(344,107)	2,229	(521,887)	(194,868)
Income Tax Expense	7	(26,477)	(33,034)	-	826
<b>Profit / (Loss) for the Year</b>		(370,584)	(30,805)	(521,887)	(194,042)
<b>Attributable to</b>					
Equity Holders of the Parent Company		(431,225)	(30,991)	-	-
Minority Interest		60,641	186	-	-
<b>Profit / (Loss) for the Year</b>		(370,584)	(30,805)	(521,887)	(194,042)
Basic Earnings / (Loss) per Share (Rs.)	8	(3.92)	(0.28)	(4.74)	(1.76)
Dividend per Share (Rs.)		-	-	-	-

The Accounting Policies and Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



# Balance Sheet

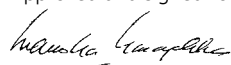
As at 31 March	Note	GROUP		COMPANY	
		2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	10	94,979	75,843	31,095	43,652
Investment Properties	11	12,731	13,438	-	-
Investments in Subsidiaries	12.1	-	-	243,574	423,574
Investments in Associates	12.2	70,571	177,992	85,931	84,932
Other Long Term Investments	12.3	363,420	561,740	297,513	561,740
Deferred Taxation	23	129	-	-	-
Goodwill	9	49,076	150,088	-	-
ESOP Loans	13	17,491	17,491	17,491	17,491
Long Term Deposits and Advances	14	7,962	14,324	89,196	4,762
		<u>616,359</u>	<u>1,011,416</u>	<u>764,800</u>	<u>1,136,151</u>
<b>Current Assets</b>					
Short Term Investments	15	2,194,000	849,837	522,361	578,118
Short Term Lendings	16	-	-	-	-
Inventories	17	-	42,525	-	-
Trade and Other Receivables	18	1,587,420	1,046,315	17,634	14,926
Amounts due from Related Parties	19	254	1,952	36,575	89,354
Cash and Cash Equivalents	20	75,889	109,379	5,469	1,695
		<u>3,857,563</u>	<u>2,050,008</u>	<u>582,039</u>	<u>684,093</u>
		<u>4,473,922</u>	<u>3,061,424</u>	<u>1,346,839</u>	<u>1,820,244</u>
<b>Total Assets</b>					
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	21	1,114,558	1,114,558	1,114,558	1,114,558
Capital Redemption Reserve Fund		-	13,800	-	-
Revaluation Reserve		5,970	-	-	-
Capital Reserves		1,344	3,174	-	-
Exchange Equalisation Reserve		-	78,316	-	-
General Reserve		3,000	-	-	-
Accumulated Profit / (Loss)		(636,412)	66,604	(654,228)	(132,341)
<b>Shareholders' Fund</b>		<u>488,460</u>	<u>1,276,452</u>	<u>460,330</u>	<u>982,217</u>
Minority Interest		131,945	542	-	-
<b>Total Equity</b>		<u>620,405</u>	<u>1,276,994</u>	<u>460,330</u>	<u>982,217</u>
<b>Non-Current Liabilities</b>					
Debentures	22	14,618	14,629	-	-
Deferred Taxation	23	-	739	-	-
Retirement Benefit Obligations	24	23,211	11,993	5,386	4,728
Non - Interest Bearing Borrowings	26	-	64,162	-	-
		<u>37,829</u>	<u>91,523</u>	<u>5,386</u>	<u>4,728</u>
<b>Current Liabilities</b>					
Interest Bearing Borrowings - Current Portion	25	695,552	616,345	695,552	616,345
Insurance Provision	27	1,319,395	-	-	-
Trade and Other Payables	28	1,578,153	781,599	29,485	14,615
Income Tax Payable		22,474	23,995	-	-
Bank Overdrafts	20	200,114	270,968	156,086	202,339
		<u>3,815,688</u>	<u>1,692,907</u>	<u>881,123</u>	<u>833,299</u>
<b>Total Equity and Liabilities</b>		<u>4,473,922</u>	<u>3,061,424</u>	<u>1,346,839</u>	<u>1,820,244</u>
Net Assets per Share (Rs.)		4.44	11.60	4.18	8.93

The Accounting Policies and Notes form an integral part of these Financial Statements.  
I certify that the above Financial Statements Comply with requirements of the companies Act No 7 of 2007.



**D. M. Wijayasinghe**  
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Approved and signed for and on behalf of the Board of Directors,



**H. L. L. M. Nanayakkara**  
Chairman/Managing Director



**J. H. P. Ratnayeke**  
Deputy Chairman/Director

30th December 2009  
Colombo.

Figures in brackets indicate deductions.

# Cash Flow Statement

For the year ended 31 March		GROUP		COMPANY	
		Note	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
		(344,107)	2,229	(521,887)	(194,868)
<b>Adjustments for:</b>					
	24	5,665	3,547	1,194	1,264
	10	37,673	23,866	12,979	13,643
		707	706	-	-
		(3,700)	-	-	-
		(206,252)	-	(4,000)	-
		288,474	-	-	-
		150,088	-	-	-
		(6,488)	97,249	(27,254)	131,716
		292,345	14,888	467,077	12,358
		(20,887)	(54,799)	-	-
		(43,706)	(37,827)	(4,765)	(49,571)
		95,673	67,569	89,354	66,508
		<b>245,485</b>	<b>117,428</b>	<b>12,698</b>	<b>(18,950)</b>
		(144,614)	343,034	33,680	227,800
		-	17,087	-	17,087
		(509,987)	1,235,986	41,438	346,227
		1,698	2,588	35,888	41,081
		503,801	(1,164,095)	14,870	(36,307)
		-	-	-	(43,847)
		<b>96,383</b>	<b>552,028</b>	<b>138,574</b>	<b>533,091</b>
		(3,007)	(382)	(536)	-
		(18,512)	(20,300)	-	(7,342)
		<b>74,864</b>	<b>531,346</b>	<b>138,038</b>	<b>525,749</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
		(26,918)	(17,463)	(422)	(1,810)
		34,156	-	-	(52,243)
		-	-	(999)	-
		(27,343)	-	4,000	-
		6,779	6,153	-	6,154
		14,000	18,400	-	-
		(1,240)	(206,895)	(85,208)	(92,206)
		43,706	37,827	4,765	35,994
		<b>43,140</b>	<b>(161,978)</b>	<b>(77,864)</b>	<b>(104,111)</b>

	Note	GROUP		COMPANY	
		2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from Interest Bearing Borrowings - Loan		-	10,000	-	-
Repayment of Debenture		(11)	(500)	-	-
Repayment of Interest Bearing Borrowings - Loan		-	(435,145)	-	(433,164)
Repayment of Non-Interest Bearing Borrowings - Loan		(64,162)	-	-	-
Proceeds from Other Loans		55,505	-	55,505	-
Repayment of Amounts Payable under Re-purchase Agreement		(26,298)	-	(26,298)	-
Proceeds from Commercial Papers		50,000	-	50,000	-
Interest paid		(95,673)	(67,569)	(89,354)	(64,527)
<b>Net Cash Flows from/(used in) Financing Activities</b>		<b>(80,639)</b>	<b>(493,214)</b>	<b>(10,147)</b>	<b>(497,691)</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>		<b>37,365</b>	<b>(123,846)</b>	<b>50,027</b>	<b>(76,053)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	20	<b>(161,589)</b>	<b>(37,743)</b>	<b>(200,644)</b>	<b>(124,591)</b>
<b>Cash and Cash Equivalents at the end of the year</b>	20	<b>(124,225)</b>	<b>(161,589)</b>	<b>(150,617)</b>	<b>(200,644)</b>

The Accounting Policies and Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Statement of Changes in Equity

For the year ended 31st March 2008

## COMPANY

	Stated Capital Rs.'000	Accumulated Profit / (Loss) Rs.'000	Total Rs.'000
<b>Balance as at 1st April 2006</b>	1,114,558	61,701	1,176,259
Profit / (Loss) for the year	-	(194,042)	(194,042)
<b>Balance as at 31st March 2007</b>	1,114,558	(132,341)	982,217
Profit / (Loss) for the year	-	(521,887)	(521,887)
<b>Balance as at 31st March 2008</b>	<u>1,114,558</u>	<u>(654,228)</u>	<u>460,330</u>

## GROUP

### Attributable to the Equity Holders of the Parent Company

	Stated Capital Rs.'000	Capital Redemption Reserve Fund Rs.'000	Revaluation Reserve Rs.'000	Capital Reserve Rs.'000	Exchange Equalisation Reserve Rs.'000	General Reserve Rs.'000	Accumulated Profit / (Loss) Rs.'000	Minority Interest Rs.'000	Total Equity Rs.'000
Balance as at									
1st April 2006	1,114,558	13,800	-	2,500	78,316	-	89,701	247	1,299,122
Retained Earnings									
Adjustment	-	-	-	-	-	-	8,568	119	8,687
Transferred to reserves	-	-	-	674	-	-	(674)	(10)	(10)
Profit / (Loss) for the year	-	-	-	-	-	-	(30,991)	186	(30,805)
<b>Balance as at</b>									
<b>31st March 2007</b>	<u>1,114,558</u>	<u>13,800</u>	<u>-</u>	<u>3,174</u>	<u>78,316</u>	<u>-</u>	<u>66,604</u>	<u>542</u>	<u>1,276,994</u>
Transferred from									
Disposal of Subsidiary	-	(13,800)	-	(1,830)	(75,316)	-	90,946	-	-
Adjustment on Disposal of Subsidiary	-	-	-	-	-	-	(362,737)	-	(362,737)
Transferred to									
General Reserve	-	-	-	-	(3,000)	3,000	-	-	-
Minority Interest on									
Acquisition of Subsidiary	-	-	-	-	-	-	-	70,762	70,762
Transferred from									
Investment in Associate	-	-	18,659	-	-	-	-	-	18,659
Adjustment on Deferred Tax	-	-	(12,689)	-	-	-	-	-	(12,689)
Profit / (Loss) for the year	-	-	-	-	-	-	(431,225)	60,641	(370,584)
<b>Balance as at</b>									
<b>31st March 2008</b>	<u>1,114,558</u>	<u>-</u>	<u>5,970</u>	<u>1,344</u>	<u>-</u>	<u>3,000</u>	<u>(636,412)</u>	<u>131,945</u>	<u>620,405</u>

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 PLC for the year ended 31 March 2008 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 30th December 2009.

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.)

## 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 the Companies Act No. 7 of 2007, and the Sri Lanka Accounting Standards No 26. "Consolidated and Separate Financial Statements."

Asia Securities (Pvt) Ltd  
Asia Growth Fund 1 (Pvt) Ltd  
Asia Fort Sri Lanka Direct Investment Fund Ltd  
Investor Access Asia (Pvt) Ltd  
Asia Asset Finance Ltd  
Asia Couture Ltd (Disposed during the year)  
Asia Apparel Trading (Pvt) 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 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

## Summary of Significant Accounting Policies *Contd.*

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 PLC, which ends on 31st December, 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 within the Income Statement.

## 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 and 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%
Investment Property	5%

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 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.

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 property, comprising freehold land and building, is property held to earn rental income or for capital appreciation or both, is not occupied substantially for the production or supply of goods or services or for administrative purposes, and is not intended for sale in the ordinary course of business. Investment property is initially measured at its cost including related transaction costs and is therefore carried at its cost less any accumulated depreciation and any accumulated impairment losses.

### 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 continuous 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 been 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.

## Summary of Significant Accounting Policies *Contd.*

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 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, reported based on indirect method.

## 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 recognized 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.

### 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 an 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.

### **1.5.2 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 tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in Subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right exists to such set off.

### **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.

## Summary of Significant Accounting Policies *Contd.*

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 PLC. 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 was stock brokering, corporate finance, asset management, treasury management, dealing and investing in securities, financial services and insurance.

During the year primary activities of the Company were to act as an investment holding company.

# Notes to the Financial Statements

For the year ended 31 March	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>3. REVENUE</b>				
<b>3.1 Summary</b>				
Gross Revenue	956,048	932,863	172,774	487,387
Less: Revenue Related Taxes	-	(27)	-	(27)
	<u>956,048</u>	<u>932,836</u>	<u>172,774</u>	<u>487,360</u>
<b>3.2 Segments</b>				
Financial Services	62,383	481,358	172,774	487,387
Security Trading	168,926	353,835	-	-
Other Services	1,427	7,751	-	-
Fund Based Activities	147,799	89,919	-	-
Insurance	575,513	-	-	-
	<u>956,048</u>	<u>932,863</u>	<u>172,774</u>	<u>487,387</u>
<b>3.3 Goods and Services Analysis</b>				
Rendering of Services	956,048	932,863	172,774	487,387
	<u>956,048</u>	<u>932,863</u>	<u>172,774</u>	<u>487,387</u>

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## Notes to the Financial Statements *Contd.*

For the year ended 31 March	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>4. OTHER INCOME AND GAINS</b>				
Dividend Income	51,380	17	-	-
Gains/(Loss) on Disposal of Property, Plant and Equipment	3,700	-	-	-
Gains / (Loss) on Dealing Securities	10,734	-	-	-
Treasury Bills	-	-	-	-
Sundry Income	790	2,701	3	21
Management Fees	337	2,098	2,137	2,098
Write back of Related Party Payable	-	16,361	-	-
	<u>66,941</u>	<u>21,177</u>	<u>2,140</u>	<u>2,119</u>
<b>5. FINANCE COST AND INCOME</b>				
<b>5.1 Finance Cost</b>				
Interest on Overdraft	58,403	15,023	52,084	13,962
Interest on Loans	37,270	52,546	37,270	52,546
Total Finance cost	<u>95,673</u>	<u>67,569</u>	<u>89,354</u>	<u>66,508</u>
<b>5.2 Finance Income</b>				
Interest Income	41,826	35,947	2,885	370
Guarantee Fees	1,880	1,880	1,880	1,880
Total Finance Income	<u>43,706</u>	<u>37,827</u>	<u>4,765</u>	<u>2,250</u>
<b>6. PROFIT / (LOSS) BEFORE TAX IS STATED AFTER CHARGING/ (CREDITING) ALL EXPENSES INCLUDING THE FOLLOWING :</b>				
	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
Auditors' Fees	2,233	1,362	958	550
Director's Emoluments	45,361	30,747	19,240	-
Secretarial Fees	1,132	528	645	848
Depreciation	37,673	23,183	12,979	12,959
Legal Fees	2,442	968	607	369
<b>Personnel Cost Includes;</b>				
Defined Benefit Plan - Gratuity	7,023	3,547	1,194	1,265
Defined Contribution Plan Costs - EPF and ETF	17,679	5,915	470	341
Staff Incentives	30,070	25,523	1,276	571
Salaries, Wages & Other Related Costs	122,831	42,865	5,399	5,095
	<u>264,477</u>	<u>143,906</u>	<u>100,070</u>	<u>82,629</u>
<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)	5,582	28,718	-	-
Share of Associate Companies' Tax (7.2)	10,352	4,690	-	-
Social Responsibility Levy	161	283	-	-
Withholding Tax on Dividends Received from Group Companies	11,250	671	-	-
Deferred Taxation Charge/ (Reversal) (23)	(868)	(11,261)	-	(10,759)
	<u>26,477</u>	<u>33,034</u>	<u>-</u>	<u>(826)</u>

For the year ended 31 March	<b>COMPANY</b>	
	<b>2008</b> <b>Rs.'000</b>	<b>2007</b> <b>Rs.'000</b>
<b>7.1 The company is liable to tax at a rate of 35% on the taxable profit.</b>		
Accounting Profit/(Loss) before Tax	(521,887)	(194,868)
Aggregate Disallowed Items	467,308	180,017
Aggregate Allowable Items	(4,389)	(3,768)
Income not subject to Tax	4,711	22,854
Tax Profit/(Loss) on Trade or Business	(54,257)	4,235
Other Taxable Income	-	-
Tax Losses Set off under section 32 and Qualifying payments	-	(1,482)
Taxable Income/(Loss)	(54,257)	2,753
Income Tax @ 35 %	-	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	426,411	510,625
Prior Year Adjustment	-	(82,732)
Loss for the Year	54,257	-
Loss Utilised during the Year	-	(1,482)
	480,668	426,411
	<b>GROUP</b>	
	<b>2008</b> <b>Rs.'000</b>	<b>2007</b> <b>Rs.'000</b>
<b>7.2 Share of Associate Company tax</b>		
Asia Siyaka Commodities (Pvt) Ltd.	10,352	5,954
Asian Alliance Insurance PLC	-	(1,264)
	10,352	4,690
<b>7.3 Subsidiary Companies</b>		
Asia Securities (Pvt) Ltd.	4,841	28,313
Asia Growth Fund 1 (Pvt) Ltd.	3	-
Asian Alliance Insurance PLC	1,138	-
Investor Access Asia (Pvt) Ltd	(400)	405
	5,582	28,718
<b>7.4 Summary</b>		
<b>Asia Securities (Pvt) Ltd</b>		

The company is liable to taxation at the rate of 35% (2007 - 35%) on its taxable profits. The income tax liability for the current year was Rs.4,841,297/- (2007 - Rs.28,313,510/-).

## Notes to the Financial Statements *Contd.*

### Asia Fort Sri Lanka Direct Investment Fund Ltd

The company is liable to taxation at the rate of 20% (2007 - 20%) on its taxable profits, however no provision has been made due to available carried forward tax loss of Rs.18,296,905/- (2007 - Restated Rs. 14,197,122/-).

### Asia Growth Fund 1 (Pvt) Ltd

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% (2007 - 20%) on its taxable profits. The income tax liability for the year was Rs. 3,063/- (2007 - Restated - tax loss of Rs. 516,093/-)

### Asia Asset Finance Ltd

In terms of the Inland Revenue Act, No.10 of 2006 (as amended) the Company would be liable to income tax at 35% (2007 - 35%), however no provision has been made due to available carried forward tax loss of Rs. 372, 213, 226/- (2007 - Rs.341,111,432/-).

### Investor Access Asia (Pvt) Ltd

The company is liable to taxation at the rate of 35% (2007 - 35%) on its taxable profits. However no provision has been made due to available carried forward tax loss of Rs. 28,964,569/- (The tax liability for 2007 was Rs. 4,518/-).

### Asian Alliance Insurance PLC

The company is liable to taxation at the rate of 35% (2007 - 35%) on its taxable profits. However no provision has been made in view of the tax loss. The tax loss carried forward as at 31 December 2007 was Rs.1,552,209,720/- (2006 - Rs.1,296,176,349/-).

## 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	
	2008 Rs.	2007 Rs.	2008 Rs.	2007 Rs.
Profit/(Loss) after tax attributable to Ordinary Shareholders	(431,225,000)	(30,990,701)	(521,887,058)	(194,042,138)
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>(3.92)</b>	<b>(0.28)</b>	<b>(4.74)</b>	<b>(1.76)</b>
<b>9. GOODWILL</b>				
Goodwill as at the beginning of the Year	150,088	150,088	-	-
Goodwill at the acquisition of Asian Alliance Insurance PLC	49,076	-	-	-
Goodwill written off during the Year	(150,088)	-	-	-
Goodwill as at the end of the Year	49,076	150,088	-	-

## 10. PROPERTY, PLANT & EQUIPMENT

### 10.1 GROUP

#### 10.1.1 Cost / Valuation

	Balance As At 01.04.2007 Rs.'000	Acquisition of Subsidiary Rs.'000	Additions Rs.'000	Disposals / Transfers Rs.'000	Balance As At 31.03.2008 Rs.'000
<b>Freehold Assets</b>					
Motor Vehicles	43,649	87	5,351	(2,357)	46,730
Office Equipment	27,176	14,224	4,180	(59)	45,521
Fixtures and Fittings	18,242	16,762	4,945	(82)	39,867
Furniture and Fittings	25,044	15,376	3,158	(425)	43,153
Computer Hardware and Software	82,720	52,055	9,284	(1,431)	142,628
<b>Total</b>	<u>196,831</u>	<u>98,504</u>	<u>26,918</u>	<u>(4,354)</u>	<u>317,899</u>

#### 10.1.2 Depreciation on Cost

	Balance As At 01.04.2007 Rs.'000	Acquisition of Subsidiary Rs.'000	Charge for the year Rs.'000	Disposals/ Share Transfers Rs.'000	Balance As At 31.03.2008 Rs.'000
<b>Freehold Assets</b>					
Motor Vehicles	21,900	82	8,829	(2,357)	28,454
Office Equipment	13,335	8,659	3,623	(34)	25,583
Fixtures and Fittings	9,369	12,433	3,547	(46)	25,303
Furniture and Fittings	13,763	6,489	3,714	(154)	23,812
Computer Hardware and Software	62,621	40,592	17,960	(1,405)	119,768
<b>Total Depreciation</b>	<u>120,988</u>	<u>68,255</u>	<u>37,673</u>	<u>(3,996)</u>	<u>222,920</u>
<b>10.1.3 Net Carrying Value</b>	<u>75,843</u>				<u>94,979</u>

### 10.2 COMPANY

#### 10.2.1 Cost / Valuation

	Balance As At 01.04.2007 Rs.'000	Additions Rs.'000	Disposals / Transfers Rs.'000	Balance As At 31.03.2008 Rs.'000
<b>Freehold Assets</b>				
Motor Vehicles	32,670	198	-	32,868
Office Equipment	6,962	12	-	6,974
Fixtures and Fittings	14,683	-	-	14,683
Furniture and Fittings	15,822	24	-	15,846
Computer Hardware and Software	26,318	188	-	26,506
<b>Total</b>	<u>96,455</u>	<u>422</u>	<u>-</u>	<u>96,877</u>

## Notes to the Financial Statements *Contd.*

### 10. PROPERTY, PLANT & EQUIPMENT *Contd.*

#### 10.2.2 Depreciation on Cost

	Balance As At 01.04.2007 Rs.'000	Charge for the year Rs.'000	Disposals/ Transfers Rs.'000	Balance As At 31.03.2008 Rs.'000
<b>Freehold Assets</b>				
Motor Vehicles	11,242	7,855	-	19,097
Office Equipment	4,595	332	-	4,927
Fixtures and Fittings	8,081	1,467	-	9,548
Furniture and Fittings	7,530	1,275	-	8,805
Computer Hardware and Software	21,355	2,050	-	23,405
<b>Total Depreciation</b>	<b>52,803</b>	<b>12,979</b>	<b>-</b>	<b>65,782</b>
<b>10.2.3 Net Carrying Value</b>	<b>43,652</b>			<b>31,095</b>

As at 31 March	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>11. INVESTMENT PROPERTIES</b>				
Balance at the beginning of the year	13,438	14,145	-	-
Depreciation for the year	(707)	(707)	-	-
	<b>12,731</b>	<b>13,438</b>	<b>-</b>	<b>-</b>

Investment property comprising freehold land and buildings, is a property held to earn rental income or for capital appreciation or both, is not occupied substantially for the production or supply of goods or services or for administrative purposes, and is not intended for sale in the ordinary course of business. Investment property is initially measured at its cost including related transaction costs and is therefore carried at its cost less any accumulated depreciation and impairment losses.

The market value of the above property was Rs. 27 Mn. as per valuation report dated on 21st January, 2007 carried out by Mr. H.A.W. Perera, Incorporated valuer, on the premises bearing Assessment Number 3/18 Stanley Thilakaratne Mawatha, Nugegoda.

As at 31 March	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>12. LONG TERM INVESTMENTS</b>				
<b>Summary:</b>				
Investments in Subsidiaries (12.1)	-	-	243,574	423,574
Investments in Associates (12.2)	70,571	177,992	85,931	84,932
Other Long Term Investments (12.3)	363,420	561,740	297,513	561,740
Total investments	<b>433,991</b>	<b>739,732</b>	<b>627,018</b>	<b>1,070,246</b>



	COMPANY 2008		COMPANY 2007	
	Effective Holding %	Rs.'000	Effective Holding %	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 (Note 12.1.1)	100%	4,000	100%	4,000
Asia Couture Ltd - Ordinary Shares		-	100%	71,275
- Preference shares		-		33,411
Investor Access Asia (Pvt) Ltd.	100%	32,000	100%	32,000
Asia Asset Finance Ltd.	98.64%	204,073	98.64%	204,073
		<u>437,624</u>		<u>542,310</u>
<b>Less</b>				
Provision for Fall in Value of Investments				
Asia Growth Fund 1 (Pvt) Ltd		(10,050)		(10,050)
Asia Apparel Trading (Pvt) Ltd		(4,000)		(4,000)
Asia Couture Ltd		-		(104,686)
Asia Asset Finance Ltd.		(180,000)		-
		<u>(194,050)</u>		<u>(118,736)</u>
<b>Total Investments in Subsidiaries</b>		<u>243,574</u>		<u>423,574</u>

12.1.1 According to the Section 153 6 (a) of Companies Act No. 7 of 2007 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 PLC.

	GROUP				COMPANY			
	Holding %	2008 Rs. '000	Holding %	2007 Rs. '000	Holding %	2008 Rs. '000	Holding %	2007 Rs. '000
<b>12.2 Investments in Associates</b>								
<b>Quoted</b>								
<b>Cost</b>								
Asian Alliance Insurance PLC		-	49%	124,184	29%	73,931	29%	72,932
		-		<u>124,184</u>		<u>73,931</u>		<u>72,932</u>
Market Value of Shares		-		<u>246,027</u>		<u>301,356</u>		<u>144,773</u>
<b>Non-Quoted</b>								
Asia Siyaka Commodities (Pvt) Ltd	40%	12,000	40%	12,000	40%	12,000	40%	12,000
		<u>12,000</u>		<u>12,000</u>		<u>12,000</u>		<u>12,000</u>
<b>Investors' Share of Retained Assets</b>								
Asia Siyaka Commodities (Pvt) Ltd.		72,571		74,466		-		-
Asian Alliance Insurance PLC		-		(14,258)		-		-
Dividend Received		(14,000)		(18,400)		-		-
		<u>58,571</u>		<u>41,808</u>		-		-
Equity Value of Investments		<u>70,571</u>		<u>177,992</u>		<u>85,931</u>		<u>84,932</u>

## Notes to the Financial Statements *Contd.*

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

	Holding % Rs.'000	Total Assets Rs.'000	Total Liabilities Rs.'000	Revenues Rs.'000	Profit/(Loss)
<b>2007</b>					
Asian Alliance Insurance PLC	49%	571,456	489,205	476,877	33,418
Asia Siyaka Commodities (Pvt) Ltd	40%	356,923	267,491	130,222	21,381
		<u>928,379</u>	<u>756,696</u>	<u>607,098</u>	<u>54,799</u>
<b>2008</b>					
Asia Siyaka Commodities (Pvt) Ltd	40%	448,408	350,517	150,866	20,887
		<u>448,408</u>	<u>350,517</u>	<u>150,866</u>	<u>20,887</u>

As at 31 March	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>12.3 Other Long Term Investments</b>				
Investments in Equity Securities - Quoted (Note 12.3.1)	297,979	561,740	297,513	561,740
Investments in Debentures (Note 12.3.2)	65,441	-	-	-
	<u>363,420</u>	<u>561,740</u>	<u>297,513</u>	<u>561,740</u>

	GROUP 2008			No. of Shares	GROUP 2007		
	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 Quoted</b>							
Richard Pieris & Company PLC	7,566,586	562,979	300,772	6,960,303	561,740	452,420	
Less: Provision for Fall in Value of Investments		(265,000)	-		-	-	
		<u>297,979</u>	<u>300,772</u>		<u>561,740</u>	<u>452,420</u>	

	COMPANY 2008			No. of Shares	COMPANY 2007		
	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 Quoted</b>							
Richard Pieris & Company PLC	7,559,328	562,513	300,483	6,960,303	561,740	452,420	
Less: Provision for Fall in Value of Investments		(265,000)	-		-	-	
		<u>297,513</u>	<u>300,483</u>		<u>561,740</u>	<u>452,420</u>	

	GROUP 2008		No. of Debentures	GROUP 2007	
	No. of Debentures	Cost Rs. '000		Market Value Rs. '000	Cost Rs. '000
<b>12.3.2 Investments in Debentures Quoted</b>					
Sampath Bank PLC - Floating Rate	25,000,000	25,000	22,695	-	-
Senkadagala Finance PLC - 14%	40,400,000	40,441	40,549	-	-
		<u>65,441</u>	<u>63,244</u>		

**Note:** The above investment was made by the Asian Alliance Insurance PLC which was acquired as a Subsidiary during the current year.

	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>13. ESOP TRUST LOAN</b>				
Balance at the beginning of the year	17,491	17,491	17,491	17,491
Balance at the end of the year	<u>17,491</u>	<u>17,491</u>	<u>17,491</u>	<u>17,491</u>

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.

	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>14. LONG TERM DEPOSITS</b>				
Deposit with the Colombo Stock Exchange	3,500	3,500	-	-
Rent Deposit	20,462	20,762	20,462	20,762
Advances made to International Grocers Alliance (Pvt) Ltd.	-	6,562	-	-
Loans to Asia Fort Sri Lanka Direct Inv. Fund Ltd.	-	-	84,734	-
Less : Provison for Doubtful Debt	(16,000)	(16,000)	(16,000)	(16,000)
	<u>7,962</u>	<u>14,824</u>	<u>89,196</u>	<u>4,762</u>
<b>15. SHORT TERM INVESTMENTS</b>				
Investments in Equity Securities (Note 15.1)	176,464	236,899	109,112	157,047
Investment In Preference Shares	10,000	-	-	-
Commercial Papers	25,000	-	-	-
Investments in Fixed Deposits	26,581	-	-	-
Investments in Reverse Repurchase Agreements	1,955,955	612,938	413,249	421,071
	<u>2,194,000</u>	<u>849,837</u>	<u>522,361</u>	<u>578,118</u>
<b>15.1 Investments in Equity Securities</b>				
Quoted (Note 15.1.1)	198,202	197,816	123,497	158,730
Non-Quoted (Note 15.1.2)	50,303	82,778	20,000	10,625
	<u>248,505</u>	<u>280,594</u>	<u>143,497</u>	<u>169,355</u>
<b>Less</b>				
Provision for Fall in Value of Investments (Note 15.1.3)	(72,041)	(43,695)	(34,385)	(12,308)
	<u>176,464</u>	<u>236,899</u>	<u>109,112</u>	<u>157,047</u>

## Notes to the Financial Statements *Contd.*

	GROUP 2008			GROUP 2007		
	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>						
Hatton National Bank PLC - Non Voting	120	4	6	60	4	3
Vanik Incorporation Ltd - Debentures	1,200	120	2	1,200	120	2
Development Finance Corporation of Ceylon PLC	18,958	2,683	2,370	49	8	10
Commercial Bank of Ceylon PLC- Non Voting	110,900	15,181	9,011	-	-	-
Hatton National Bank PLC	45,500	2,518	5,597	-	-	-
Nation Trust Bank PLC	128,800	4,617	3,832	100	3	3
Asia Capital PLC	86,400	1,608	907	86,400	1,608	1,210
Housing Development Finance Corporation PLC	59,800	13,156	7,296	59,800	13,156	9,688
LB Finance PLC	-	-	-	10	-	-
		<u>39,887</u>	<u>29,021</u>		<u>14,899</u>	<u>10,916</u>
<b>Diversified Holdings</b>						
John Keells Holdings PLC	596,963	96,212	71,486	671,063	109,759	104,015
Hemas Holding PLC	25	2	2	25	2	3
		<u>96,214</u>	<u>71,488</u>		<u>109,761</u>	<u>104,018</u>
<b>Hotels and Travels</b>						
John Keells Hotels PLC	1,282,136	12,499	8,973	1,368,336	13,338	11,286
Associate Hotels PLC	9,300	426	428	-	-	-
Kandy Hotels PLC	5,400	482	383	-	-	-
Asian Hotels and Properties PLC	169,300	9,164	6,772	575,500	30,919	26,185
Taj Lanka Hotels PLC	55,004	1,071	481	55,004	1,071	605
		<u>23,642</u>	<u>17,037</u>		<u>45,328</u>	<u>38,076</u>
<b>Manufacturing</b>						
Lanka Ceramic PLC	63,400	7,115	3,677	63,400	7,115	2,473
Samson International PLC	10,040	1,733	622	10,040	1,733	505
Ceylon Grain Elevators PLC	820,304	17,660	9,639	697,804	15,878	9,944
Piramal Glass Ceylon PLC	600	2	1	600	2	2
		<u>26,510</u>	<u>13,939</u>		<u>24,728</u>	<u>12,924</u>
<b>Power and Energy</b>						
Vallibel Power Erathna PLC	3,845,900	8,309	9,230	-	-	-
Lanka IOC PLC	20,000	540	440	-	-	-
		<u>8,849</u>	<u>9,670</u>		<u>-</u>	<u>-</u>
<b>Units</b>						
Ceybank Century Growth Fund	200,000	2,000	4,372	200,000	2,000	4,642
Eagle Growth Fund	100,000	1,000	2,517	100,000	1,000	2,836
National Unit Trust	10,000	100	100	10,000	100	100
		<u>3,100</u>	<u>6,989</u>		<u>3,100</u>	<u>7,578</u>
Grand Total		<u>198,202</u>	<u>148,144</u>		<u>197,816</u>	<u>173,512</u>

	No. of Shares	Cost 2008 Rs. '000	Director's Value 2008 Rs. '000	No. of Shares	Cost 2007 Rs. '000	Director's Value 2007 Rs. '000
<b>15.1.2 Investments in Equity Securities</b>						
<b>- Non Quoted</b>						
Paradise Coconut Products (Pvt) Ltd	1,050,000	2,625	-	1,050,000	2,625	2,625
Asia Pacific Golf Course Ltd	4	1,000	-	-	-	-
Hsenid Software International (Pvt) Ltd	-	-	-	150,000	5,250	5,250
Global Software Labs (Pvt) Ltd	1,632,750	16,328	-	1,632,750	16,328	16,328
International Grocers Alliance (Pvt) Ltd	-	-	-	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
Finance House Consortium (Pvt) Ltd	20,000	200	200	20,000	200	200
Platinum Reality Investments (Pvt) Ltd	300,000	30,000	30,000	-	-	-
Pure Beverages Co Ltd	709	44	44	709	44	44
Air Asia Lanka (Pvt) Ltd	-	-	-	3,250,000	10,625	10,625
		<u>50,303</u>	<u>30,350</u>		<u>82,778</u>	<u>82,778</u>

	COMPANY 2008			COMPANY 2007		
	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</b>						
<b>- Quoted</b>						
<b>Bank, Finance &amp; Insurance</b>						
Development Finance Corporation of Ceylon PLC	58	8	7	49	8	10
Hatton National Bank PLC- Non Voting	120	4	6	60	4	3
Nation Trust Bank PLC	100	3	3	100	3	3
Housing Development Finance Corporation PLC	48,400	10,648	5,905	48,400	10,648	7,841
		<u>10,663</u>	<u>5,921</u>		<u>10,663</u>	<u>7,857</u>
<b>Diversified Holdings</b>						
John Keells Holdings PLC	596,963	96,212	71,486	671,063	109,759	104,015
Hemas Holdings PLC	25	2	2	25	2	3
		<u>96,214</u>	<u>71,488</u>		<u>109,761</u>	<u>104,018</u>
<b>Hotels and Travels</b>						
John Keells Hotels PLC	1,281,800	12,487	8,973	1,368,000	13,326	11,286
Associate Hotels PLC	9,300	426	428	-	-	-
Kandy Hotels PLC	5,400	482	383	-	-	-
Taj Lanka Hotels PLC	15,004	225	131	15,004	225	165
Asian Hotels and Properties PLC	-	-	-	406,200	21,755	18,482
		<u>13,620</u>	<u>9,915</u>		<u>35,306</u>	<u>29,933</u>

## Notes to the Financial Statements *Contd.*

	COMPANY			COMPANY		
	No. of Shares	2008 Cost Rs. '000	Market Value Rs. '000	No. of Shares	2007 Cost Rs. '000	Market Value Rs. '000
<b>Units</b>						
Ceybank Century Growth Fund	200,000	2,000	4,372	200,000	2,000	4,642
Eagle Growth Fund	100,000	1,000	2,517	100,000	1,000	2,836
		<u>3,000</u>	<u>6,889</u>		<u>3,000</u>	<u>7,478</u>
Grand Total		<u>123,497</u>	<u>94,213</u>		<u>158,730</u>	<u>149,286</u>
	No. of Shares	Cost 2008 Rs. '000	Director's Value 2008 Rs. '000	No. of Shares	Cost 2007 Rs. '000	Director's Value 2008 Rs. '000
<b>15.1.2 Investments in Equity</b>						
<i>Securities - Non Quoted</i>						
Platinum Reality Investments (Pvt) Ltd	200,000	20,000	20,000	-	-	-
Air Asia Lanka (Pvt) Ltd	-	-	-	3,250,000	10,625	10,625
		<u>20,000</u>	<u>20,000</u>		<u>10,625</u>	<u>10,625</u>
	GROUP		COMPANY			
	2008 Rs. '000	2007 Rs. '000	2008 Rs. '000	2007 Rs. '000		
<b>15.1.3 Provision for fall in value of investments</b>						
Quoted	52,088	24,743	34,385	12,308		
Non Quoted	19,953	18,952	-	-		
	<u>72,041</u>	<u>43,695</u>	<u>34,385</u>	<u>12,308</u>		
<b>16. SHORT TERM LENDINGS</b>						
Asia Couture Ltd	336,837	-	336,837	336,837		
Dhanasiri Recreations (Pvt) Ltd	5,778	5,778	5,778	5,778		
	<u>342,615</u>	<u>5,778</u>	<u>342,615</u>	<u>342,615</u>		
Less: Provision for Bad & Doubtful Debts	<u>(342,615)</u>	<u>(5,778)</u>	<u>(342,615)</u>	<u>(342,615)</u>		
	-	-	-	-		
<b>17. INVENTORIES</b>						
Raw Material	-	20,045	-	-		
Finished Goods	-	22,480	-	-		
	<u>-</u>	<u>42,525</u>	<u>-</u>	<u>-</u>		

	<b>GROUP</b>		<b>COMPANY</b>	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>18. TRADE AND OTHER RECEIVABLES</b>				
Trade Debtors	787,280	505,886	12,348	12,348
Less: Provision for Bad & Doubtful Debts	(23,199)	(20,365)	(12,348)	(12,348)
	<u>764,081</u>	<u>485,521</u>	-	-
Loans and Advances (Note 18.1)	249,326	159,716	-	-
Hire Purchase Receivables (Note 18.2)	214,091	124,942	-	-
Hire Purchase Consumer Durables (Note 18.3)	19,533	18,975	-	-
Lease Receivables (Note 18.4)	276,406	206,159	-	138
Staff Vehicle Loan (Note 18.5)	-	453	-	453
Staff Loan (Note 18.6)	1,168	2,097	107	-
Loans to Policy Holders (Note 18.7)	6,314	-	-	-
Advances and Prepayments	38,442	41,409	3,062	2,765
Other Debtors	198,502	107,690	121,139	89,063
Tax Receivables	2,888	-	2,867	1,949
	<u>1,770,751</u>	<u>1,146,962</u>	<u>127,175</u>	<u>94,368</u>
Less: Provision for Bad & Doubtful Debts	(183,331)	(100,647)	(109,541)	(79,442)
	<u>1,587,420</u>	<u>1,046,315</u>	<u>17,634</u>	<u>14,926</u>
	<b>GROUP</b>			
	2008 Rs.'000	2007 Rs.'000		
<b>18.1 Subsidiary- Asia Asset Finance Ltd</b>				
<b>Loans and Advances</b>				
<b>Performing</b>				
Property Loan	61,661	87,996		
Pledged Loan	141,155	43,439		
Personnel Loan	41,965	39,059		
Less:- Unearned Interest Income	(31,637)	(43,165)		
Loan Loss Provision Pledged Loan	-	(3,958)		
	<u>213,144</u>	<u>123,371</u>		
<b>Non Performing</b>				
Property Loan	38,293	45,540		
Pledged Loan	-	-		
Personnel Loan	6,002	557		
Less:- Unearned Interest Income	-	(9,725)		
Interest In Suspense	(8,113)	(27)		
	<u>36,182</u>	<u>36,345</u>		
Total Loans & Advances	<u>249,326</u>	<u>159,716</u>		

## Notes to the Financial Statements *Contd.*

	GROUP	
	2008 Rs.'000	2007 Rs.'000
<b>18.2 Subsidiary- Asia Asset Finance Ltd</b>		
<b>Hire Purchase Receivable</b>		
<b>Performing</b>		
Total Amount Receivable	297,937	180,856
Less:- Unearned Interest Income	(92,848)	(60,567)
	205,089	120,289
<b>Non Performing</b>		
Total Amount Receivable	16,527	9,159
Less:- Unearned Interest Income	(2,570)	(1,048)
Interest In Suspense	(4,955)	(1,077)
Loan Loss Provision	-	(2,381)
	9,002	4,653
Total Hire Purchase Receivable	214,091	124,942
<b>18.3 Subsidiary- Asia Asset Finance Ltd</b>		
<b>Hire Purchase Consumer Durables</b>		
<b>Performing</b>		
Total Amount Receivable	3,389	23,533
Less:- Unearned Interest Income	(517)	(5,505)
	2,872	18,028
<b>Non Performing</b>		
Total Amount Receivable	17,109	2,333
Less:- Unearned Interest Income	(448)	(360)
Interest In Suspense	-	(45)
Loan Loss Provision	-	(981)
	16,661	947
Total Hire Purchase Consumer Durables	19,533	18,975
<b>18.4 Subsidiary- Asia Asset Finance Ltd</b>		
<b>Lease Receivables</b>		
<b>Performing</b>		
Total Amount Receivable	262,193	236,711
Less:- Unearned Interest Income	(65,869)	(70,122)
	196,324	166,589
<b>Non Performing</b>		
Total Amount Receivable	97,667	64,835
Less:- Unearned Interest Income	(7,346)	(401)
Interest In Suspense	(10,239)	(9,863)
Loan Loss Provision	-	(15,001)
	80,082	39,570
Total Lease Receivable	276,406	206,159



	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>18.5 Staff Vehicle Loan</b>				
Balance at the beginning of the Year	453	649	453	649
Transferred to Staff Loan	(315)	-	(315)	-
Loans granted during the Year	-	-	-	-
Interest charged	3	-	3	-
Less - Repayments	(141)	(196)	(141)	(196)
Balance at the end of the Year	-	453	-	453
<b>18.6 Staff Loan</b>				
Balance at the beginning of the Year	2,097	3,112	-	-
Transferred from Staff Vehicle Loan	315	-	315	-
Acquisition of Subsidiary	78	-	-	-
Loans granted during the Year	2,272	1,978	138	-
Less - Repayments	(3,594)	(2,993)	(346)	-
Balance at the end of the Year	1,168	2,097	107	-
<b>18.7 Loans to Policy Holders</b>				
Balance at the beginning of the Year	-	-	-	-
Acquisition of Subsidiary	1,805	-	-	-
Loans granted during the Year	5,596	-	-	-
Less - Repayments	(1,087)	-	-	-
Balance at the end of the Year	6,314	-	-	-

	Relationship	GROUP		COMPANY	
		2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>19. AMOUNTS DUE FROM RELATED PARTIES</b>					
Asia Apparel Trading (Pvt) Ltd	Subsidiary	4,665	4,635	4,665	4,635
Asia Growth Fund 1 (Pvt) Ltd	Subsidiary	-	-	3,753	578
Asia Fort Sri Lanka Direct Investment Fund Ltd	Subsidiary	-	-	26,876	80,114
Asia Securities (Pvt) Ltd	Subsidiary	-	-	33,916	21,663
Asian Alliance Insurance PLC	Subsidiary	-	1,760	2,405	1,760
Investor Access Asia (Pvt) Ltd	Subsidiary	-	-	8,457	8,922
Asia Wealth Management Co. (Pvt) Ltd	Affiliate	254	192	254	192
Asia Asset Finance Ltd	Subsidiary	-	-	4,706	3,057
Asia Couture Ltd.	Subsidiary	-	-	-	74,244
		4,919	6,587	85,032	195,165
<b>Less: Provision for Bad &amp; Doubtful Debts</b>					
Asia Apparel Trading (Pvt) Ltd		(4,665)	(4,635)	(4,665)	(4,635)
Asia Asset Finance Ltd		-	-	(4,706)	-
Asia Growth Fund 1 (Pvt) Ltd		-	-	(3,753)	(578)
Asia Fort Sri Lanka Direct Investment Fund Ltd		-	-	(26,876)	(40,776)
Investor Access Asia (Pvt) Ltd		-	-	(8,457)	(8,922)
Asia Couture Ltd		-	-	-	(50,900)
		(4,665)	(4,635)	(48,457)	(105,811)
		254	1,952	36,575	89,354

## Notes to the Financial Statements *Contd.*

	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>20. CASH AND CASH EQUIVALENTS</b>				
<b>Favourable balances</b>				
Fixed Deposits	10	10	10	10
Cash at Bank	75,829	109,244	5,434	1,560
Cash in Hand	50	125	25	125
	<u>75,889</u>	<u>109,379</u>	<u>5,469</u>	<u>1,695</u>
<b>Unfavorable balances</b>				
Bank Overdrafts	(200,114)	(270,968)	(156,086)	(202,339)
<b>Cash and Cash Equivalents for the cash flow purpose</b>	<u>(124,225)</u>	<u>(161,589)</u>	<u>(150,617)</u>	<u>(200,644)</u>

	COMPANY		COMPANY	
	2008 No. of Shares	2007 No. of Shares	2008 Stated Capital Rs.'000	2007 Stated Capital Rs.'000
<b>21. STATED CAPITAL</b>				
Ordinary Shares	110,000,000	110,000,000	1,114,558	1,114,558
	<u>110,000,000</u>	<u>110,000,000</u>	<u>1,114,558</u>	<u>1,114,558</u>

The Authorised Share Capital and par value concept in relation to share capital were abolished by Companies Act No. 07 of 2007, which became effective from 3rd May 2007. Therefore comparative figures have been restated accordingly. The total amount received by the company in respect of the issued shares are referred to as Stated Capital.

## 22. DEBENTURES

### Asia Asset Finance Ltd

As at 31 March 2008, consisted of 14,618 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 31.03.2008, 11 debentures of Rs.1,000/- were redeemed at par.

	Allotment In	Mature In	No. of Debenture	GROUP		2007 Rs.'000
				2008 Rs.'000	No. of Debentures	
Debenture	2005	2009	11,238	11,238	11,249	11,249
Debenture	2006	2009	3,380	3,380	3,380	3,380
				<u>14,618</u>		<u>14,629</u>

	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>23. DEFERRED TAXATION</b>				
Balance at the beginning of the Year	739	12,000	-	10,759
Provision/(reversal) made during the Year	(868)	(11,261)	-	(10,759)
Balance at the end of the Year ((Asset)/Liability)	<u>(129)</u>	<u>739</u>	<u>-</u>	<u>-</u>

	GROUP			
	2008		2007	
	Temporary Differences	Temporary Tax Effect	Temporary Differences	Temporary Tax Effect
On Temporary differences of Property, Plant & Equipment	6,137	2,148	6,538	2,288
On Retirement Gratuity	(6,502)	(2,277)	(4,424)	(1,549)
On Tax Losses carried forward	(365)	(129)	2,114	739
	COMPANY			
	2008		2007	
	Temporary Differences	Temporary Tax Effect	Temporary Differences	Temporary Tax Effect
On Temporary differences of Property, Plant & Equipment	4,914	1,720	6,383	2,234
On Retirement Gratuity	(5,385)	(1,884)	4,728	(1,655)
On Tax Losses carried forward	(430,669)	(168,235)	(426,410)	(149,243)
	(481,140)	(168,399)	(415,299)	(148,664)

**Note:**

**Group**

Deferred tax arising from the temporary differences in Subsidiaries other than those from Asia Securities (Pvt) Ltd have not been recognised due to the uncertainty of available future, taxable profit for utilisation of such tax losses.

**Company**

Due to uncertainty of availability of future taxable profit for utilisation of tax losses, the recognition of deferred tax asset has been limited only upto deferred liability as at the balance sheet date. Therefore, the unrecognised deferred tax asset of the Company is Rs 168 Mn (2007- Rs148Mn).

	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>24. RETIREMENT BENEFIT OBLIGATIONS - GRATUITY</b>				
Balance at the beginning of the Year	11,993	8,828	4,728	3,464
Acquisition of Subsidiary	7,202	-	-	-
Provision made during the Year	7,023	3,547	1,194	1,264
Payments made during the Year	(3,007)	(382)	(536)	-
Balance at the end of the Year	23,211	11,993	5,386	4,728
<b>25. INTEREST BEARING LIABILITIES</b>				
<b>Amount repayable within one year</b>				
Loans (Note 25.1)	55,505	-	55,505	-
Borrowing Under Commercial Papers	50,000	-	50,000	-
Borrowing Under Repurchase Agreement	419,047	445,345	419,047	445,345
Direct Borrowing (Note 25.2)	171,000	171,000	171,000	171,000
	695,552	616,345	695,552	616,345

## Notes to the Financial Statements *Contd.*

	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>25.1 Loans</b>				
Loans obtained during the Year	55,505	-	55,505	-
Instalments paid during the Year	-	-	-	-
Balance at the end of the Year	55,505	-	55,505	-
Amount repayable within one Year	55,505	-	55,505	-
Amount repayable after one Year	-	-	-	-
<b>25.2 Direct Borrowing</b>				
	<b>Amount Borrowed</b>	<b>Balance As At</b>	<b>Repayment</b>	<b>Interest Rate</b>
<b>Lender</b>	<b>Rs.'000</b>	<b>31/3/2008</b>		
Hongkong and Shanghai Banking Corporation Ltd	75,000	75,000	7th April 2008	20.42%
Hatton National Bank PLC	96,000	96,000	1st April 2008	17.50%
	<u>171,000</u>	<u>171,000</u>		
	GROUP		COMPANY	
	2008 Rs.'000	2007 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>26 NON - INTEREST BEARING LIABILITIES</b>				
Balance at the beginning of the Year	64,162	54,162	-	-
Loan obtained during the Year	-	10,000	-	-
Instalments paid during the Year	(64,162)	-	-	-
Balance at the end of the Year	-	64,162	-	-
Amount repayable within one Year	-	-	-	-
Amount repayable after one Year	-	64,162	-	-
<b>27 INSURANCE PROVISION</b>				
Life Insurance	888,391	-	-	-
Non-Life Insurance (Note 27.1)	431,004	-	-	-
	<u>1,319,395</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>27.1 Non-Life Insurance</b>				
Reserve for net unearned premiums	114,737	-	-	-
Reserve for net deferred acquisition cost	10,542	-	-	-
Reserve for gross outstanding claims	305,725	-	-	-
	<u>431,004</u>	<u>-</u>	<u>-</u>	<u>-</u>
Note: The above provision was made by the Asian Alliance Insurance PLC which was acquired as a subsidiary during the current year.				
<b>28. TRADE AND OTHER PAYABLES</b>				
Trade Creditors	413,018	210,744	-	-
Claims Payable	138,418	-	-	-
Deposits from Customers	786,896	482,906	-	-
Sundry Creditors including Accrued Expenses	239,821	87,949	29,485	14,615
	<u>1,578,153</u>	<u>781,599</u>	<u>29,485</u>	<u>14,615</u>

	<b>GROUP 2008 Rs.'000</b>
<b>29. ACQUISITION AND DISPOSAL OF SUBSIDIARIES</b>	
<b>29.1 Acquisition of Asian Alliance Insurance PLC</b>	
Property, Plant & Equipment	32,970
Other Long Term Investments	65,441
Short Term Investments	1,226,893
Trade and Other Receivables	153,024
Cash and Cash Equivalents	63,200
	<u>1,541,528</u>
Retirement Benefit Obligations	8,559
Insurance Provision	1,030,883
Trade and Other Payables	357,409
Minority Interest	70,762
	<u>1,467,613</u>
Net Assets Acquired	73,915
Goodwill arising on Acquisition	49,076
Loss on Acquisition	30,237
<b>Total Consideration</b>	<b>153,228</b>
Cost recognized as an Associate	(124,184)
Cash Received from Subsidiary	(63,200)
<b>Net Cash Flow</b>	<b>(34,156)</b>

#### 29.2 Disposal of Asia Courture Limited

During the year Asia Capital PLC disposed Asia Courture Limited which was a fully owned subsidiary of the Group at a consideration of Rs.4,000,000/-.

	<b>Rs.'000</b>
<b>Profit on Disposal of Subsidiary</b>	
Consideration Received	4,000
Net Assets of the subsidiary as at Disposal Date	(218,269)
	<u>222,269</u>
<b>Net Proceeds from Disposal of Subsidiary</b>	
Profit on Disposal of Subsidiary	222,269
Inventory	42,525
Trade and Other Receivables	141,393
Cash and Cash Equivalents	31,343
	<u>215,261</u>
Trade and Other Payables	(64,656)
Amounts due to Related Parties	(368,874)
	<u>(433,530)</u>
Net Assets Sold	(218,269)
Cash Received	4,000
Cash held in Subsidiary	(31,343)
<b>Net Cash Flow</b>	<b>(27,343)</b>

## Notes to the Financial Statements *Contd.*

### 30 RELATED PARTY DISCLOSURES

Name of Related Party	Transaction	2008 Amount Received/(Paid) Rs.	2007 Amount Received/(Paid) Rs.
<b>(a) Transactions with Subsidiaries</b>			
<b>Asia Securities (Pvt) Ltd</b>	Interest free Fund Transfer	28,780,729	17,895,838
	Administrative Expenses	(36,029,456)	(79,095,562)
	Transfer of Office/Computer Equipment	-	(415,500)
	Brokerage on Share Trading	(508,079)	(7,697,388)
<i>Mr. J. H. Paul Ratnayake, Mr. Asanga C. Seneviratne (resigned w.e.f. 06 July 2007), Mr. Harsha Amarasekera (resigned w.e.f. 15 May 2009) and Ms Priyani D. Ratna-Gopal (resigned w.e.f. 31 May 2008), 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	(3,175,000)	(150,000)
<i>Mr. J. H. Paul Ratnayake, Mr. Asanga C. Seneviratne (resigned w.e.f. 22 May 2009), Mr. Harsha Amarasekera (resigned w.e.f. 15 May 2009) and Ms Priyani D. Ratna-Gopal (resigned w.e.f. 1 June 2008), 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	9,600,000	900,000
	Long Term Loans	(40,216,349)	-
	Interest on Long Term Loans	(879,966)	-
<i>Mr. J. H. Paul Ratnayake, Mr. Asanga C. Seneviratne and Mr. Harsha Amarasekera (resigned w.e.f. 15 May 2009), 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	(4,538,230)	(4,019,045)
	CDAX Online Trade Charges	5,003,947	3,895,326
<i>Mr. J. H. Paul Ratnayake (nomination revoked w.e.f. 16 September 2008), Mr. Asanga C. Seneviratne and Ms Priyani D. Ratna-Gopal (resigned w.e.f. 1 June 2008), Directors of the company are also Directors of Investor Access Asia (Pvt) Ltd.</i>			
<b>Asia Asset Finance Ltd.</b>	Reimbursement of Expenses	(1,649,866)	(2,480,369)
	Investment in Treasury bills - Repo	25,309,954	-
	Investment in Treasury bills - Reverse Repo	(11,546,569)	-
<i>Mr. J. H. Paul Ratnayake (resigned w.e.f. 31 July 2009) and Mr. Asanga C. Seneviratne (resigned w.e.f. 22 May 2009) Directors of the company are also Directors of Asia Asset Finance Ltd.</i>			
<b>Asian Alliance Insurance PLC</b>	Management fees	1,800,000	1,800,000
	Interest on short term Loan	-	805,910
	Reimbursement of Expenses	298,463	297,648
	Settlement of Loan	-	9,612,108
	Insurance Premium	(2,085,956)	(1,544,267)
	Guarantee Fees	5,004	5,004
<i>Mr. J. H. Paul Ratnayake (appointed w.e.f. 15 July 2009), Mr. Harsha Amarasekera (resigned w.e.f. 15 May 2009) and Mr. Asanga C. Seneviratne (appointed w.e.f. 24 September 2007), Directors of the company are also Directors of Asian Alliance Insurance PLC</i>			

Name of Related Party	Transaction	2008 Amount Received/(Paid) Rs.	2007 Amount Received/(Paid) Rs.	
<b>(b) Transactions with Associates</b>				
Asia Siyaka Commodities (Pvt) Ltd	Guarantee Fees	1,875,004	1,875,004	
<i>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>				
Paul Ratnayeke Associates	Legal Fees	(195,989)	(2,015,931)	
<i>Mr. J. H. Paul Ratnayeke, Director of the company is also a partner of Paul Ratnayeke Associates.</i>				
P.R. Secretarial Services (Pvt) Ltd	Secretarial Fees	(223,174)	-	
<i>Mr. J. H. Paul Ratnayeke, Director of the company is also a Director of P.R. Secretarial Services (Pvt) Ltd.</i>				
<b>(d) Transactions with Other Related Parties by the Group</b>				
Company	Name of Director	Transaction	2008 Amount Received/ (Paid) Rs.	2007 Amount Received/ (Paid) Rs.
<b>Asia Securities (Pvt) Ltd</b>				
Asian Alliance Insurance PLC	Mr. J.H. Paul Ratnayeke (appointed w.e.f. 15 July 2009)	Brokerage on Share Trading	376,644	-
	Mr. Harsha Amarasekera (resigned w.e.f. 15 May 2009)	Insurance Premium	(814,148)	-
Asia Asset Finance Ltd	Mr. J.H. Paul Ratnayeke (resigned w.e.f 31 July 2009) Mr.D.M Wijayasinghe (resigned w.e.f 12 January 2010) Mr. U. Nishan Sumanadeera (resigned w.e.f 31 August 2009) Mr.Asanga C. Seneviratne (resigned w.e.f 22 May 2009)	Brokerage on Share Trading	244,297	510,794
Asia Fort Sri Lanka Direct Investment Fund Ltd	Mr.J.H. Paul Ratnayeke Mr.Harsha Amarasekera (resigned w.e.f. 15 May 2009)	Brokerage on Share Trading	296,028	-
Paul Ratnayeke Associates	Mr.J.H. Paul Ratnayeke	Legal Fees	(423,142)	(598,518)
P.R. Secreterial Services (Pvt) Ltd	Mr.J.H. Paul Ratnayeke	Secretarial Fees	(154,751)	(150,735)
Investor Access Asia (Pvt) Ltd	Mr.J.H. Paul Ratnayeke (nomination revoked on 16 September 2008) Ms. Priyani D. Ratna-Gopal (resigned w.e.f. 1 June 2008)	CDAX Online Trade Charges	(5,003,947)	(3,895,326)

## Notes to the Financial Statements *Contd.*

### (d) Transactions with other related parties by the Group *Contd.*

Company	Name of Director	Transaction	2008 Amount Received/ (Paid) Rs.	2007 Amount Received/ (Paid) Rs.
<b>Asia Asset Finance Ltd.</b> Asia Securities (Pvt) Ltd	Mr.J.H. Paul Ratnayeke Mr.D.M Wijayasingha (resigned tendered w.e.f 28 February 2010) Mr.Asanga C. Seneviratne (resigned w.e.f 6 July 2007) Mr. U. Nishan Sumanadeera (resigned w.e.f 16 October 2009)	Brokerage on Share Trading	(244,297)	(510,794)
<b>Investor Access Asia (Pvt) Ltd.</b> Asia Securities (Pvt) Ltd	Mr.J.H. Paul Ratnayeke Mr.Harsha Amarasekera (resigned w.e.f 15 May 2009) Ms. Priyani D. Ratna-Gopal (resigned w.e.f 31 May 2008)	CDAX Online Trade Charges	5,003,947	3,895,326
<b>Asia Growth Fund 1 (Pvt) Ltd</b> P.R. Secreterial Services (Pvt) Ltd	Mr.J.H. Paul Ratnayeke	Secretarial Fees	(51,969)	(74,359)
<b>Asia Fort Sri Lanka Direct Investment Fund Ltd</b> P.R. Secreterial Services (Pvt) Ltd	Mr.J.H. Paul Ratnayeke	Secretarial Fees	(66,097)	(99,145)
<b>Asian Alliance Insurance PLC</b> Asia Securities (Pvt) Ltd	Mr. J.H. Paul Ratnayeke Mr.Harsha Amarasekera (resigned w.e.f 15 May 2009)	Brokerage on Share Trading	(376,644)	
Asia Asset Finance Ltd	Mr. J.H. Paul Ratnayeke (resigned w.e.f 31 July 2009) Mr.Asanga C. Seneviratne (resigned w.e.f 22 May 2009)	Hire of Assets	(3,846,160)	-

### (e) 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.

	2008 GROUP Rs.'000	2008 COMPANY Rs.'000
Short-Term Employee Benefits	45,361	19,240
Post-Employment Benefits	1,125	1,125
Other Long - Term Benefits	-	-
Termination Benefits	-	-
Share Based Payments	-	-



### 31 RELATED PARTY TRANSACTIONS

There are no related party transactions during the year other than those stated in notes 19, 30 and 32 to the Financial Statements.

### 32 CONTINGENT LIABILITIES

There are no material contingent liabilities outstanding as at Balance Sheet date other than those disclosed below.

#### 32.1 Guarantees

The Company has issued corporate guarantees for the bank borrowings by the Subsidiaries/Associates companies as indicated below.

Name of the Company	Name of the Bank	Purpose	2008 Amount (Rs.)	2007 Amount (Rs.)
Asian Alliance Insurance PLC	HSBC	Marine Cargo Survey & Claims Settlement	-	6,600,000
Asia Securities (Pvt) Ltd.	HSBC	Over Draft	40,000,000	40,000,000
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 PLC	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	100,000,000

#### 32.2 Legal Claims

*Asia Securities (Pvt) Ltd.*

Case No.	Parties	Value of Action Rs.	Next Date	Step
HC/CIVIL/112/2005(1)	N.S. Cader Vs Asia Securities (Pvt) Ltd & Commercial Bank of Ceylon Ltd.	15,584,200	19/09/2008	Further Trial
HC/CIVIL/157/2005(1)	Commercial Bank of Ceylon Ltd Vs Asia Securities (Pvt) Ltd & N.S. Cader.	5,515,794	19/09/2008	Call
7516/SPL	M.S. Salahudeen Vs Asia Securities (Pvt) Ltd.	1,000,000	29/08/2008	Call

#### 32.3 Other Contingent Liabilities

Asia Capital PLC has committed to invest Rs. 200 Mn in the shares of Asia Asset Finance Limited through rights with calls of Rs. 50 Mn on 31 October and 31 December 2009 and Rs. 100 Mn on 31 March 2010.

Asia Capital PLC has given an undertaking to Questnet Limited to settle sum of Rs. 89 Mn on behalf of Asia Securities (Pvt) Ltd no later than 29 June 2011.

## Notes to the Financial Statements *Contd.*

### **33. CAPITAL COMMITMENTS**

There were no material capital commitments as at the balance sheet date other than those disclosed below.

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

As at the Balance Sheet Date, the Company has entered into a contract for the capital expenditure of Rs.14,500,000/- for the acquisition of two reach trucks.

Out of the total commitments above, Rs.3,450,000/- has been paid as advances as at the Balance Sheet Date.

### **34. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosures in the Financial Statements.

### **35. ASIA ASSET FINANCE LTD**

Net assets of the Company as at that 31 March 2008 was Rs. 40,111,328/- which is less than half the Stated Capital which indicates serious loss of capital in accordance with the Companies Act No 07 of 2007. The Financial Statements are prepared on the assumption that the Company is a going concern, as the directors are confident that the Company's financial position would significantly improve in the near future.

#### *Non-compliance with the Finance Companies (Minimum Core Capital) Direction No 1 of 2006*

As per the above direction, every Finance Company whose Core Capital is below Rs. 200 Mn as at 01 January 2006 was given a period of 12 months to enhance its Core Capital to Rs.100 Mn and further period of 18 months to enhance Core Capital to Rs. 200 Mn.

Accordingly, the company should have maintained the Core Capital of Rs.100 Mn as at 01 February 2007. However the Central Bank of Sri Lanka allowed an extension of period upto 29 February 2008 to fulfill this requirements.

Further as per the letter dated 16 May 2008, Central Bank of Sri Lanka has reminded that the extension period to enhance the Core Capital to Rs. 200 Mn ends on 31 July 2008 and requested to forward the plans to be adopted by the management of the Company to comply with the Core Capital requirement. Accordingly, the Board of Directors of the Company has made written representation to the Director, Department of Supervision of Non Banking Financial Institution of Central Bank of Sri Lanka.

However as per the Financial Statements as at 31 March 2008 Core Capital is Rs. 40 Mn and the Company has not achieved the Core Capital of Rs. 200 Mn as at 31 July 2008.

Further Asia Capital PLC has committed to invest Rs. 200 Mn in shares of Asia Asset Finance Ltd through rights issue. Parent Company invested Rs. 50 Mn in October 2009 and further investment of Rs. 50 Mn on 30 December 2009 and Rs. 100 Mn in March 2010.

### **36. GOING CONCERN**

#### **a) Asia Capital PLC**

The Company and the Group have made a net loss of Rs. 521,888,000/- and Rs. 370,584,000/- respectively for the year ended 31 March 2008 and has accumulated losses of Rs. 654,229,000/- and Rs. 636,412,000/- for the Company and Group respectively as at that date. The Company's current liabilities exceed the current assets by Rs. 299,085,000/- as at 31 March 2008. The Financial Statements are prepared on the assumption that the company is a going concern as the directors are confident that the financial position of the company and group will significantly improve in the near future and the company will be able to negotiate banking facilities.

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

Accumulated loss of the Company amount to Rs. 673,571/- as at 31 March 2008 and the current liabilities as at that date exceed current assets by Rs. 623,586/- and total liabilities exceed the total assets by Rs. 623,531/-. The Financial Statements are prepared on the assumption that the company is a going concern as the directors of the Company are confident that the Company's financial position will improve in near future, further parent Company agreed to provide financial support.

#### **c) Asia Fort Sri Lanka Direct Investment Fund Ltd.**

Accumulated loss of the Company amount to Rs. 30,844,613/- as at 31 March 2008 and the current liabilities as at that date exceed current assets by Rs. 25,843,553/- and total liabilities exceed the total assets by Rs. 25,843,543/-. The Financial Statement are prepared on the assumption that the Company is a going concern as the directors of the Company are confident that the Company's financial position will improve in near future, further parent Company agreed to provide financial support.

### **37 Investment in Subsidiaries**

#### **Investor Access Asia (Pvt) Ltd.**

As at 31 March 2008 the value of the investment made by Asia Capital PLC in Investor Access Asia (Pvt) Ltd, a wholly owned Subsidiary, amounted to Rs. 32 Mn. Further as at that date, Investor Access Asia (Pvt) Ltd's current liabilities exceeded the current assets by Rs. 8,704,489/-, the total liabilities exceeded the total assets by Rs. 6,845,903/- and the accumulated loss amounted to Rs. 27,184,543/-. No testing of impairment is carried out for this investment as required by SLAS 41-Impairment of Assets.

The board however is of the view that the above investment is not impaired and therefore no provision required.

# Notes to the Financial Statements *Contd.*

For the year ended 31 March

Business Segment	Financial Services		Securities Trading		Manufacturing		Other Services		Fund Based Activities		Insurance		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Rs. '000	Rs. '000	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	183,033	487,388	170,351	353,835	-	-	6,431	11,646	147,799	89,919	578,413	-	1,086,027	942,788
Less: Inter Segment Sales/Dividend	(120,650)	(6,030)	(1,425)	-	-	-	(3,895)	-	-	-	(129,979)	-	(9,925)	(9,925)
Gross Segment Revenue	62,383	481,358	168,926	353,835	-	-	1,427	7,751	147,799	89,919	575,513	-	956,048	932,863
Revenue Based Taxes	-	(27)	-	-	-	-	-	-	-	-	-	-	-	(27)
<b>Net Segment Revenue</b>	<b>62,383</b>	<b>481,330</b>	<b>168,926</b>	<b>353,835</b>	<b>-</b>	<b>-</b>	<b>1,427</b>	<b>7,751</b>	<b>147,799</b>	<b>89,919</b>	<b>575,513</b>	<b>-</b>	<b>956,048</b>	<b>932,835</b>
Segmental Operating Profit / (Loss)	(272,258)	(70,286)	(30,253)	41,017	(595)	(359)	(5,882)	666	(59,186)	(156)	74,398	-	(293,877)	(29,118)
Other Operating Income	5,351	4,426	38,946	37,739	-	-	-	478	14,826	16,362	51,524	-	110,647	59,005
<b>Operating Profit / (Loss) before Provision for Fall in Value of Investments</b>	<b>(266,907)</b>	<b>(65,860)</b>	<b>8,694</b>	<b>78,756</b>	<b>(695)</b>	<b>(359)</b>	<b>(5,882)</b>	<b>1,144</b>	<b>(44,360)</b>	<b>16,205</b>	<b>125,922</b>	<b>-</b>	<b>(183,228)</b>	<b>29,887</b>
Provision for Fall in Value of Investments	(286,893)	(12,358)	-	-	-	-	-	-	(5,452)	(2,530)	-	-	(292,345)	(14,888)
<b>Operating Profit / (Loss)</b>	<b>(553,800)</b>	<b>(78,218)</b>	<b>8,694</b>	<b>78,756</b>	<b>(695)</b>	<b>(359)</b>	<b>(5,882)</b>	<b>1,144</b>	<b>(49,812)</b>	<b>13,676</b>	<b>125,922</b>	<b>-</b>	<b>(475,573)</b>	<b>14,999</b>
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	(95,673)	(67,569)
Share of Associate Company's Profit	-	-	-	-	-	-	-	-	-	-	-	-	20,887	54,799
Adjustment on Disposal of Subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	206,252	-
Profit / (Loss) Before Taxation	949,815	1,426,573	587,033	530,037	-	264,301	3,628	9,111	907,151	653,410	1,955,594	653,410	4,403,222	2,883,432
Income Tax Expense	70,571	177,992	129	-	-	-	-	-	-	-	-	-	129	-
Profit / (Loss) After Taxation	1,020,386	1,604,565	587,162	530,037	-	264,301	3,628	9,111	907,151	653,410	1,955,594	653,410	4,473,922	3,061,424
<b>Assets</b>														
Segment Assets	34,740	633,298	390,247	207,553	-	70,434	1,845	1,822	847,648	520,826	1,668,753	520,826	2,943,233	1,433,933
Deferred Tax Assets	851,638	256,500	27,540	55,285	-	-	173	-	14,632	37,973	16,301	37,973	910,284	349,758
Investment in Associates	-	-	-	739	-	-	-	-	-	-	-	-	-	739
Total Assets	886,378	889,798	417,787	263,577	-	70,434	2,018	1,822	862,280	558,799	1,685,054	558,799	3,853,517	1,784,430
<b>Liabilities</b>														
Segment Liabilities	422	1,810	6,002	10,507	-	-	1,761	2,766	1,191	-	17,542	-	26,918	15,082
Interest Bearing Borrowings	12,979	13,643	5,576	4,397	-	-	4,571	4,490	1,062	-	13,485	-	37,673	22,530
Deferred Tax Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	13,401	15,453	11,578	14,904	-	-	6,332	7,256	2,253	-	31,027	-	64,591	37,612

# Ten Year Summary

Year ended 31st March	2008 Rs.'000	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
<b>OPERATING RESULTS</b>										
Revenue	956,048	932,836	743,097	1,678,846	2,636,189	1,552,293	1,477,230	590,354	258,419	194,769
Profit/(loss) before adjustment of subsidiary	(550,359)	2,229	119,966	267,032	251,732	2,747	105,096	(183,754)	43,015	(25,683)
Adjustment on disposal of Subsidiary	206,252	-	-	-	-	-	-	-	-	-
Taxation	(26,477)	(33,034)	(54,346)	(17,875)	(45,542)	(11,396)	(2,625)	(2,823)	(11,074)	(6,600)
Profit/(loss) after taxation	(370,584)	(30,805)	65,620	249,157	206,190	(8,649)	82,471	(186,577)	31,941	(32,283)
Minority Interest	(60,641)	(186)	(247)	-	562	(13,573)	(8,275)	1,263	4,777	-
Profit/(Loss) attributable to Shareholders	(431,225)	(30,991)	65,373	249,157	206,752	(22,222)	74,196	(185,314)	36,718	(32,283)
<b>ASSETS</b>										
Goodwill	49,076	150,088	150,088	150,088	-	33,450	1,209	2,417	2,763	3,108
Property, Plant & Equipment	94,979	75,843	88,400	168,288	136,885	143,898	156,101	150,601	169,043	37,146
Investment Properties	12,731	13,438	14,145	-	-	-	-	-	-	-
Long Term Investments	433,991	739,732	511,324	411,020	527,243	891,978	1,114,838	1,184,338	1,290,349	1,248,122
Deferred Taxation	129	-	-	-	-	-	-	-	-	-
ESOP Loan	17,491	17,491	17,491	17,491	17,491	17,491	38,023	37,190	37,190	37,190
Long Term Deposits	7,962	14,824	14,824	14,617	16,027	7,775	6,528	6,538	8,050	4,743
Current Assets	3,857,563	2,050,008	3,745,748	2,116,806	974,943	361,784	1,622,917	735,125	1,163,386	774,682
	<u>4,473,922</u>	<u>3,061,424</u>	<u>4,542,020</u>	<u>2,878,310</u>	<u>1,672,589</u>	<u>1,456,376</u>	<u>2,939,616</u>	<u>2,116,209</u>	<u>2,670,781</u>	<u>2,104,991</u>
<b>EQUITY AND LIABILITIES</b>										
Stated Capital	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,565,500	1,565,500
Capital Redemption Reserve Fund	-	13,800	13,800	13,800	13,800	14,440	13,840	1,840	-	-
Revaluation Reserve	5,970	-	-	-	-	-	-	-	-	-
Capital Reserves	1,344	3,174	2,500	2,500	2,500	2,500	9,250	2,500	-	-
Exchange Equalisation Reserve	-	78,316	78,316	(48,467)	(22,385)	(15,015)	(9,290)	-	-	-
General Reserve	3,000	-	-	-	-	-	-	-	-	-
Accumulated Profits/(Losses)	(636,412)	66,604	89,701	131,722	(114,469)	(149,594)	38,968	(16,478)	(292,789)	(329,507)
Shareholders' Fund	488,460	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
Pre-operational and Share Issue Expenses	-	-	-	-	-	-	(13,338)	(15,692)	(33,934)	(6,886)
Minority Interest	131,945	542	247	-	-	6,238	12,521	7,883	38,268	-
	<u>620,405</u>	<u>1,276,994</u>	<u>1,299,122</u>	<u>1,214,113</u>	<u>994,004</u>	<u>973,127</u>	<u>1,166,509</u>	<u>1,094,611</u>	<u>1,277,044</u>	<u>1,229,107</u>
Negative Goodwill	-	-	-	-	-	-	24,302	48,603	55,547	62,490
Non Current Liabilities	37,829	91,523	90,119	91,657	78,179	35,449	47,205	49,169	38,721	9,582
Current Liabilities	3,815,688	1,692,907	3,152,779	1,572,540	600,406	447,800	1,701,600	923,826	1,299,469	803,812
	<u>4,473,922</u>	<u>3,061,424</u>	<u>4,542,020</u>	<u>2,878,310</u>	<u>1,672,589</u>	<u>1,456,376</u>	<u>2,939,616</u>	<u>2,116,209</u>	<u>2,670,781</u>	<u>2,104,991</u>





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