

Getting it right.


Asia Capital PLC | Annual Report 2012



ASIA
CAPITAL
PLC





A white golf ball sits on a white tee in a lush green field. In the background, a red flag is visible on a pole, set against a clear blue sky with some light clouds. The scene is brightly lit, suggesting a sunny day.

Not everyone can claim the distinction of infusing a complex business operation with the flair for success that we have achieved. In a matter of a few years, we have driven this outstanding company to a whole new level of speed and power. An issued share capital of LKR 1 billion on the Colombo Stock Exchange is just one indication of our potential and today we're proud to take our place among the brightest stars of the financial services sector.

In golfing terms, achieving distance with no loss of direction is the goal. Accuracy is key. At Asia Capital, we believe we have achieved this and much more. Our expertise in rapidly and dramatically increasing investor returns and corporate value has grown over the years, bringing us to where we are now. We know we can do it. We're getting it exactly right.

Getting it right.



1000

Revenue

As the global economy continued to be under pressure, its negative impacts cascaded to the local economy too; in this operating environment ACAP's positive vision, astute strategies and strong fundamentals enabled the completion of a full round of corporate achievement.

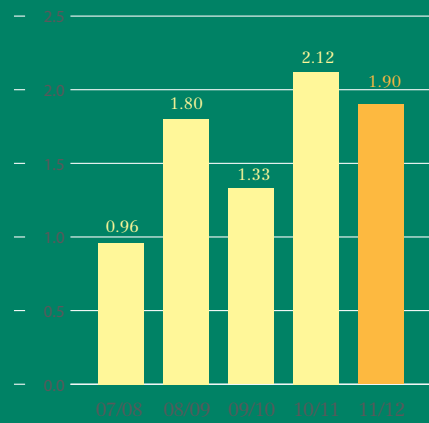
725m

Profit After Tax

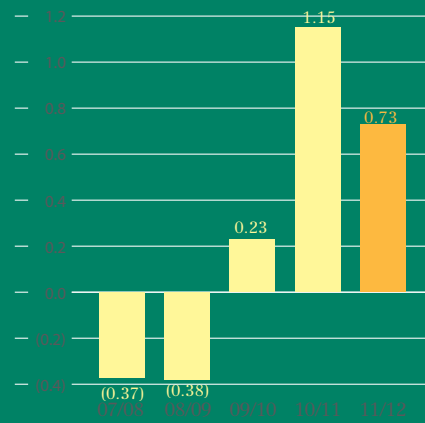
BIG
numbers

Financial Highlights & Achievements

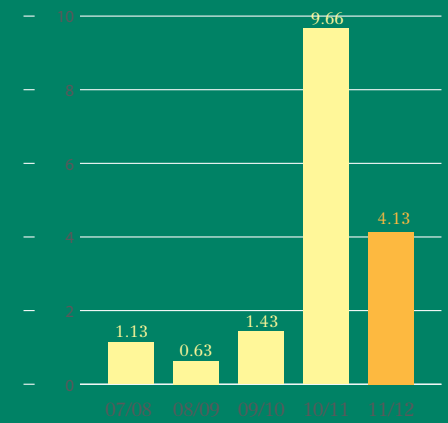
Revenue - Rs. Bn



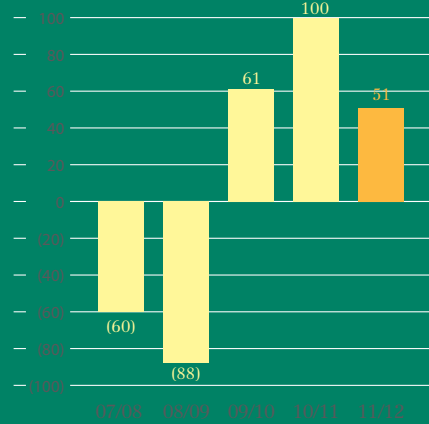
Profit/(Loss) After Tax - Rs. Bn



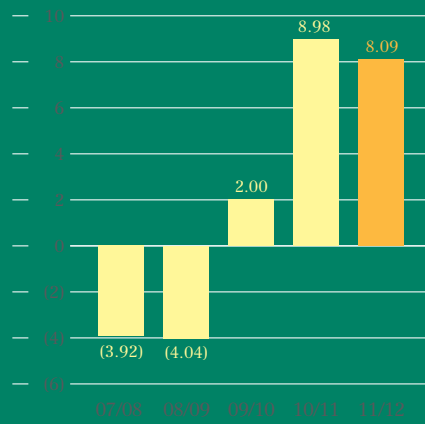
Market Capitalization - Rs. Bn



RONA - %



EPS - Rs.



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Financial Highlights and Achievements	Group		Company	
	2012	2011	2012	2011
Profitability (Rs. '000s)				
Turnover	1,897,601	2,122,917	799,061	303,344
Profit Before Tax	796,004	1,331,927	1,193,224	479,354
Profit After Tax	733,085	1,151,015	1,193,626	465,229
Balance Sheet (Rs. '000s)				
Total Assets	4,985,864	8,635,867	2,720,046	3,639,011
Non-Current Assets	2,120,768	2,832,744	1,318,504	1,635,107
Current Assets	2,865,096	5,803,123	1,401,542	2,003,904
Current Liabilities	3,274,680	6,421,984	1,402,028	2,757,757
Non-Current Liabilities	589,578	436,456	164,408	156,770
Total Liabilities	3,864,258	6,858,440	1,566,436	2,914,527
Shareholders' Fund	1,074,890	1,178,878	1,153,610	724,484
Ratios				
Interest Cover (Times)	10.37	14.40	12.54	5.81
Profit Before Tax to Revenue (%)	41.95	62.74	149.33	158.02
Return On Capital Employed (ROCE) (%)	27.94	41.29	47.17	24.55
Return On Net Assets (RONA) (%)	50.62	99.59	125.92	90.71
Share Performance				
Number of Shares (Rs.)	110,000,000	110,000,000	110,000,000	110,000,000
Earnings per Share (Rs)	8.09	8.98	10.85	4.23
Dividend per Share (Including Proposed Dividend) (Rs)	-	-	6.95	-
Net Asset per Share (Rs)	9.77	10.72	10.49	6.59
Market Value per Share as at 31 March (Rs)	-	-	37.50	87.80
Price Earning Ratio	4.64	9.78	3.46	20.76
Market Capitalization as at 31 March (Rs.)	-	-	4,125,000,000	9,658,000,000
Highest Recorded Share Price (Rs)	-	-	120.00	115.00

Chairman's Review

Hole in One*

Achieving our targets with accuracy is something we know we have to do, not just once or twice, but every single time.

**The ball goes straight into the hole from your tee shot.*

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Chairman's Review

I wish to welcome the shareholders to the 19th Annual General Meeting of Asia Capital PLC.

The financial year 2012 was an outstanding one for Asia Capital PLC. In terms of audited results the Company made a pre-dividend profit of Rs.1.2 billion post-paying a dividend of Rs. 6.95 per share to distribute the surpluses created by the sale of one of its subsidiaries in August 2011. The profit reported in this Annual Report is approximately Rs.733 million. A large component of the profitability was consequent to the disposal of its subsidiary Asian Alliance Insurance PLC. I have discussed the reasons for the sale of Asian Alliance extensively in other fora. Primarily it was due to four reasons. First, despite our earnest efforts we had difficulty in integrating the operations of the insurance company together with our other subsidiaries. Secondly, we were also concerned that due to troubles in the capital markets elsewhere that the valuations would get affected in the short term. My primary aim of holding the insurance company was the privilege it extended to us in managing the funds of the insurance company. Due to the near term drop in equity markets that we anticipated at the beginning of the year, we felt that any such privilege had disappeared. Thirdly, while the depths of the equity market may have provided opportunities for the use of the funds to take over under-performing companies for the benefit of our shareholders, the insurance regulations were amended to limit the maximum holdings of a company by the use of insurance funds to 5% of the issued capital of any

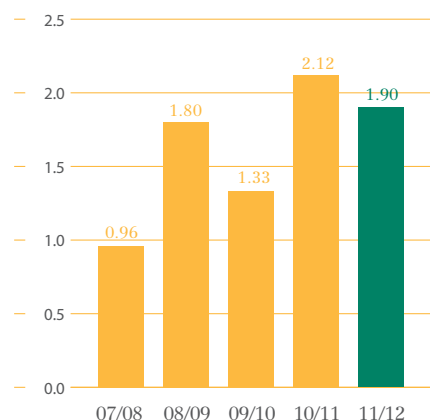
company. Finally, the Company received an attractive price and it freed up the cash and the cash was returned to the shareholders so that the shareholders could pursue their own investment strategies with the returns.

From early January to some time in June, I took leave of absence from my post of Group Managing Director and Chairman of the Board to recover from an illness and spent my time attending a physical therapy programme in Brisbane Australia. During the period of my absence, the company was ably led by Mr. S A Abeyesinhe who joined the Company as part of the Change Management Team who took it over in May 2009. Mr. S A Abeyesinhe has done extraordinarily well in the acting capacity. Being an Acting C.E.O. is an extremely difficult task. One has to balance the expectations of the job and the need for results without necessarily carrying the full authority vested in the position. Although I have somewhat recovered from my illness, I believe Stefan has proved himself and I along with the Board made his appointment permanent effective 28 June 2012. I will remain as the Group M.D. and Chairman of the Board for the foreseeable future. I believe Mr. S A Abeyesinhe has earned this position, is competent and has proved himself to ably manage it with the guidance of the Board.

Of the other successful stories of the financial year 2012, the principal one was the transformation of Asia Asset Finance PLC (AAF)

Asia Capital Group

Revenue - Rs. Bn



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Ours is a very competitive industry and we know how hard we have to work to stay ahead. Delivering consistent value to clients is no easy task.

Charge*

**To surge from behind and display superior play. Also to play or putt aggressively*

Chairman's Review

from a well performing company to an extremely successful public listed company in January 2012. Asia Asset Finance PLC continues to be led by Mr. Rajiv Gunawardena as its CEO and it had a successful IPO in January 2012. The share which was listed at Rs.2.50 raised approximately Rs.300 million from the market and since its debut on the Colombo Stock Exchange on 12th January 2012 performed credibly, both in terms of price and in terms of liquidity. The share price as at today (20th April 2012) is Rs.3.50/- per share and the Company has a market capitalisation of Rs.1.9 billion. This is a tremendous value to the group for a share, unfortunately, listed at a time when the market was going through one of its harder times. We are overjoyed at its performance and at how it has maintained a good interest on activities.

I am immensely proud of the team led by Mr. Rajiv Gunawardena who has brought the company to where it is today. I wish to thank the Board of AAF and its Senior Management for the hard work over the last several financial years. I am confident that this company will continue to maintain and improve its growth as the Board and Management Team are very much in sync and have been doing a tremendous job.

With regard to the financials, the company made a profit after tax of Rs.71.6 million for the year ended 31st March 2012. The net interest income growth compared to last year is 189%, and demonstrates a growth in the operational performance of the company. The Loan portfolio base has increased by 70% reaching the 2 billion mark in the current year which directly resulted in the topline growth. The growth in deposit base is 44%, and the total customer deposit base as at 31 March 2012 stood at 1.9 billion. In terms of Non-performing loans, the company was able to maintain a NPL ratio of less than 1% for new loans granted during the year. In terms of operations, the company has demonstrated significant improvement compared to the last financial year. However, the small reduction in profits is mainly due to the loss of the share portfolio in an unusually bad year for the stock market.

The post listing performance of Asia Asset Finance PLC bodes well for other companies to be listed by Asia Capital PLC., in the future. The company is currently planning to continue its expansion of branches in the North and

The post listing performance of Asia Asset Finance PLC bodes well for other companies to be listed by Asia Capital PLC., in the future. The company is currently planning to continue its expansion of branches in the North and East and is currently performing well in most matrices compared to its peer companies.

East and is currently performing well in most matrices compared to its peer companies. In early January 2012, the Chairman of that Company Mr. Daya Muthukumarana resigned from the Board due to the Central Bank making it mandatory for all Board Members of Finance Companies to resign on reaching the age of 70. We believe that Asia Asset Finance PLC., will continue to grow at 20% or above for the next several years.

Asia Securities (Private) Limited has always been Asia Capital's largest contributor. During the last financial year, the market performance was not at all kind to any brokering house or trader. The market conditions over the last financial year have successfully damaged quite a few start up brokering firms as indicated in my last

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Annual Report. We would be happy to acquire and merge with them if potentially found viable. Even in the worst of conditions Asia Securities (Private) Limited has managed to break even compared to its phenomenal performance in the last two financial years. I wish to thank Mr. Sabri Marikar and the Board for successfully keeping the team together through troubled times and for their efforts in keeping the company steady and developing new contacts and new clients who will I am certain contribute tremendously when market conditions change. In fact the Chairman of the SEC has come publicly with the announcement that the new brokerage houses are not performing well. This is a consequence of certain policy changes that were adopted by the SEC in the recent past. First, the SEC reduced the brokerage fees and also increased the number of brokers from 19 to 27 which resulted in an increase in the cost structure with the brokerage companies competing with each other to attract human resources and poaching on each other's clients.

We cannot be immune from the sweeping changes that are occurring in the global market place for equities consequent to the impact due to the financial crisis.

The share market now appears to be attractive due to the prices being much more reasonable than what it was in its heyday. With possible change in the global conditions anticipated in the next two years, we expect a resurgence of the Colombo Stock Market. Global economic commentators are now discussing possible further declines in the Chinese economy and a possible return to a recession in the US.

I am extremely pleased to have entered the Leisure Sector and have decided to expand into the sector at this perfect

time. Sri Lanka has become one of the most sought after destinations globally and continues to successfully draw tourists from all corners of the globe. Sri Lanka has also successfully developed new tourist interest from countries that have never contributed to Sri Lanka tourism before.

I feel that the leisure sector is already a core operation for the group. We currently own and operate three Boutique properties in Colombo, Ahungalla and Galle. Each one of these hotels are destinations to be listed. Our current plan is to list the first hotel company immediately after the end of the next financial year. Asia Capital PLC will retain majority control over each of these companies and these will be agglomerated in a holding company which will also be listed and will form part of our core investments together with Asia Asset Finance PLC., and Asia Securities (Private) Limited. These properties cater to a very high end of the market with super luxury facilities and services. We have decided that the new ventures in leisure will be a mixture of boutique and resorts. The properties we are currently building in Ahungalla and Wadduwa, we hope to open for business in the summer and winter of 2013 respectively. Both are 30 roomed beach front properties. We have been successful in getting investing companies from Japan to invest in these two ventures and to assist us in our expansion programme and also assist to target Japanese tourists.

By the end of the next financial year, Asia Leisure Group hopes to own and manage over a hundred luxury rooms concentrated in the South. We believe that the prognosis for tourism in the South is very good due to the exceptional transportation facilities available consequent to the completion of the Southern Expressway. We are also looking at the potential of developing properties on the East Coast, but for the time being we have deferred this to concentrate on the Southern properties.

I wish to thank Mr. Mahinda Galagedera, Mr. Peter Jansen and Mr. Saminda Weerasinghe who played a valuable role in the above mentioned activities.

Asia Wealth Management Company (Private) Limited is a boutique investment advisory company. Its two main divisions are Equity Research and Corporate Finance. Currently, equity research is mainly focused on the Stock Broking Clientele, and are now exploring the possibility

Chairman's Review

I am extremely pleased to have entered the Leisure Sector and have decided to expand into the sector at this perfect time. Sri Lanka has become one of the most sought after destinations globally and continues to successfully draw tourists from all corners of the globe

of initiating a Sri Lankan Equity Fund worth approx. USD 50 Million. This will be a mix of listed and private equity to be launched in Japan by the end of this year. Hence, if this endeavor ends successfully the Research Division would be appointed as the advisors to the fund and earn a fee based on Assets Under Management. They continued to conduct intensive research on equities during the year and was one of the primary sources of independent research to much of corporate Sri Lanka, including the Company's associates. The Company is considered one of the leaders in equity based research and its reports are held in high esteem amongst industry experts Also, the Corporate Finance (CF) team will be handling the setting up of the fund with their Japanese counterparts. Apart from the above initiation, the CF team is hoping to expand in to the spheres of private placement, debt syndication and capital raising. The CF division currently structures all the private equity investments of the Asia Capital Group.

Asia Capital PLC., initiated an education sponsorship program as part of its CSR efforts, to help 10,000 children in the Northern Province sustain their education. This social demographic suffered the brunt of war more than any other segment. I believe that helping these children/ future generation of youth to overcome the negative consequences of the war is perhaps the best possible way to end the cycle of ethnic violence that has ravaged Sri Lanka for decades. In other words, Asia Capital PLC., as a Sri Lankan corporate entity is playing a significant role in bringing reconciliation to post war Sri Lanka by committing to provide educational resources to these children severely affected by the war. I am therefore happy to note that the 500 children chosen from the Jaffna District as the pilot project of this program are making full use of the assistance given to them to sustain their education until they reach adulthood. It is also inspiring to see children under the sponsorship excelling academically at the Grade Five Scholarship examination. The uncertainty on the sustainability and quality of education children receive has been mitigated by the sponsorship which provides a better environment to learn and flourish.

My understanding of recent research that has been brought to my attention indicates that very young children who have gone through trauma have significant problems with the way they assimilate and respond to the threats one perceives in the environment due to permanent neurological changes resulting from early childhood trauma. It becomes absolutely vital that we reach out to these children and provide them with love and support to ensure that extremism does not find root here among this group. I believe that the Southern community's action in this regard is vital to seek National reconciliation and mitigate extremism.

This charitable endeavor is further strengthened by the establishment of the 'Glorious Jaffna Foundation' (GJF) a non-profit organisation registered as a charity in Sri Lanka to carry out development work in the Northern Province. Asia Capital PLC., funds the operational infrastructure of GJF which carries out the aforesaid education sponsorship program. I am also the Chairman of the Foundation, which provides a platform where

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other individuals and corporate entities, both local and global can use to help these children from the Northern Province to sustain their education at an individual level and ultimately bring forth communal harmony by making the next generation better educated and well informed at a higher societal level. It also means a lot to me at a personal level, to be involved with the progress of three children I sponsor via the facility provided by the education sponsorship program carried out by Glorious Jaffna Foundation. Asia Capital's CSR commitment to Glorious Jaffna Foundation is a beacon to all peace loving citizenry who have experienced the rough seas of conflict and anguish, as a means to arriving at the port of lasting reconciliation.

Thank you



H L L M Nanayakkara
Chairman/Managing Director
Asia Capital Group

Board of Directors



H L L M Nanayakkara
Chairman/Managing Director



J H P Ratnayeke
Deputy Chairman



D Muthukumarana



A D Ross

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R J Wickramasinghe



F X R Pereira



V Siva Jr.



S A Abeyesinhe

Board of Directors

H L L M Nanayakkara

Chairman/Managing Director

Mr. Manohan Nanayakkara is the Chairman/Managing Director of Asia Capital PLC and the Managing Director of Asia Securities Private Limited. He 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 Maddison 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).

J H P Ratnayeke

Deputy Chairman

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 which handles all areas of law and international legal consultancy work. Mr. Ratnayeke is a Solicitor of England and Wales and an Attorney at Law of the Supreme Court of Sri Lanka. He holds a Bachelor of Laws degree with honors and has been awarded a Masters Degree in Law by the University of London. Currently Mr. Ratnayeke holds Directorships in several companies including public quoted companies, in some of which he has been appointed Chairman/Deputy Chairman. At Paul Ratnayeke Associates, he specialises in corporate and commercial areas of law including mergers and acquisitions, aviation, insurance and maritime law.

D Muthukumarana

Mr. Daya Muthukumarana is a professional Banker holding a Fellowship from the Institute of Bankers Sri Lanka, an MBA from the Post Graduate Institute of Management, Certificates in Project Management from Arthur D' Little Boston, USA and a Management Development Program from Cranfield University, UK.

He held senior top management positions in reputed commercial banks in the country as the most senior Deputy General Manager at Hatton National Bank Plc and as the Managing Director of Pan Asia Bank PLC. He was also Chairman of the Ceylon Fisheries Corporation and served as a consultant to the government of Bangladesh in the Skills Development of the Bankers in that country, on a project managed by the Asian Development Bank in Dhaka.

To Mr. Muthukumarana's credit as a very senior banking professional, he possesses extensive experience in Corporate Finance, Corporate Banking, Micro Finance, Rural Finance, Commercial and Development Banking, Leasing and all other areas of wholesale and Retail Banking. Mr. Muthukumarana was a founder member of the 'Banking With the Poor' project organised by the Foundation for Development Corporation Australia and was also an active member of the Asia Pacific Region's 'Credit Association Bangkok'. He was trained in Advanced Credit Management and International Banking at the Vereins Bank AG Hamburg, Germany and The Midland Bank PLC in London, UK.

During his tenure of office, he has been instrumental in introducing many long lasting Banking and Micro Finance products and services in Sri Lanka. Mr. Daya Muthukumarana is also the Chairman of SEEDS (Guarantee) Limited and the Chairman of Asia Asset Finance Limited; he is also a Director of Asia Capital PLC and Asia Leisure Group.

A D Ross

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

Mr. Ross has over 30 years of experience in Accountancy and Finance. He is the Managing Director of Baker Tilly Hong Kong Limited (Certified Public Accountants),

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a member of the Asia Pacific Regional Board of Baker Tilly International, the Finance Director of Windy City International Limited (the operator of the Dan Ryan's Restaurant Group) and an Independent Executive Director on the board of Global Tech (Holdings) Limited, which is listed on the Hong Kong Stock Exchange.

R J Wickramasinghe

Mr. Wickramasinghe is a fellow of the Chartered Institute of Management Accountants and Chartered Association of Certified Accountants. He was the former Chairman of Sri Lanka Ports Authority between 1996 and 1998 and Chairman of Ceylon Shipping Corporation from 1994 to 1996. He worked for the National Shipping Line between 1970 and 1977 as Deputy Finance Manager.

Among his private sector stints, he was Finance Director of George Steuart and Company from 2000 to 2002. Currently Mr. Wickramasinghe functions as a Consultant.

F X R Pereira

Mr. F X R 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 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 from 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 from 2003-2004.

Mr. Pereira has held Directorates in several high ranking Sri Lankan organisations throughout his career. Among them being Lankem Ceylon Limited., where he served as Director Finance & Company Secretary from 1977 to December 1989. Finance Manager & Company Secretary of Lankem Developments Limited. from 1981 to December 1989. Director Finance and Company Secretary of Sigiriya Village Limited. Multistretch Limited and Lankem Exports Limited up to 1989. Finance Director of Richard Pieris & Co. Limited from January - August 1990 and Director

Finance and Administration of the Janasaviya Trust Fund from December 1990 to July 1995.

He practices as an independent Consultant to private sector organisations and for the IDA -World Bank; ADB and numerous other multilateral institutions. He has been appointed as Chairman of the Audit Committee for Asia Capital PLC.

V Siva Jr

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

He also served as Group Finance Director of a large oil palm plantation group in Malaysia.

Mr. Valentine, formerly from Arthur Andersen & Co., Malaysia, has vast experience in corporate finance, strategy and performance management (balance scorecards) and capital markets. He holds a Bachelor of Accounting (Hons) degree from University Utara Malaysia and The Certified Public Accountant (CPA) qualification from the Malaysian Institute of Certified Public Accountants (MICPA).

S A Abeyesinhe

Mr. S A Abeyesinhe is the Group Chief Executive Officer for Asia Capital PLC and also serves on the Boards of Asia Securities (Private) Limited., Asia Asset Finance PLC., Asia Capital Technologies(Private) Limited., Asia Leisure Holdings (Private) Limited., Asia Leisure (Private) Limited., Asia Tea Packaging (Private) Limited. and Asia Wealth Management Company (Private) Limited.

He pursued his higher studies in both the United States and the United Kingdom after which he worked in financial markets in London. On his return to Sri Lanka he joined PriceWaterhouseCoopers and Pradana Limited a boutique investment firm prior to joining Asia Capital PLC in June 2009.

Chief Executive Officers



Left to Right

Rajiv Gunawardena

(CEO - Asia Asset Finance PLC)

Dishan Fernando

(CEO - Asia Capital Technologies (Private) Limited)

Mahinda Galagedara

(CEO - Asia Leisure (Private) Limited)

Sabri Marikkar

(CEO - Asia Securities (Private) Limited)

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Senior Management



Left to Right

Thusitha Perera

(Group Chief Financial Officer)

Peter Jansen

(Group Head HR & Administration)

Rajitha Basnayake

(Group Chief Information Officer)

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Corporate Structure

SECURITIES TRADING

Asia Securities (Private) Limited

FINANCIAL SERVICES

Asia Wealth Management Company
(Private) Limited
Asia Asset Finance PLC

VENTURE CAPITAL

Asia Fort Sri Lanka Direct
Investment Fund Limited
Asia Growth Fund 1
(Private) Limited

MANUFACTURING

Asia Tea Packaging
(Private) Limited

The background of the entire page is a close-up, slightly blurred photograph of numerous white golf balls. The balls are arranged in a grid-like pattern, with their dimpled surfaces clearly visible. The lighting is soft, creating subtle highlights and shadows across the texture of the balls.

LEISURE

Asia Leisure Holdings (Private) Limited
Asia Leisure (Private) Limited

INSURANCE

Asian Alliance Insurance PLC

INFORMATION TECHNOLOGY

Asia Capital Technologies (Private) Limited
(Formerly known as Investor
Access Asia (Private) Limited)

ENTERTAINMENT

Asia Digital Entertainment
(Private) Limited

Corporate Structure

Securities Trading

Asia Securities (Private) Limited

Directors

J H P Ratnayake (*Chairman*)

H L L M Nanayakkara (*MD*)

P N B Wijekoon

S A Abeyesinhe

M S I Marikkar (*CEO*)

A Hedigallage

S Subaulla

M A M Niyaz

Alternate Directors

S A Abeyesinhe

(*Alternate Director to H L L M Nanayakkara*)

S A Abeyesinhe

(*Alternate Director to J H P Ratnayake*)

Shareholding of Asia Capital PLC

99.99%

Auditors

KPMG

Information Technology

Asia Capital Technologies (Private) Limited

(*Formerly known as Investor Access Asia (Private) Limited*)

Directors

H L L M Nanayakkara (*Chairman*)

S A Abeyesinhe

R A B Basnayake

Shareholding of Asia Capital PLC

100%

Auditors

Amarasekara & Co

Financial Services

Asia Wealth Management Company (Private) Limited

Directors

H L L M Nanayakkara (*Chairman*)

S A Abeyesinhe

P N Jansen

W A S Weerasinghe

Shareholding of Asia Capital PLC

100%

Auditors

Amarasekara & Co

Asia Asset Finance PLC

Directors

H L L M Nanayakkara (*Chairman/MD*)

R J A Gunawardena (*CEO*)

S A Abeyesinhe (*Non Executive*)

W J A Fernando (*Non Executive Independent*)

C Ramachandra (*Non Executive Independent*)

N De Silva (*Non Executive Independent*)

D P Pieris (*Non Executive*)

Alternate Director

D P Pieris (*Alternate Director to H L L M Nanayakkara*)

Shareholding of Asia Capital PLC

92.63%

Auditors

Ernst & Young

Manufacturing

Asia Tea Packaging (Private) Limited

Directors

H L L M Nanayakkara (*Chairman*)

S A Abeyesinhe

P N Jansen

Shareholding of Asia Capital PLC

100%

Auditors

Ernst & Young

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Venture Capital

Asia Fort Sri Lanka Direct Investment Fund Limited

Directors

J H P Ratnayeke (*Chairman*)

H L L M Nanayakkara (*MD*)

Shareholding of Asia Capital PLC

100%

Auditors

KPMG

Asia Growth Fund 1 (Private) Limited

Directors

J H P Ratnayeke (*Chairman*)

H L L M Nanayakkara (*MD*)

S A Abeyesinhe

Shareholding of Asia Capital PLC

100%

Auditors

KPMG

Insurance

Asian Alliance Insurance PLC

(Asia Capital stakes in Asian Alliance PLC was disposed on 12th August 2011)

Directors

J H P Ratnayeke (*Chairman*)

H L L M Nanayakkara (*MD*)

Prof. L R Watawala

R G Jasinghe (*CEO*)

R J Wickremasighe

V Siva Jr

S A Abeyesinhe

R C D De Silva

D Muthukumarana

Alternate Director

D P Pieris (*Alternate Director to H L L M Nanayakkara*)

Shareholding of Asia Capital PLC & its subsidiaries

53.17%

Auditors

KPMG

Entertainment

Asia Digital Entertainment (Private) Limited

Directors

H L L M Nanayakkara (*Chairman*)

S A Abeyesinhe

P N Jansen

Alternate Director

R J A Gunawardena

(Alternate Director to Mr. H L L M Nanayakkara)

Shareholding of Asia Capital PLC

100%

Auditors

Ernst & Young

Leisure

Asia Leisure Holdings (Private) Limited

Directors

H L L M Nanayakkara (*Chairman*)

S A Abeyesinhe

P N Jansen

M S D Galagedara

D Muthukumarana

Shareholding of Asia Capital PLC

100% through Asia Growth Fund 1 (Private) Limited

Auditors

A C M Ifhaam & Company

Asia Leisure (Private) Limited

Directors

H L L M Nanayakkara (*Chairman*)

S A Abeyesinhe

P N Jansen

M S D Galagedara

D Muthukumarana

Shareholding of Asia Capital PLC

100%

Auditors

A C M Ifhaam & Company

Management Discussion & Analysis

Economic outlook for 2011/2012

The country's economic outlook for the year 2011/2012 was triggered by the sluggish market conditions that restrained the growth momentum of the previous year.

The post war monetary mechanisms supported large scale leveraged buying leading to an increase in imports and ultimately to the escalation of the country's trade deficit. In a bid to address the situation and curtail spending, the government introduced drastic monetary policy changes together with the credit regulations during the latter half of the FY 2012. The Central Bank announced an increase in interest rates. The CSE imposed strict regulations and the Rupee was allowed to free float in an attempt to reign in the burgeoning trade deficit. These moves caused the catastrophic decline of the country's money markets which largely affected the retail trading segment. The high net worth individuals and institutional investors were not as affected and retained their trading capacity by energising speculative market forces.

The forecast for the FY 2013 remains grim due to the short term market stagnation, an inevitable precondition of revival. Experts believe the inevitable turnaround would materialise towards December 2012 proving that the stagnant market ideally facilitates greater investment potential.

ACAP Group Performance

Asia Capital PLC steadfastly moved forward during the year as a force to be reckoned with in Corporate Sri Lanka. Asia Securities has remained the ACAP's core business focus for over twenty years but during the year under review the company made notable diversifications to other business areas.



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Follow-through*

There's no point in being the best financial service company around if your views are short-term. We build solid relationships with most of our clients. They know we're with them for the long haul.

**The continuation of the swing
after the ball has been hit.)*

Management Discussion & Analysis

The ACAP group boasts of interests in Securities, Finance and Private Equity which includes Tea, Leisure, IT and Digital Entertainment.

In a revolutionary move Asia Leisure, Asia Tea Packaging, Asia Capital Technologies and Asia Digital entertainment were absorbed under the private equity umbrella. This move would ensure stable capital base and enhanced technical capabilities for these companies through specialist strategic partnerships in the future.

The group underwent a number of other significant changes as well during the FY 2012. Foremost among them was the disposal of Asian Alliance Insurance in August 2011. Accordingly AAI's contribution to the consolidated performance is limited to the first eight months of the year only. However, the loss in turnover was more than adequately compensated for by the significant capital gain made owing to the disposal. The ACAP group made a strategic move to replace the insurance business with investments in the thriving leisure sector. Asia Leisure (Private) Limited., through the Asia Leisure brand would prove to be the catalyst establishing the groups' presence in the leisure sector in Sri Lanka. Asia Leisure comprises of four high end leisure properties, three of which are fully operational and the fourth property is currently being developed. In the face of restrictions for capital raising and listing resulting from leasehold ownership, the Group made a bold decision to move away from leasehold properties and channel all investments exclusively to freehold properties only. The group has laid out extensive expansion plans to penetrate a number of key tourist destinations within the country with the goal of having 150 fully operational rooms by 2014. The broader long term objective would be for Asia Leisure to capture a segment of the regional market as well.

The performance of Asia Asset during the year under review has been very encouraging. The company has steadily grown in the past three years and has surpassed all expectations.

It is expected that the company would only continue to grow as it matures through the business cycle and a Rs. 500 Million turnover is forecast for the FY 2103. At present Asia Capital PLC owns 93% of the share portfolio of Asia Asset. An aggressive marketing drive has been planned for the year ahead to create awareness and interest to attract large scale regional investors to the company and to Sri Lanka's financial markets. The current performance trend of Asia Securities is expected to continue for the next few months as a resurrection of the share market cannot be foreseen in the next few months. However, revival symptoms are expected to trigger a change in the market towards the end of 2012. In the meantime, the company continues to sustain high overhead costs owing to its sophisticated infrastructure facilities. The ultimate road to sustainable recovery for the company involves getting the right mix between a streamlined expenditure structure and an aggressive marketing strategy. This process has already commenced and the company is actively engaged in a cost restructuring process. As such while retaining the existing retail customer base, in the year ahead the company proposes to launch a number of marketing initiatives with greater focus on attracting high net worth individuals and institutional investors.

ACAP Group Financial Performance

The group recorded a consolidated revenue of Rs. 1.89 Billion for the year under review which is a 11% decline compared to the previous year (2010/11 - Rs. 2.122 Billion). The decrease is largely due to the impact of consolidated revenue following disposal of Asian Alliance Insurance (AAI) during the FY 2012. Hence the group revenue for the year under review reflects a portion of the AAI revenues up to the time of disposal. This was further compounded by the negative performance of Asia Securities (Private) Limited due to the dreary conditions experienced in the stock market in the latter part of the year. It is noteworthy that Asia Securities only contributed Rs. 323 Million to the group turnover during the year compared with the previous years' contribution of Rs. 822 Million.

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733 Billion

Profit After Tax

The group's other operating income increased significantly during the year as a result of the lucrative disposal of Asian Alliance and Asia Siayaka. The Other Operating income recorded in the FY 2012 was Rs. 1.802 Billion as opposed to the Rs. 776 Million recorded in the FY 2011.

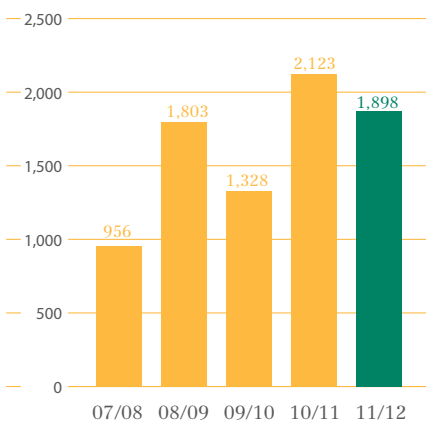
The group Profit Before Tax (PBT) experienced a significant drop from the Rs. 1.331 Billion recorded in the FY 2011 to Rs. 796 Million in the year under review. This was mainly due to the consolidation of significant losses from AAI

for the first eight months of the FY 2012. The lacklustre performance of AAI prompted ACAP to completely divest their interest in the venture by August 2011. These issues together with the high operating costs incurred by the company during the year can be identified as the key contributory factors for the decrease in PBT. Accordingly, the Group also witnessed a decrease in the PAT by 36% to record only Rs. 733 Million for the year compared with Rs. 1.151 Billion in the previous year.

The company share holders were beneficiaries of the group success by way of dividend declared at the rate of Rs. 6.95 per share. The much anticipated dividend came after a gap of six years and amounted to a colossal Rs. 764.5 Million in total.

Asia Capital Group

Turnover - Rs. Mn



Group Treasury Operations

The Asia Capital central treasury unit plays a pivotal role in ensuring tangible wealth creation as the key negotiator in sourcing of working capital. Driven by the steadily evolving debt and equity markets, the treasury operation currently encompasses a comprehensive suite of debt instruments. In addition, the division specialises in creating bespoke financial solutions that capture the crux of complex corporate needs of today. The treasury function effectively support critical group decisions through a broad based range of data and statistics on debt market trends, both local and global. During the year

Management Discussion & Analysis

the division initiated a scheme to provide value added services to selected high net worth clientele from the Asia Securities portfolio.

The operational activities of the treasury division for the first six months of the FY 2011/2012 remained relatively unchanged compared to the previous year. However, the primary money markets experienced harsh changes in the second half of the year which resulted in significant decline in value creation. With a view to promoting long term financial stability in the country, the government introduced dramatic changes in monetary policy in order to curtail spending by raising interest rates. This move led to considerable uncertainty in the local financial markets in the short term.

It is predicted that the volatile money market conditions would stabilise in the longer term particularly in view of the expected foreign debt inflow to the country, though an exact timeline for the recovery process remains unclear.

Asia Securities - Operational Performance

As a business driven largely by market forces, Asia Securities (Private) Limited (ASPL) ended the FY 2012 with mixed fortunes. The post war buoyancy in the financial market experienced a gradual decline in the first half of the year under review. This was followed by stringent credit regulations introduced by the Securities and Exchange Commission (SEC) in September 2011. Simultaneously, The Central Bank issued a directive to increase interest rates in a bid to curb spending and prevent the market conditions from escalating out of control. The resulting uncertainty could be viewed as

the inevitable adjustment of the Bull market conditions experienced after May 2009.

Approximately 70% of the company's core business is generated through the retail arm. The remaining 30% of the portfolio consists of institutional and high net-worth individuals. Furthermore, the CSE issued new licenses during the year in a bid to dilute the competitive nature of the share trading market. However, this move proved to have negative consequences for ASPL. As such, the changes in the money market scenario combined with the increased competition had a severe impact on ASPL's retail client segment. Many clients opted to divest their equity portfolio and channel it towards the more lucrative money market driven fixed income sources.

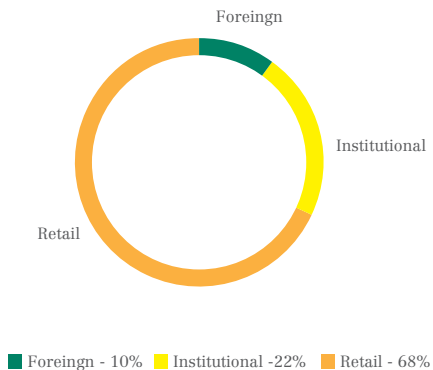
ASPL clearly indentified the gravity of the prevalent market conditions and its negative impact on the company's resources. Accordingly, in January 2012 the company commenced an active campaign to trim off inefficiencies within the organisation. Cost processes were streamlined and the technology platform was revamped to maximise efficiency and economy of operational functions.

In the forthcoming year the company expects to focus its energies on expanding its capabilities to build a presence in key foreign markets. A tie-up with a Middle-East based brokering house was successfully concluded during the year under review and ASPL anticipates trading operations would commence soon. In addition, negotiations are underway with a USA based brokering outfit for a similar strategic link up. ASPL is also exploring the possibility of forming alliances with parties within the region.



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Asia Securities (Private) Limited
Revenue of Rs. 322 Mn for the year 2012

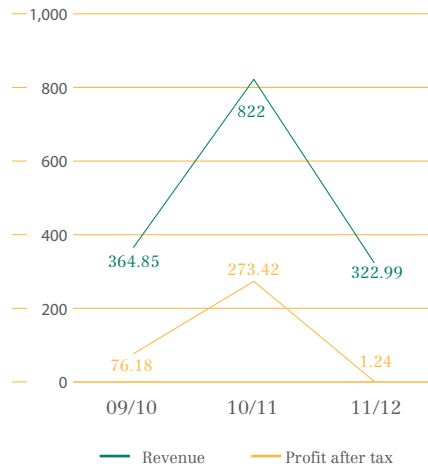


The company expects the uncertain market conditions to stabilise towards the end of the forthcoming year. In this eventuality ASPL expects to broad base its retail business by tapping into the upper middle class clientele in the country. At present this market segment comprises of only 2.5% of the CSE active population and the company believes this could be increased to 5% through good retail coverage. In anticipation of the imminent market stability, ASPL enhanced the island wide branch network by opening two new branches in Moratuwa and Wennapuwa. In addition the Matara branch was upgraded and relocated to an ultra-modern facility with greater visibility. In the pipeline for the FY 2013 is the proposed launch of the Ratnapura Branch. In line with ASPL's expansion plans the company enhanced its staff cadre by recruiting and training the required personnel.

Asia Securities - Financial Performance

The year under review saw the company's revenues decline by 61% from Rs 822 Million in 2011 to Rs 323 Million in 2012. The bearish market condition was the key contributor towards this notable drop in revenue. However despite this drop in revenue and profitability the company declared Rs. 100 million dividend payment during the year.

Asia Securities (Private) Limited
Revenue Vs Profit After Tax - Rs. Mn



Notwithstanding the notable downturn in market activities, the company recorded an EBIT of Rs. 36.8 Million compared with the Rs. 42 million recorded in the previous year.

The significant progress made by the company facilitated to convert a massive after tax loss into a marginal profit of Rs. 1.24 Million as opposed to the massive Rs. 273 Million recorded the year before.

Asia Asset Finance - Operational Performance

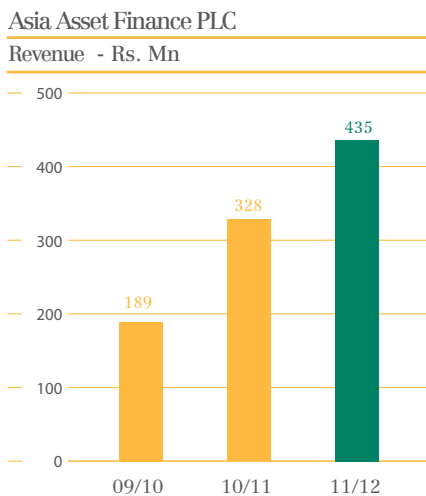
Asia Asset Finance PLC (AAF) is a licensed deposit taking institution registered with the Central Bank of Sri Lanka. As a fully fledged financial services company catering to the needs of both, individuals and corporate entities, the company boasts of an extensive portfolio of services ranging from deposit mobilisation to leasing and hire purchase facilities in addition to asset backed financing



Management Discussion & Analysis

options.

The company started the FY 2012 on a positive note in tandem with the government policy to reduce import duties on vehicles introduced in April 2011. Accordingly during the year 2011/ 12 the company consolidated its position through aggressive measures launched to tap into the rapidly expanding vehicle financing market segment. As such, the company's vehicle loan and vehicle leasing portfolios soared during the year. However the earnings from the share portfolio were adversely affected sparked by the credit regulations imposed by the CSE in September 2011, magnified by the hike in interest rates during the same period. AAF continued undaunted to forge ahead with plans to broad base its presence within the financial market. Key among them was the offering of AAF shares to the public by way of an Initial Public offering (IPO) in January 2012.



The 'one stop financial services hub' concept launched under the accelerated growth strategy of the previous year was further developed during the year under review. The company was an active participant of the rapid development initiatives for the North and East. AAF presence was established through the opening of the Bataloa and Kilinochchi branches along with a service center in Ottusudan. The company hopes to cement its position further in the year ahead by relocating the Jaffna branch to a prominent location in addition to opening of branches in Kalmunai and Ampara. AAF holds the proud distinction as one of the pioneers to introduce

the concept of invoice discounting and factoring to the business communities of the North and East. The company identified considerable expansion possibilities in the Southern province as well in the manufacturing and trading sectors with particular focus on Dairy and Tea industries. This was serviced through the commencement of Micro Finance facilities for the SME and semi-corporate sector in the Galle district. The scheme proved to be a tremendous success in Galle and prompted the company to broaden its reach to Kurunegala, Colombo and Moratuwa with plans to further extend to the North and East in the forthcoming year.

The FY 2012 also witnessed the re-emergence of the motorcycle leasing facilities as part of the company's product portfolio. It was decided to amend the disbursement criteria for motor cycle leases and relaunch to a selective clientele only. In the forthcoming year, the company also plans to introduce "Top up loans" for existing customers whereby existing loans would be rescheduled based on payment history and credibility.

During the year the company also opened a branch office in Moratuwa and expects to serve the Colombo North area through the proposed opening of the Wattala Branch in the FY 2013. In the FY 2012, AAF diversified from their core business activities in financial services to float a subsidiary company Asia Travels (Private) Limited, a specialised vehicle renting company. Asia Travels handles the retail and logistical transport requirements of the entire ACAP group. In the light of the burgeoning demand for leasing services, AAF hopes to introduce a



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factoring arm to their suite of products in the FY 2013. Accordingly during the year under review, the company continued to enhance the IT support platform. A number of new financial products are in the pipeline and have been earmarked for launch in the year ahead. These products would be initially introduced in Colombo with a gradual island wide exposure. In this context, AAF has been assigned a target of 20% growth in the bottom line for the FY 2013, derived exclusively from the product portfolio excluding the earnings from the share portfolio.

The '360 degree' customer service and support platform was launched during the third quarter of the year. It is a unique networking portal accessible to all ACAP group customers and serves to provide value addition to users by generating effective business linkages.

Asia Asset Finance - Financial Performance

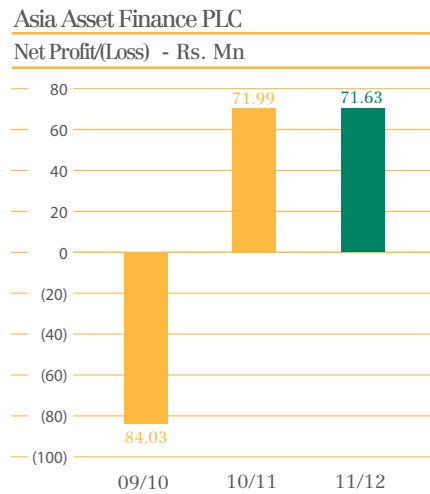
The company posted an impressive profit after tax of Rs. 71.6 Million for the year ended 31st March 2012, despite the lacklustre earnings from the share portfolio. The financial indicators for the year have shown unprecedented growth with the exception of the share portfolio and its related income.

The Net Interest Income showed a phenomenal 189% growth as compared with the previous year, indicative of the stability of AAF's operational performance.

The loan portfolio also increased by a significant 70% overall growth for the year having surpassed the Rs. 2 Billion mark. A staggering Rs. 237 Million, the highest

ever monthly lending component was recorded in March 2012 which is a testament to AAF's growing momentum as a dominant force in Sri Lanka's financial markets. The total customer deposit base stood at Rs. 1.9 Billion as at 31st March 2012, a 44% growth compared to the previous year. AAF continued to maintain a healthy portfolio with a NPL ratio of less than 1% attributable to new loans granted during the year.

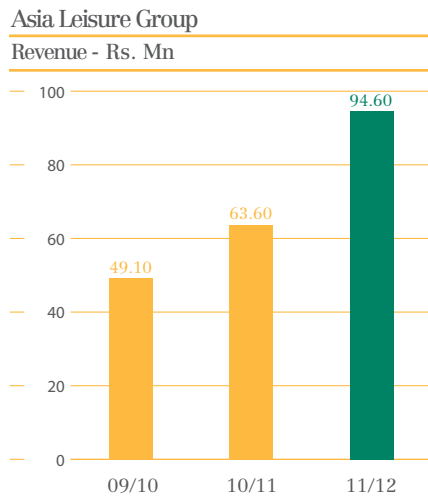
Despite the volatile market conditions the AAF successfully listed its IPO in January 2012. Shares were offered to the public at an issue price of Rs. 2.50. The issue was fully subscribed and has been trading remarkably well ever since posting a healthy trading price of Rs. 3.90 as at 31st March 2012.



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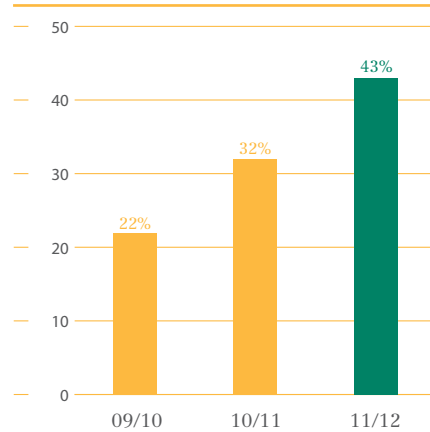
Asia Leisure

A series of unforeseen global events in the year 2011 generated a notable change in global travel patterns. The Tsunami disaster in Japan, political strife in the Middle-East and the Euro zone debt crisis resulted in many of these destinations being branded as ‘unsafe’ from an international travel perspective. As such many travellers opted for safer destinations and Sri Lanka became an increasingly attractive choice during the year as evidenced by the 850,000 plus travellers that the country welcomed during a 12 month period ending in December 2011. This dramatic increase in the tourist arrivals to Sri Lanka resurrected the hitherto dormant leisure sector in the country. It is anticipated that the boom in the leisure sector would only continue to grow exponentially in the years to come.



Asia Leisure Group

Occupancy - %



Asia Leisure (Private) Limited (AL), the leisure arm of the ACAP group is ideally positioned to benefit from this flourishing industry segment as indicated by the tourist arrival parameters for the company which is detailed below. The company’s portfolio comprises of four trademark properties strategically located to capture the potential of the locale. The Tamarind Hill, Galle and the River House Ahungalla are located along the southern coastal belt and are prime leisure destinations. The Park Street Hotel an exclusive boutique hotel and the Asia Leisure flagship property, are located in the heart of Colombo’s commercial hub and caters to the high net-worth business traveller. The latest addition to the Asia Leisure brand is the fourth property the Taprobana Beach hotel, a 26 room resort hotel currently being developed combining contemporary architecture infused with modern



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Asian Chic. Plans are also underway to develop a 60 room luxury resort in Wadduwa. This project is still in the blueprint stage and construction is due commence in the forthcoming year.

In the year ahead, AL also expects to explore the possibility of regional collaborations with renowned international leisure brands to develop a regional presence.

During the FY 2012, AL made great strides to record an overall 9% increase in arrivals at all properties as compared with the previous year. The arrivals recorded during the last quarter of the year was approximately 3,200 adding up to a total of approximately 8,600 for the year. Based on the arrival patterns for the FY 2012, it was evident that Asia Leisure had a high visibility in the Indian and European markets.

The success of our aggressive marketing strategy manifested itself through arrivals originating from new markets of France and Germany. We have further identified tremendous potential in Japan and USA. Accordingly, in the forthcoming year, AL plans to launch an intensive publicity drive to consolidate its position and penetrate the identified markets.

The increase in arrivals together with the contribution from new markets culminated in an unprecedented 50% increase in the company's turnover for the FY 2012. The company recorded a turnover of Rs. 94.6 Million in the year under review as opposed to the Rs. 63.6 Million recorded in the previous year. This significant progress

made by AL is also evident through the massive reduction in aggregate loss of Rs. 6.8 Million as opposed to Rs. 33.9 Million recorded in the previous year.

Asia Wealth Management

The accelerated pace of globalisation and the aggressive evolution of financial markets in the past few years has highlighted the dearth of sophisticated financial solutions currently available in the Sri Lankan financial markets. Asia Wealth Management Company (Private) Limited (AWM) has clearly identified this need and has taken proactive steps to bridge the gap through innovative solutions stemming from unconventional thinking and a dynamic attitude. Through this broad based approach AWM has established a stronghold in the Sri Lankan financial market as an emerging boutique investment advisory services company with specific focus on corporate finance and equity research. The company provides a rich portfolio of integrated capital market solutions that maximise value whether in the case of equity capital markets or debt financing. AWM's corporate advisory services specialise in comprehensive buy side and sell side Mergers and Acquisitions (M &A), corporate re-structuring, valuations and a host of other services. The company's extensive equity and financial research platform is held in high esteem in the industry and is highly valued for its relevance and accuracy in an ever changing market context.

Therefore, it comes as no surprise that in the year under review, the company retained its position as the leading source of financial market research not only to the ACAP group but also for much of corporate Sri Lanka. At present the company's research concentration remains largely equity based. During the FY 2012, the company's research arm formed a strategic alliance with Bloomberg International. The aim is to develop a mutually beneficial relationship and promote the company's research material to larger global corporate audience through a dedicated research portal supported by Bloomberg International.

AWM is the key financial advisor to the ACAP group and functions as the group corporate finance arm mobilising funds for group expansion activities. In the year ahead, the company hopes to expand its corporate finance arm with greater engagement in private placements, debt syndication and capital raising for a broader corporate clientele.



Management Discussion & Analysis

The company expects an explosion in the tourism and leisure sector in Sri Lanka judging by the national travel indicators for the FY 2012. Understandably the next few years would be critical for the country to steer the future of the tourism and leisure industry to the next level. As such AWM anticipates the need for high-end financial solutions engineered specifically for this sector. Therefore, the longer term strategic direction for the company would be to provide a support mechanism through bespoke financial solutions geared to encapsulate this need.

The first phase of the plan would be to initiate a Sri Lankan based private equity fund to be launched in Japan, in the year ahead. It is anticipated that the success of the endeavour would result in the research division being appointed as advisors to the fund, while the company would negotiate a fee based arrangement for the management of the portfolio.

During the year AWM initiated a high value deal between ACAP and Teoria Investment Company a Japanese Asset Management Company. AWM was responsible for structuring the terms and ensuring successful collaboration between the two parties.

The company also expects to conduct a number of road shows in key regional financial markets of Singapore and Dubai. The road shows are planned for December 2012 and would be conducted jointly with Asia Securities showcasing the collective strengths and capabilities of the ACAP group while highlighting Sri Lanka's stature as a regional financial hub.

Asia Tea Packaging - Operational Performance

Asia Tea Packaging (ATP) is one of the newer additions to the Asia Capital PLC umbrella. ATP's core business focus is to provide high quality outsourced service providing clients with specific tea bagging and packaging solutions. The company has expanded considerably since its incorporation in August 2010 and is fully geared to provide complete end-to-end solutions for discerning customers.

During the FY 2011/2012, ATP used the increased market demand as a springboard to expand its bagging capacity to 18 million tea bags per month, an increase of

approximately 80% over the previous year. This capacity expansion was facilitated through the acquisition of a state-of-the-art bagging machinery.

As a relatively new player in a well established industry, the company's strategic vision for the FY 2012 was to differentiate itself by establishing an exclusive brand identity. Accordingly, during the year under review, the company registered the 'Tannin' brand. The research and development team together with the Tea tasting arm of ATP have worked tirelessly to develop a sophisticated range of Teas with a broad customer appeal. The product range consists of Herbal, Flavoured, Organic and Black Teas. It is proposed that the entire product range would be marketed under the 'Tannin' label which would be promoted by way of a phased out marketing plan. ATP hopes to introduce various Tannin products to the market via the leisure sector hotels and properties on a tentative basis in April 2012. ATP has also been exploring prospective markets emerging from changes in customer perceptions both locally and globally and a number of strategies are in the pipeline to address these prospects in the forthcoming financial year. The company's vision for the future envisages developing a uniquely Sri Lankan blend of Ayurvedic and Spiced Teas, with the overall objective of promoting the natural healing properties of Sri Lanka's traditional medicinal practices to a larger global audience.

Asia Tea Packaging - Financial Performance

The company posted an impressive 121% growth in revenue to record Rs. 35.5 Million in the FY 2012 as against the Rs. 16 Million recorded in the FY



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2011. The growth is indicative of the company's skill in exploring new opportunities despite the ever intensifying competitive nature of the industry. The increase in capacity and a full operational year are also key contributors to the revenue growth. However, the company was unable to translate this revenue growth into positive Earnings before Interest and Tax (EBIT) and recorded a negative Rs 20 Million EBIT for the year. This is understandable as the company is a start up operation that would gradually reach full potential in the years ahead. ATP appears to be solidly on the right track though as evidenced by the company's recorded Profit after Tax (PAT) as compared with the turnover for the current year and the previous year.

The company's balance sheet structure also underwent considerable changes during the year in sync with the expansion strategies executed during the year.

Asia Digital Entertainment

Asia Digital Entertainment (Private) Limited (ADE) is the brain child of Mr. Manohan Nanayakkara, Group Chairman Asia Capital PLC. Mr. Nanayakkara's vision for ADE stems from his deep rooted belief in the immense post-war potential of Sri Lanka's cultural and artistic spheres with spotlight on the film industry. For over two decades, the lack of clear direction on the back of inadequate funding for local productions has resulted in substandard movies being churned out. This type of low quality cheap entertainment has had a negative impact not only on the industry as a whole but also on the mindset of the viewing public as well. ADE's core focus would be on reviving the lackluster movie

industry in the country with the aim of transforming the industry and raising the bar for film production through a thematic approach to film making. The zeitgeist theme is the common thread that manifests itself in all ADE productions and encapsulates the 'Spirit of the Times' through high quality releases that address pertinent issues relative to a broader social demography.

In addition to the development and production of high quality film content, ADE firmly believes in lending a voice to talented Sri Lankan youth enabling them to synergise their creative genius through film. Sanjeeva Pushpakumara, a relatively unknown youth from Trincomalee achieved international recognition through ADE's backing of his project, 'The Flying Fish'. The movie was written and directed by him and produced by ADPET initially distributed internationally via ADE's global distribution network and is due for release in Sri Lanka in 2013.

At present ADE has eight movies in the pipeline at various stages of production or completion and the forthcoming year is expected to be a promising one for the company, with many productions due for release. Many of these projects have evolved through the strength of the collaborations that the company has nurtured with key industry professionals and institutions both locally and globally. Key among them is the commercial alliance with Gemini Industries and Imaging Private Limited, a leading entertainment corporation in India, which led to the formation of ADE in September 2010.



Management Discussion & Analysis

ADE's largest project to date, also its maiden international production is a US\$ 2.5 Million blockbuster Hollywood production titled 'The Common Man', starring Sir Ben Kingsley. The movie was filmed entirely in Sri Lanka using state-of-the-art equipment and addresses a host of social and physiological implications in post war Sri Lanka. The much anticipated movie was premier at the Cannes Film Festival in May 2012.

Mr. Paul Mason the world renowned film producer and talent scout who mentored the master filmmaker Steven Spielberg, acts in an advisory capacity to ADE. He is also one of the executive producers for 'The Common Man'. Also the successful partnership with 'Bubble Factory' which belongs to Mr. Sid Sheinberg of Universal legacy, for global distribution rights to ADE productions. Equally important are the local collaborations. 'Vaishnavee', starring international award winning Sri Lankan actress Nita Fernando is a movie that was born of one such collaboration. It is produced by ADE and directed by Sri Lanka's legendary Film greats Dr. Lester James and Sumithra Peiris. It is currently still being filmed and is slated for release in 2013. Another notable movie project is the 'Three Wheel Diaries', a psychological thriller that penetrates the inner sanctum of the human mind. The movie is in the post production stage and is due for completion and release in 2013. At present ADE has reached an equilibrium point in the film production cycle through its mature portfolio of movies. Thus the company does not expect to undertake any new projects in the immediate future and all future commitments would be staggered.

ADE's vision to revolutionise the cinema experience by digitising the entire theatre industry would likely come into fruition in the FY 2013. The necessary groundwork has been laid and is currently in the approval stage. The technology would transform the industry by moving away from the archaic reel technology towards a sophisticated digital screening platform.

In the FY 2013, ADE hopes to materialise many of its ongoing projects and spearhead a campaign to broad base operations within the South Asian region.

Asia Capital Technologies

The FY 2012 brought about many challenges for the company. As the company's fortunes are predominantly linked to the stock market, the steep decline in the market in the second half of the year resulted in an unprecedented drop in ACT's key revenue source. The stock market downturn is viewed as a temporary phenomenon and it is expected that the automatic adjustment mechanism would trigger the inevitable revival towards the end of 2012. With this premise in mind the company moved towards capacity enhancement through significant investments in state-of-the-art hardware and equipment together with human capital and floor space. During the FY 2012, ACT has been actively working on completely re-engineering the cDAX internet trading solution while simultaneously ensuring that our current product, cDAX 6.X continued to work through CSE's major ATS 7 upgrade. The scalable architecture of the new platform is structured to effectively capture product goals through responsiveness,



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security and reliability which are essential elements in stock market trading. Consequently, to ensure that the development process continues unhindered, a number of high caliber software engineering professionals were recruited during the year. In addition, the company resolutely continued to develop the required support structure and capabilities to deliver the next level of customer care

The declining revenue coupled with the weight of capital investments during the year did not translate well for the company's bottom line. However, ACT concluded the FY 2012 with a modest overall gain and remained free of any significant debt obligations.

In the forthcoming year the company plans to expand its service portfolio by exploring the commercial potential of serving a wider range of industries and sectors. ACT would be evaluating the possibility of providing a range of outsourced IT solutions to the corporate sector and large institutional bodies. The company hopes to initially introduce managed solutions in the form of finance factoring and hotel management solutions. ACT would provide all necessary infrastructure and IT support to clients through competitively structured solutions exhibiting clean user interfaces with exceptional management reporting.

The company has mapped out detailed operational plans to be carried out during the FY 2013. The second quarter of the year would prove to be a critical one due to the

re-launch of the fully upgraded cDAX internet trading system. The new system would no doubt be the definitive tool of choice for web clients, thus creating a swing towards an increased volume of web clients as opposed to the traditional desktop client. ACT will continue to work closely with the CSE to expand the company's offerings in risk management. We are currently working on an experimental solution built around the DACS system used for the back office brokering database. The end result would effectively monitor the market share of the brokering house, in addition to the credit and operational risk associated with the transaction. As the product evolves, it is positioned to become a leading risk management tool for the industry.

During the 2nd quarter of the forthcoming year the company expects to initiate a major overhaul of the DACS, back office brokering solution as well. The revamped module is expected to lay the foundation to enable future value additions to the system including e-settlement and business intelligence modules. Additionally this would be an active integration point between the new cDAX platform and the DACS solution for brokers using both systems



Management Discussion & Analysis

Group IT Operations and Initiatives

Asia Capital PLC (ACAP) recognises the importance of Information technology as a strategic enabler in exploring competitive advantages that will no doubt thrust the entire group into a new realm of success. As such ACAP continues to reaffirm its long-term commitment to develop a progressive IT platform through a phased implementation plan that would support sustainable growth.

Triggered by the performance based culture within the group, initiatives were launched during the FY 2012 to ensure the successful implementation of the Oracle Business Intelligence (OBI) Solution to bolster the operations of Asia Securities ACAP's stock brokering arm. The dynamic OBI module now functions as a catalyst that empowers the management with relevant and accurate decision making tools. The runaway success of ACAP's OBI module prompted Oracle Corporation to adopt it as a shining example of the practical success of the system. The group has consistently believed in following a systematic approach towards strategy implementation and monitoring. Accordingly ACAP embraced the balance scorecard methodology as a means of stimulating business performance and inspiring employees. A test run of the system was conducted at Asia Capital PLC and Asia Securities (Private) Limited, which generated a stream of remarkably positive results. The success of the system has encouraged ACAP to develop a customised solution for Asia Asset Finance PLC which is in the completion phase and due for implementation in the second quarter of the FY 2012.

The FY 2012 gave rise to a number of complex IT requirements, consequent to the new business needs of Asia Asset Finance PLC. The company expanded its services and aggressively penetrated the leasing market. Earlier in the year a pilot project was initiated at Asia Asset Finance PLC to introduce a new lending and saving software to support the operational requirements of this latest market segment. The implementation of the project successfully concluded in January 2012. This would result in the core business applications being integrated with a new lending and savings solution supplied by Lanka Orix Information Technologies (LOIT) with effect from 01st April 2012. The company has completed the user acceptance tests in order to launch Oracle EBS solution to manage the company's backend operations while lending support to the LOIT system. To facilitate further growth in the identified sector, managed solutions to accommodate factoring and mobile payment options would be evaluated in the year ahead.

During the year ACAP launched a fully revamped corporate website with the aim of establishing an exclusive brand identity aligned to its corporate goals. This move would enable the group to differentiate itself as a front runner in the financial services cluster in Sri Lanka.

As a means of promoting greater global access to the ACAP leisure sector the 'Asia Leisure' brand was aggressively promoted online through the revamped group website. In addition steps were taken to ensure the 'Asia Leisure' brand receives search engine optimisation (SEO) and greater visibility on key travel portals and



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reservation engines. With the objective of improving operational efficiencies, back office systems were also re-engineered during the year under review.

The FY 2012 strengthened ACAP's resolve to strictly adhere to all mandatory regulations by voluntarily undertaking to upgrade to the CSE's automated trading system. Our technical experts worked tirelessly with the CSE officials to ensure the new system was fully functional by February 2012.

The year under review saw the company's risk management processes and disaster recovery strategies being re-evaluated and strengthened through modern back up mechanisms such as cloud computing and outsourced data center services. In addition many of the mission critical information systems were replicated with the disaster recovery site using the best in-class data base replication systems developed by Oracle Golden GateTechnologies.

It is unlikely that the significance of IT as a strategic resource would ever diminish but would only gather momentum and magnify as the business grows. Consequently the IT division would play a crucial role in justifying the capabilities of much of the group, particularly Asia Securities (Private) Limited and Asia Asset Finance PLC. During the year under review, Asia Securities (Private) Limited was infused with substantial IT infrastructure investments. In a bid to improve customer services, the company invested in server hardware, trading engines, data communications and

power infrastructure. The company plans to leverage on these investments to provide their customers with an enhanced service flow. Additionally the company hopes to refine its information systems and streamline risk management processes to facilitate a broader perspective of business risks



Management Discussion & Analysis

Human Resources

At ACAP we fully recognise the crucial importance of human resource as a core value creator for corporate success. The human need to succeed is harnessed by inculcating a positive attitude and progressive approach infused with innovative thinking. Our integrated human capital management model ensures that personal career aspirations provide the impetus to achieve corporate goals. The evolving corporate framework of today continues to challenge our business functions through the ever growing demand for proactive human resource solutions.

We evaluate each core element of human resources independently and identify the critical success factors that drive each aspect. Our processes complement the diversity of the ACAP group operations while adhering to a streamlined structure. The core focus of the HR function is to optimise value to the group by ensuring the right people are sourced or developed to fit the precise requirements of the group. ACAP's 'Open Door Management' policy ensures that all employees have access to a structured career progression plan. It allows employees to evaluate their current position and map out their career maturity in the organisation. The staffing needs of the group are ascertained following an evaluation of the career progression plan for existing employees. Recruitment is deemed necessary only in the event suitable personnel cannot be developed internally. All recruitments are done by the central HR division in close co-ordination with the relevant company officials. The recruitment process is guided by specific pre-determined parameters to evaluate the capabilities of potential recruits.

All new recruits are inducted into the ACAP's dynamic corporate culture and unconventional work ethic through a comprehensive orientation programme. The programmes conducted over several weeks cover a broad scope of activities encircling the diversity and progressive nature of the group. The underlying principle of the intensive orientation sessions is to promote the concept of cross functional management. ACAP has widely experienced the benefits of developing human capital on a multi-disciplinary platform as a means of deriving efficiency and supporting long term sustainability of the group. ACAP's internship programme,

conducted simultaneously, is also aligned to achieving these objectives. The internship programme is primarily conducted for Asia Securities and Asia Asset Finance PLC. Applicants meeting entry level criteria are retained as marketing trainees and are essentially required to follow a rigorous instruction programme. Those candidates who surpass expectations are identified and absorbed to the group's regular staff cadre, thus ensuring the finest talent is sourced.

In the year ahead the group expects to strategically widen its database of potential recruits by establishing a presence at the entry level. Through a streamlined effort ACAP expects to conduct a series of career guidance programmes in leading schools, universities and educational institutions. Under this initiative, youth would be provided with much needed career guidance along with relevant and accurate decision making tools. It is hoped that this measure would energise ACAP's internship programme as well by facilitating effective head-hunting of potential candidates.

The power of the human mind is an incalculable resource and with proper training could lead to immeasurable accomplishments.

Over the years training and development has emerged a critical element in creating the competitive edge that impels organisational success. The ACAP fundamental training module has been theorised around this axiom. As such, the annual training agenda for the FY 2012 was structured to empower the group's human capital with intelligent business tools and knowledge based applications.

We strive to enrich the group with an effervescent, resourceful workforce capable of adapting to challenging market conditions. In the face of the considerable

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imbalance in the Sri Lankan Capital markets, ACAP's predominant training focus during the year was for the group businesses impacted by these uncertain market forces. Accordingly, a greater concentration of the annual training agenda related to the study of capital and financial markets, macro-economic implications and ethical work practices. However, by no means did we restrict all training to this segment only. Other programmes were conducted to address pertinent industry specific business issues, notably in the leisure sector where training was intensified in anticipation of the proposed expansions in the forthcoming year. These programmes were designed to generate operational synergies by creating cross functional personnel, an aspect we feel would define our niche position in this service based sector. Additionally a range of subjects including motivation, confidence building and socio-economic implications on the employee psyche were also tackled during the year.

through a stream of well planned activities throughout the year. All key events are organised under the direction of the ACAP Sports Club. The annual corporate retreat, inter-department and inter-company sporting tournaments and intellectual challenges are some of the character building activities that promote greater interaction between employees and engenders a more meaningful professional bond towards the organisation. We reiterate our commitment to create sustainable resources through a pledge to continuously develop our human capital as per the dictates of our business in accordance with industry standards and practices that would enable us to embrace future challenges.

An outline of the key areas covered under the training agenda for the FY 2012.



It is our firm belief that the spirit of the employee's character extends beyond the workplace. At ACAP we are well aware of the social, physiological and cultural connotations that mould employees and define their professional outlook and work ethic. Our active social calendar has been developed to delineate these aspects

Corporate Social Responsibility

The time is always right to do what is right - Martin Luther King Jr.

This simple premise is what Asia Capital PLC attempts to impart through its approach to Corporate Social Responsibility (CSR). The nucleus of ACAP's CSR function is 'The Glorious Jaffna' (GJ) project, the brainchild of the group's Chairman, Mr. Manohan Nanayakkara who

believes that this is indeed "the right time to do the right thing" and break the cycle of communal violence that has plagued Sri Lanka for nearly three decades. Guided by conscience, the project harnesses the power of humanity through compassion to embark on the path of reconciliation by empowering the next generation to overcome untold grief and hardship caused by violence and war. Helping these war effected children is the CSR initiative of Asia Capital PLC.

Below Table provides district-wise (Northern Province) data on children who have lost either one or both of their parents, The children have been broadly grouped into two categories based on their status namely; children who currently live in children's homes and those who live outside children's homes.

Status	Jaffna	Kilinochchi	Vavuniya	Mannar	Mullaitivu	Total
Both parents lost in children homes	127	41	120	99	31	418
Single parent lost in children homes	563	232	223	120	57	1,195
Both parents lost in outside homes (their own houses)	413	334	360	205	357	1,669
Single parent lost in outside homes(their own houses)	2,439	2,061	261	2,387	2,061	9,209
District Total	3,542	2,668	964	2,811	2,506	12,491

Both Parents lost % (out of total parent lost children)					
Within the District	15.25%	14.06%	49.79%	10.81%	15.48%
Within Children's homes	18.41%	15.02%	34.99%	45.21%	35.23%
Within outside homes	14.48%	13.95%	57.97%	7.91%	14.76%

Children population-2011	191,628	44,920	63,736	37,793	24,246
Parent lost children %	1.85%	5.94%	1.51%	7.44%	10.34%
▶ Both parents lost %	0.28%	0.83%	0.75%	0.80%	1.60%

Source: Department of Probation and Child Care for Northern Province

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Since its inception in 2010, the GJ programme has supported over 450 children in the Jaffna district alone and the cost of their education is borne entirely by the ACAP group. At present, in addition to those sustained by ACAP approximately 50 other children are supported by independent donors.

The “Glorious Jaffna Foundation” (GJF) was thus formed as a self-regulating NGO in early 2012. The project was conceptualised to bring relief to the children of the war ravaged North and East, irrespective of ethnicity and religious manifestations. The damage caused by nearly three decades of war was immeasurable and reconstructing these shattered lives seemed like an insurmountable task. We felt this was the opportune moment to channel our collective strengths and undertake this ambitious project that would rebuild the lives of children between the ages of 6 -12 years, who have been resettled in these areas.

GJF aims to achieve two significant goals regarding the empowerment of children affected by the war via the Educational Sponsorship program.

Firstly, to provide educational sponsorship through the ‘Educational Sponsorship Programme’ (ESP) set up by the foundation. The programme aims to fulfill all the educational needs of those within the identified demographic segment under the guidance of the Ministry of Education along with the assistance of the Caritas infrastructure and support network. Thus ensuring the required qualitative levels of education are sustained by facilitating equal opportunity and greater accessibility

which in turn eliminates any disparities arising from social status, ethnicity, religion etc. Further, these children will not be burdened with insecurities regarding continuation of their education. The GJF will provide a stable financial support platform that would enable all beneficiaries to advance themselves academically in the future. This leads to the foundation’s secondary goal. A structured donor platform is expected to facilitate a foster parent system that would provide a stable long term donor support mechanism for all children in the programme. The aim is not only to provide a source of continued financial support but also to create a foster parent-child relationship that would offer these children a broader perspective of the people outside of the North and the world at large. With the hope that it would make them less susceptible to myopic and racial prejudices and promote greater social integration.

Story of Ben Kabilash

Ben Kabilash was born on March 11, 2003 and is presently studying in Grade 3 at St Patricks College, Jaffna.

Ben Kabilash’s Mother Jasmin Says - “Worries about Kabilash’s future have been reduced to a greater extent by having the monthly savings in his bank account from Glorious Jaffna. His interest in his studies has grown a lot. I am thankful to Glorious Jaffna for their invaluable help and I hope for extended support till my son gets a sound foundation for his future and thereby ours too. Hence I humbly request Glorious Jaffna to continue supporting his education”



Corporate Social Responsibility

He together with his parents and his four year old brother lived in the village of Valluvarpuram at Mullaitivu District until May 2009. Whilst being displaced during the final war, Ben Kabilash's father was detained in Mullaitivu on 19-May-2009 and has been living in the detention camp since then.

Ben Kabilash, his mother and brother were taken to the Arunachalam Welfare Center at Vavuniya where they lived until 26-Oct-2010 and then were moved to Jaffna for resettlement. They now live with Kabilash's grandmother in Jaffna.

Little Ben Kabilash is a heart patient and was treated at Ramakrishna Nursing Home, Trichy and Apollo Hospitals, Colombo. His eye sight is also weak and he wears a pair of thick glasses to facilitate his vision.

Ben Kabilash likes drawing and is very keen on his studies. He has been receiving stationery and work books through the Glorious Jaffna Project since May 2011. At present he is attending extra classes for Tamil; Mathematics; Religion and Environmental Studies together with special coaching in English under this sponsorship.

The little boy expresses personality traits such as honesty, spirit of service, courtesy and neatness of the highest degree as rated by his class teacher in the school report. It was also noted that his leadership qualities have developed from minimal to acceptable standards.

Story of Karthika

Karthika, was born on July 11, 2002 in Aliyawalai and is the only child in her family. Karthika lost her father, a fisherman, in 2003 and she was apparently abandoned by her mother following the Tsunami in 2005. Since then Karthika has been living with her feeble grandparents and the family moved to the Vanni in 2006 due to the war and closure of the A9 highway. They were displaced in April 2009 during the final battle. Karthika and her family were then accompanied to the Vavuniya Arunachalam Welfare Centre and later shifted to Ramavil at Kodikamam before they were finally resettled in November 2011 where they still live in a cadjan hut lacking even the basic facilities

Karthikas' grandfather Muthuiya Kanthasami says - "During the early stages Karthika was always thinking about her father and mother but now of course she has changed a lot and is showing more interest in her studies. Her class teacher too was of the same opinion that Karthika was very backward in school during the early stages. But now she has changed a lot and shows interest in improving her studies. We never imagined being able to buy the valuable books that were provided through Glorious Jaffna. Till recently Karthika was only able to attend the evening tuition classes but now she is able to engage in extracurricular activities too. She is progressing well and humbly request Glorious Jaffna's educational sponsorship program to continue forever"



Story of Suthakaran Niruja

Niruja lost both her parents in 2009 during the final stages of war at Thunukkai in the Mullaitivu district. Soon after that she was displaced from Vanni and lived with her grandmother at Arunasalam welfare center in Vavuniya. She was released from the center on 15th December 2009 and went to live in Jaffna with her grandmother and commenced her education at the Manipay St. Ann's School.

Niruja's grandmother Krishna Kumari Johnson Fernando says "soon after Glorious Jaffna started providing the assistance for Niruja, she has started studying with greater interest and she expresses her heartfelt thankfulness to Glorious Jaffna for the assistance provided for her."

In 2011 she was admitted to the Andukannair Sabi home administrated by the sisters of the Catholic Church. The home provides twenty war orphaned children including Niruja with a place to stay. She was then enrolled at St. Joseph College and is currently studying in Grade 5. She started extra tuition classes at the hostel itself arranged by the sisters who run the home. In addition, she also attends dancing classes. She is very keen on sports too. Niruja is never seen idling and uses her time to always engage in some productive pursuit. Niruja suffered a tremendous psychological impact of losing both her parents at a very young age and completely lost interest in her studies. The Glorious Jaffna educational sponsorship program has become a source of encouragement for her

to excel in studies after the many traumatic experiences she has faced earlier. She has shown much improvement in her academic studies and great promise in group work. Further she has proved herself as a kind and considerate child. She is very thankful to her donor Mrs. Wickramasinghe for undertaking to support all her educational needs.

Sis. Iren Dorathy Sebamalai at the Children's home says - "The educational sponsorship program has been a great initiative for children like Niruja."

Story of Yathurshana

Yathurshana was born on August 17, 2000 in Karaveddy and is the only child in her family. She and her mother moved to Mullaitivu in 2006 after the father abandoned due to financial hardships. During the final attack in May 2009, Yathurshana lost her mother. She was later accommodated by Zone-4 Welfare Center in Vavuniya and was later resettled with her aunt in December 2009. At present the family faces many financial difficulties and lives in a temporary housing which lacks even the basic facilities. Yathurshana's family is happy that her educational expenses are being taken care of and they are relieved from this additional financial burden. They are thankful to Yathurshana's donor, Mrs. Lakmali Nanayakkara.

Yathurshana's aunt Gowrikanthan Ragumathy requested Glorious Jaffna to continue the educational assistance which will bear fruit and help realise Yathurshana's dream of becoming a doctor in the future.

Story of Thavarasa Vaaseekan

Vaaseekan was born on September 29, 2001 and moved to Vallipuram in 2004 with his parents and two sisters. Vaaseekan lost his mother during the Tsunami in 2004. He was to face further tragedy in 2009 when he lost his father a manager at MPCs who was killed during the final stages of the war. He was temporarily cared for by an aunt and now lives permanently with his grandmother. He was studying at Udayarkattu Maha Vithyalayam until displaced in 2009 and is presently studying at Hartley College. The educational sponsorship has proved to be a blessing for Vaaseekan's family.



Corporate Social Responsibility

Vaaseekan's grandmother Kailasabalasingam Thavamanithevi says that Vaaseekan is a good student now thanks to the educational support given during the last year which has helped him to study 2 subjects in the English medium this year, she hopes that the sponsorship given to him will continue into the future. This has helped Vaaseekan to get through his scholarship exam with flying colours by obtaining an aggregate of 158. She is thankful to Glorious Jaffna for providing the platform to help her grandchild to succeed in his education and is grateful to Vaaseekan's donor Mr. S A Abeyesinhe for all the support.

GJF - Stepping stones to success!

Glorious Jaffna Foundation has been a great success since its official incorporation early last year. As many as 500 children affected by the war have continued to receive educational resources every month since September 2011. It is heartening to note dramatic improvements observed in many of the beneficiaries in terms of education and social development. A number of students successfully completed the Grade 5 scholarship examination while many continued to improve their grades. Yet others showed tremendous potential in the field of sports and aesthetic pursuits. The progress made in terms of social development includes a positive change of perception towards other communities outside the North. At the heart of this change in perception is the stable support mechanism offered by GJF that has in turn created security and stability within the family unit. These are remarkable achievements for such a short period of time and we consider these accomplishments as the most powerful testament of success of GJF. Our success thus far has impelled us in our journey to strive for bigger and better things in the future.

Testimonials from Donors

"I became involved in Asia Capital's Glorious Jaffna Child sponsorship program last year and am very happy with the professional approach taken by this scheme. They have made it possible for people like us to get involved in assisting the children in Jaffna without much hassle. The very fact that we are kept updated on the progress of the kid/s periodically, assures us that the funds are well utilised and the

purpose served. Congratulations on a fantastic job done and good luck for the future" - Ms. Nihara Jayatilleke

As a donor sponsoring 2 children I found Tharindu to be a quiet but relentless believer in this cause and Trehan to be excellent at follow-through, responsive and so nice to deal with. Also, GJ has the donor login details and to see the child receiving the donation was very fulfilling especially as I live overseas. Apart from this, Trehan and Tharindu gave personal attention to the specific context of each sponsored child when necessary and this was the case of one of the two children our family sponsors: The project officer in Jaffna together with the relevant government authorities is doing a very good ground job and it was my personal humble victory that by sponsoring a child with GJ we made an intervention and difference in the life of a child whose circumstances were appraised precisely due to the fact that we sponsored him/her. It's only Rs. 2,500 a month but it was a life-change for the little child. I had no idea that someone supporting you through school made that much of a difference! All thanks to the great team at GJ who are humanly committed to this venture are involved and engaged with the spirit of reconciliation needed in this post-war era. I wish GJ all success !! - Mrs. Gayathri Fernando

GJF provides a platform for other like-minded individuals to come together to make a difference in the lives of these children who were affected by the war. The Glorious Jaffna foundation firmly believes the time is right to encourage others to contribute towards the wellbeing of these children in the North.

A number of publicity initiatives have been launched both locally and overseas, with particular focus on expatriate Sri Lankans living overseas in order to attract potential donors to the programme. In addition, the GJF website was revamped during the year. The website was enabled with a secure membership platform to enhance communication and promote greater awareness between the donor and the projects operations. It is hoped that the success of these measures would draw in donors

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that would infuse the GJF with new energy and widen its reach to cover Mullaitivu and Kilinochchi in the forthcoming year.

'Glorious Jaffna Foundation' - Making the right Choice!

The GJF sponsorship programme has been structured to ensure that the 100% of the donor's monthly sponsorship contribution is utilised strictly for the academic and social advancement of the sponsored child. All funds required for operational and management activities are borne entirely by ACAP. Therefore, donors can rest assured that their funds are not being drained out for any operational and infrastructure requirements and that their funds are channeled solely for the benefit of the child. In some cases one donor could be allocated with more than one child and this serves as an ideal forum for donors to nurture reconciliation and understanding by building a lasting bond similar to a foster parent - child relationship. The donor receives gratification and fulfillment, while the child is certain to benefit from the enhanced opportunities and broader horizons. The success of GJF thus far has been largely due to its open communication policy where all donors are provided with regular feedback regarding the progress of their sponsored child/children. The GJF website provides comprehensive information on all sponsored children and is easily accessible to donors through the online membership portal. The GJF administration ensures that all onsite information and statistics are continuously updated. The real time nature of information updates paves the way for timely changes to be carried out for the betterment of the child as per the sponsor's wishes. The sponsor gains precise

knowledge and specific details on the utilisation of his/her funds in relation to the respective child and the academic and social progress made by the child. Further, if the sponsor wishes to visit the child, that can be arranged without delay due to the extensive operational infrastructure maintained by GJF. Furthermore, the online feedback mechanism together with the ACAP supported operational infrastructure in the Northern Province ensures an optimum level of efficiency is maintained when carrying out needs assessment, monitoring the progress, distribution of resources and transferring information to all stake holders. GJF is a fully audited charity that conforms to all mandatory NGO regulations in maintaining transparent practices and disclosure requirements to all stake holders.

The post war era has brought about peace and prosperity to Sri Lanka. It is our duty to humanity to embrace the people of the North irrespective of ethnicity and assist in rebuilding their lives and empowering the future generation. The hand of friendship and empathy needs to be extended to break the cycles of ethnic violence and ensure that it is obliterated from Sri Lanka. The GJF believes that even small gifts can nurture miracles. Give generously and transform the lives of these innocents. We urge all socially conscious individuals to come and join us to bring about a meaningful change to the children in the North. In the words of the Mahatma Gandhi - "You Must be the Change you wish to see in the world."

Please visit www.gloriousjaffna.com for more information and how you can be a part of this noble cause. Please help a deserving child by "putting a bit of Jaffna into your life."



*Put a bit of Jaffna into your life
by empowering a child*

Corporate Social Responsibility

Memories of Glorious Jaffna Foundation thus far...



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Risk Management

A number of internal and external elements if not addressed could culminate to cause a severe threat to the stability and survival of any organisation. As a proactive organisation in the forefront of the financial and services sectors in Sri Lanka, Asia Capital PLC (ACAP) is impacted with a portfolio of multi-dimensional risk challenges.

Pre-emptive measures are constantly initiated within the group in order to anticipate all potential risk aspects that prove to be a distraction from the core business focus. In addition, preventive mechanisms are in place to focus on mitigating risk elements and safeguarding the group.

Reading the green*

A valuable component of what we offer is the ability to make accurate predictions that can make all the difference to a client's portfolio worth. Advising and consulting for better results is all in a day's work.

**Determining the path the ball will take by analysing the contour and texture of the green.*

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Pre-emptive measures are constantly initiated within the group in order to anticipate all potential risk aspects that prove to be a distraction from the core business focus.

Risk Management System

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

Risk Policy Manual

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

Internal Control System

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

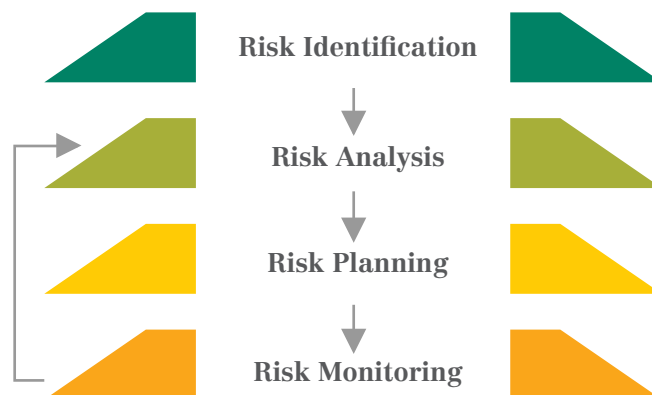
Risk Management Committee

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

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

**ACAP Risk Management Process
 PHASE 1 - Risk Identification**

Risk identification at ACAP is a detailed procedure which includes brainstorming sessions, surveys, questionnaires, team meetings and other reliable techniques used to identify internal risks to the group. In-depth market study, competitor analysis, technology evaluation and customer studies are some of the techniques carried out



Risk Management

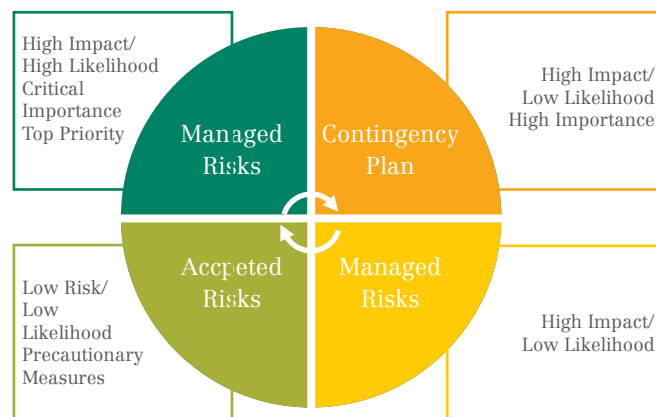
to identify pertinent external risk factors. The entire risk identification process is conducted under the supervision of the ACAP Risk Management Committee. The process is diligently repeated every quarter to ensure relevance and timeliness and to provide the committee with a starting point to address any renewed risks that the group may encounter.

PHASE 2 - Risk Analysis

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

PHASE 3 - Risk Planning

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



Risk Category	Elements Of Risk	Risk Control Strategy
Strategic Planning Risk	<ul style="list-style-type: none"> • Inability to implement selected strategies or plans • Not achieving business objectives • Inappropriate or adverse decision making • Lack of responsiveness to industry changes • Ill -timed investments in capital ventures • Failure to optimise risk / return formula through business strategies 	<ul style="list-style-type: none"> • The Risk Management committee has recommended a 5 year strategic plan, revised annually. • Comprehensive budgeting and variance analysis done at company and SBU level
Competition Risk	<p>Internal Risks</p> <ul style="list-style-type: none"> • Over reliance on existing products • Failure to adopt new technology • Inability to introduce new products and deviate from the market 	<ul style="list-style-type: none"> • Oracle BI, a comprehensive new Management Information system has been implemented in order to analyse data and information that would provide ACAP with a competitive edge • Direct competitor analysis is carried out on a quarterly basis and Key Performance Indicators are analysed and compared industry wide
	<p>External Risks</p> <ul style="list-style-type: none"> • Introduction of new products by competitors • Adverse promotional campaigns 	

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Risk Category	Elements Of Risk	Risk Control Strategy
CSR RISK	<ul style="list-style-type: none"> • Failure to identify responsibility to society • Business operations that endanger the environment and society • Neglecting accountability to stakeholders 	
LIQUIDITY RISK	<ul style="list-style-type: none"> • Non-availability of adequate working capital requirements • Lack of liquid resources to secure a viable business opportunity • Inability to meet regulatory cash reserves 	<ul style="list-style-type: none"> • Continuous review of group working capital requirements • Strict management and control of funding • Continuous monitoring and control of debtors and creditors mismatch
MARKET RISK	<ul style="list-style-type: none"> • Adverse financial impact on the company resulting from the fluctuation of interest rates • Currency Fluctuations • Variations in equity and commodity prices • Volatile property values 	<ul style="list-style-type: none"> • In accordance with the risk management committee recommendations, the research division monitors economic indicators • Findings are presented to the strategic planning committee along with recommendations on strategies that negate any adverse effects
CREDIT RISK	<ul style="list-style-type: none"> • Partial or full default of obligations by Asia Capital counterparties 	<ul style="list-style-type: none"> • Regular review of counterparty exposure limits and eliminating excessive exposure to one party • Formulation of solid legally binding agreements for all contracts with third parties • Ensure proper Security/Collateral /back ground checks prior to granting loans to third parties • Maintaining strong relationships with creditors
IT RISK	<ul style="list-style-type: none"> • System failures • System errors and breakdowns • Unauthorised system access • Improper use of information • Non-availability of required IT platforms or inadequate IT support 	<ul style="list-style-type: none"> • The comprehensive group IT policy is outlined in the IT security policy manual • Asia Capital has appointed an IT security, risk and infrastructure manager to overlook the IT risk management function • At present the group had invested in a data center at SLT IDC and a disaster recovery solution was also implemented using Oracle Golden Gate Replication software

Risk Management

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

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PHASE 4 - Risk Monitoring

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

Corporate Governance

The Company is committed to enhancing shareholder value through a sustainable business by maintaining and conscientiously applying high standards of corporate governance throughout the Group. The Company has endeavoured to abide by the best practices in corporate governance; and conduct operations in a legal and ethical manner displaying professionalism, accountability and transparency. The Company's corporate governance model has been built and enhanced based on the following requirements and guidelines:

1. The Companies Act No.7 of 2007
2. The Listing rules of the Colombo Stock Exchange
3. 'Code of Best Practice on Corporate Governance' issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
4. Sri Lanka Accounting and Auditing Standard Act No 15 of 1995
5. Securities and Exchange commission of Sri Lanka Rules – 2001
6. Financial Transaction Reporting Act, No.6 of 2006
7. Prevention of Money Laundering Act, No.5 of 2006
8. Convention on the Suppression of Terrorist Financing Act, No.25 of 2005

Asia Capital's Corporate Governance practices ensure that;

- The business is managed in the right strategic direction.
- The company has appropriate controls in place and risks are managed.
- The key management lead the team members and manage the operation effectively and are responsible and accountable.
- Integrity and honesty is maintained at all time.

Our best practices on Corporate Governance are as follows:

Corporate Governance Principle	Compliant Status	Level of Compliance
The Board of Directors (The Board)	Compliant	<p>The Board of Directors currently consist of eight members including the Chairman and Deputy Chairman</p> <p>The day to day monitoring of operations of the organisation has been delegated to the CEO and the Executive committee governed by policies, procedures and authority by the Board of Directors</p> <p>The Board is accountable to the stakeholders of the Company to ensure that the business is conducted in an appropriate manner based on approved business plan and the financial and non-financial targets of the Company are achieved. The Board's Terms of Reference stipulate the specific duties of the Board and the following are some key matters which come under the Board's review and approval:</p> <ol style="list-style-type: none"> I Company strategy and business plan II Financial reporting and internal controls III Financial performance IV Dividend policy V Changes to capital structure VI Constitution and performance of the Board Committees VII Regulatory compliance

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Our best practices on Corporate Governance are as follows:

Corporate Governance Principle	Compliant Status	Level of Compliance
Board meetings	Compliant	Four (4) board meetings were held to review financial performance and to consider other matters such as strategic and operational plans
Board appointments	Compliant	The Company ensures that professional qualifications, business experience and personal qualities are taken into consideration in new appointments to the Board
Board responsibilities	Compliant	The Board is collectively responsible for formulation, implementation and monitoring of business strategies. In order to do so, the Board appoints sub committees of the main board to assist the main board in fulfilling its stewardship function by reviewing systems of internal control, internal and external audit, risk management, IT system and financial reporting to shareholders
Chairman	Compliant	The Chairman is responsible for the leadership of the Board, managing Board Meetings and the business undertaken thereat. The Chairman, is responsible to ensure all relevant issues are on the Board Agenda and Directors receive all appropriate information and documentation in a timely manner, thus facilitating the Directors to contribute at the deliberations
Chief Executive Officer (CEO)	Compliant	The CEO is responsible for the management of the Company in accordance with the mandate defined by the Board and he is accountable for the achievement of the financial and non-financial objectives as stipulated in the Company plan
Independent Non-Executive Directors	Compliant	Each non-executive director submits a signed and dated declaration annually of his independence or non-independence against a specified criteria as set out in Appendix 7A of Colombo Stock Exchange listing rule section 7.10.2(b)
Provision of relevant, quality and timely information	Compliant	Board papers, agenda and previous board minutes to be tabled one week prior to board meeting
Dedication of adequate time and effort to matters of the Board and the company	Compliant	The board members dedicate adequate time for the affairs of the company by attending Board meetings, Board sub-committee meetings and by making decisions via circular resolutions
Independent Professional Advice	Compliant	The Board members are permitted to obtain independent professional advice from third parties as deemed necessary which includes the Company's external lawyers and auditors at the expense of the Company
Balance of the board – executive and non-executive directors	Compliant	Six of the eight directors on the Board hold office in a non-executive capacity

Corporate Governance

Our best practices on Corporate Governance are as follows:

Corporate Governance Principle	Compliant Status	Level of Compliance
Disclosure of new directors details	Compliant	<p>New directors' details are disclosed to the relevant authorities at the time of appointment.</p> <p>The existing as well as new directors to the Board are disclosed in the Directors' Report on page 67 and 68 of this Annual Report</p>
Re-election of directors at regular intervals	Compliant	To comply with the Article of Association, the directors who have been appointed to the Board during the year, hold office until the next AGM, and are required to retire and new director to be re-elected by the shareholders
Company Secretary	Compliant	The Company Secretary possesses the required qualifications and expertise, and advises the Board on matters concerning the Companies Act and other relevant rules, regulations and regulatory guidelines.
Transactions with directors	Compliant	As per the disclosure requirement of the Company's Act, No.7 of 2007 (Section 192), the Board has to disclose all transactions that they have with the company
Relation with shareholders	Compliant	The Board keeps informed of the developments of the company to its shareholders via stock exchange, press release and dialogue with shareholders via AGM
Annual General Meeting (AGM)	Compliant	The Board uses the AGM to communicate with shareholders and encourage their participation
Notice for calling AGM	Compliant	As per section 167 of the Companies Act, No.7 of 2007, the annual report together with notice of meeting, proxy form and other related documents are circulated to shareholders at least 15 working days prior to the date of the AGM
Statutory and Regulatory Reporting	Compliant	<p>The interim Financial Statement and Annual Report are prepared in accordance with the requirements of the Sri Lanka Accounting Standards and the Companies Act. The interim and annual financial statements are published and circulated to shareholders within the period stipulated by the Colombo Stock Exchange.</p> <p>All price sensitive information is disseminated to the Colombo Stock Exchange on time in accordance with Section 8 of the Colombo Stock Exchange listing rules.</p> <p>All statutory reporting to Registrar of Companies is compiled as per the provisions of the Companies Act, No.7 of 2007</p>
Directors' Report	Compliant	The Directors' Report is set out on page 66 of this Annual Report
Directors' responsibilities to financial reporting	Compliant	The statement of Directors' responsibility to financial reporting is set out on page 73 of this Annual report
Auditors' Report	Compliant	The Board maintains formal, transparent and appropriate relationship with auditors of the company. The Statement of Auditors' Report is set out on page 76 of this Annual Report

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Our best practices on Corporate Governance are as follows:

Corporate Governance Principle	Compliant Status	Level of Compliance
CEO & CFO's responsibilities to financial reporting	Compliant	The statement of CEO & CFO's responsibilities to financial reporting are set out on page 72 of this Annual Report
Management discussion	Compliant	The Management discussion on operational and financial performance is set out on pages 26 to 43 of this Annual Report
Disclosure requirements	Compliant	The Company complies with disclosure requirements relating to Sri Lanka Accounting Standards, listing rules of Colombo Stock Exchange, the Companies Act and Financial Transaction Reporting Act
Serious loss of Capital	Compliant	As per section 220 of the Companies Act, No 7 of 2007, if the net assets of the Company are less than half of its stated capital, the Board shall call for an EGM (Such a situation has not arisen)
Declaration of going concern by Directors	Compliant	The information is set out in the Directors' Report on page 67 of this Annual Report
Remuneration Committee	Compliant	Remuneration Committee comprises of three (3) independent non-executive directors and one (01) non-executive director. Mr R.J Wickramasinghe is the Chairman of the Committee. The details of the Remuneration Committee's composition, policies and responsibilities are set out on page 75 of this Annual Report
Disclosure of remuneration	Compliant	The total remuneration of Directors including their fees is disclosed in Note 9 on page 96 of this Annual Report
Audit committee	Compliant	Audit Committee comprises of four (4) independent non-executive directors. Mr F X R Pereira is the Chairman of the Committee. The details of the Audit Committee's composition and functions are set out on page 74 of this Annual Report
Audit Committee report	Compliant	The Report of Audit Committee is set out on page 74 of this Annual Report
Board review of effectiveness of the internal control	Compliant	The Audit Committee regularly monitors the effectiveness of internal controls and the Board is collectively responsible for sound establishment of internal controls. Assurance of this is achieved via meetings between the internal audit and management representatives with the Audit Committee.
Risk Management	Compliant	The Company has designed a risk management system to identify, assess and manage its existing and potential risks (Risk Management of the company is set out on page 52 of this Annual Report)

Corporate Governance

Our best practices on Corporate Governance are as follows:

Corporate Governance Principle	Compliant Status	Level of Compliance
Internal control and risk assessment	Compliant	<p>PricewaterhouseCoopers has been appointed as internal auditors of the company. The Audit Committee contributes to the effectiveness of the internal audit function by:</p> <ul style="list-style-type: none"> I Reviewing the internal audit budget, staffing and audit plan II Reviewing the material findings of internal audit reviews and management's response III Reviewing the effectiveness of internal controls, including IT controls and security, overall control environment and accounting and financial controls IV Obtaining internal auditors recommendations regarding internal controls and accounting procedure V Reviewing internal auditors appointment, performance and replacement VI Reviewing major financial exposures and the processes to monitor, control and reporting such exposures
External audit and Audit Committee	Compliant	<p>The Audit Committee contributes to the assessment of the independence and performance of external auditors by:</p> <ul style="list-style-type: none"> I Reviewing the scope, plan, and audit procedures II Assessing the annual and interim financial audits III Reviewing any material differences or disputes with management encountered during the course of the audit IV Reviewing the management letters content and appropriateness of management responses V Recommending to the Board the terms of engagement and remuneration of external auditors VI Ensuring the objectivity and independence of external auditors carrying out an independent evaluation of external auditors' performance
Executive Committee	Compliant	<p>The Executive Committee is accountable to the Board and is responsible to assess the operational and strategic performance and be the main decision making body for the operations of the company, make appropriate recommendations to the Board</p>
IT governance	Compliant	<p>Effectiveness of internal controls and IT security policy of the Company are regularly monitored by the Audit Committee. IT risk is considered as a critical risk in the risk profile of the company and more resources are allocated to mitigate the IT risk via a business continuity plan</p>
Performance governance	Compliant	<p>The Company's performance governance has a framework to monitor the performance on a monthly basis by the Board on key areas such as financial and non-financial areas including capital adequacy, solvency and liquidity</p>

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Our best practices on Corporate Governance are as follows:

Corporate Governance Principle	Compliant Status	Level of Compliance
Compliance governance - regulatory	Compliant	The Company demonstrates its full commitment and support to high standards of compliance with the Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) requirements as per the relevant statutory enactments and requirements of the Financial Intelligence Unit of the Central Bank of Sri Lanka. The enterprise-wide AML/CFT programme establishes robust and comprehensive policy, procedures, processes and systems for the prevention and detection of money laundering and terrorist financing activities

Compliance status of Section 7 of the listing rules of Colombo Stock Exchange

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.1(a)	Non-executive directors	Two or one third of total number of directors, whichever is higher, shall be non-executive directors	Compliant	The Board comprises of six non-executive directors
7.10.2(a)	Independent non-executive directors	Two or one third of non-executive directors, whichever is higher, shall be independent	Compliant	The Board comprises of three independent non-executive directors
7.10.2(b)	Submission of declaration by non-executive directors	Each non-executive director shall submit a declaration of independence/non-independence in the prescribed format	Compliant	Each non-executive director has submitted his/her declaration to CSE
7.10.3(a)	Disclosure relating to directors	The names of all independent directors shall be disclosed in the Annual Report	Compliant	Please refer to pages 14 to 17 of the Annual Report
7.10.3(b)	Disclosure relating to directors	In the event a director does not qualify as 'independent' as per the rules of corporate governance but if the Board is of the opinion that the director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Compliant	No such determination has been carried out by the Board
7.10.3(c)	Disclosure relating to directors	A brief resume of each director which includes information on the nature of his/her expertise in relevant functional areas is to be published in the Annual Report	Compliant	Please refer to pages 14 to 17 of the Annual Report

Corporate Governance

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.3(d)	Disclosure relating to directors	Upon appointment of a new director to its Board, the Company shall forthwith provide to the CSE a brief resume of such director	Compliant	The Company has 2 new appointments to the Board during the financial year under review. A brief resume of each such appointed director has been provided to the CSE as specified
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Please refer to page 75 of the Annual Report
7.10.5(a)	Remuneration Committee – members	The Remuneration Committee shall comprise of a minimum of two independent non-executive directors or a majority of independent non-executive directors, whichever is higher	Compliant	The Remuneration Committee comprises of three independent non-executive directors
7.10.5(b)	Remuneration Committee – Functions	The Remuneration Committee shall recommend to the Board the remuneration payable to Executive Directors and CEO	Compliant	Please refer to page 75 of the Annual Report
7.10.5(c)	Disclosure in the Annual Report	The Annual Report should set out: Names of the directors of the Remuneration Committee The statement of remuneration policy Aggregate remuneration paid to executive and non-executive directors	Compliant	Please refer to page 75 of this Annual Report Please refer to page 75 of this Annual Report Please refer to page 96 of this Annual Report
7.10.6	Audit Committee	A listed company shall have an Audit committee	Compliant	Please refer the Audit Committee Report on page 74 of this Annual Report
7.10.6(a)	Composition of Audit Committee	The Audit Committee shall comprise of a minimum of two independent non-executive directors or a majority of independent non-executive directors, whichever is higher One of the non-executive directors shall be appointed as the Chairman of the committee by the board of directors	Compliant	The Audit Committee comprises of three independent non-executive directors Mr. F X R Pereira (independent non-executive director) acts as the Chairman of the Committee

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Rule No.	Subject	Requirement	Compliance Status	Details
7.10.6(a) Contd.	Composition of Audit Committee Contd.	<p>The CEO and CFO shall attend the Audit Committee meetings</p> <p>The Chairman or one member of the Audit Committee should be a member of a recognised professional accounting body</p>	Compliant	<p>The CEO and CFO attend meetings by invitation</p> <p>The Chairman is a fellow member of the Chartered Institute of Management Accountants</p>
7.10.6(b)	Functions of Audit Committee	<p>The Audit Committee shall oversee:</p> <p>Preparation, presentation and disclosure of the financial statements and ensuring they are in line with the Sri Lanka Accounting Standards</p> <p>Compliance with financial reporting, Companies Act and other financial reporting regulations and requirements</p> <p>Processes to ensure that internal controls and risk management are adequate to meet the requirements of Sri Lanka Accounting Standards</p> <p>Assessment of the independence and performance of external auditors</p> <p>Appointment, re-appointment and removal of external auditors and approve the terms of remuneration and terms of engagement</p>	Compliant	Please refer to the Audit Committee Report on page 74 of this Annual Report
7.10.6(c)	Disclosure in the Annual Report	<p>The Annual Report shall disclose:</p> <p>Names of the directors of the Audit Committee</p> <p>The determination of the independence of the auditors and the basis for such determination in the annual report</p> <p>A report by the Audit Committee setting out the manner of compliance with the listing rule 7.10 on Corporate Governance</p>	Compliant	Please refer to the Audit Committee Report on page 74 of this Annual Report

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

The Directors of Asia Capital PLC have pleasure in submitting their Report together with the audited Financial Statements of the Company and the audited Consolidated Financial Statements of the Group for the year ended 31st March 2012.

Principal Activities

During the year the principal activities of the Group were stock brokering, corporate finance, asset management, margin trading, treasury management, dealing and investing in securities, financial services and insurance, hotel, tea packaging and production of motion pictures.

The Company acts as an investment holding company and in investment banking activities.

Review of Operations

The Chairman's Review on pages 08 to 13 which forms an integral part of this report provides an overall assessment of the financial performance and financial position of the Company and describes in detail its affairs and important events for the year. A detailed analysis of the operations and financial results is contained in the Management Discussion and Analysis on pages 26 to 41 in this report.

Financial Statements

The Directors are of the view that the income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies, and Notes thereto appearing on pages 74 to 129 have been prepared in conformity with the Sri Lanka Accounting Standards and the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Auditors Report

The Auditor's Report on the Financial Statements is given in page 76.

Accounting Policies

The accounting policies adopted in the preparation of Financial Statements are given in pages 83 to 94.

Dividends

In December 2011, the Company paid out an interim dividend of Rs. 6.95 per share from and out of the profits of the Company during the year.

Financial Results

For the year ended 31st March	Group		Company	
	2012 Rs. 000	2011 Rs. 000	2012 Rs. 000	2011 Rs. 000
Profit for the Year Before Taxation	796,004	1,331,927	1,193,224	479,354
Income Taxation	(62,919)	(180,912)	402	(14,125)
Profit for the Year After Taxation	733,085	1,151,015	1,193,626	465,229
Minority Interest	(156,862)	(162,997)	-	-
Profit Attributable to Equity Holders of the Parent Company	889,947	988,018	1,193,626	465,229
Profit/(Loss) Brought Forward from Previous Year	27,986	(871,537)	(390,074)	(855,305)
Appropriations				
Dividend Paid - 06th December 2011 - Rs. 6.95 per share	(764,500)	-	(764,500)	-

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Property, Plant and Equipment

An analysis of the Property, Plant and Equipment of the Company is disclosed in Note 12 of the Financial Statements on pages 99 to 101.

Stated Capital

The stated Capital of the Company as at 31st March 2012 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 commitments other than those disclosed in Note 37 on page 125 of the Financial Statements.

Provisions

The basis adopted for provisioning is disclosed in accounting policy No. 3.3.1.

Provision for the Taxation

The provision for the taxation is computed at the rates disclosed in Note 10 on page 97 of the financial statements.

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.

Contingent Liabilities

Details of contingent liabilities and capital commitments as at 31st March 2012 are set out in Note 37.2 and on page 126 of the Financial Statements.

Post Balance Sheet Events

In the opinion of the directors, no transaction or any other material events of an unusual nature has arisen during the period between the end of the financial year and the date of this report, other than those disclosed in note 38 on page 126 of the Financial Statements.

Risk Management and Internal Control

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

Going Concern

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

Directors who held office during the year

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

Mr. H L L M Nanayakkara - *Chairman*
 Mr. J H P Ratnayake - *Deputy Chairman*
 Mr. F X R Pereira
 Mr. A D Ross
 Mr. V Siva Jr.
 Mr. D Muthukumarana
 Mr. R J Wickramasinghe (*appointed with effect from 3rd May, 2011*)
 Mr. S A Abeyesinhe (*appointed with effect from 18th November, 2011*)

Alternate Directors

Ms. D P Pieris (*Alternate Director to Mr. H L L M Nanayakkara*)
 Mr. S A Abeyesinhe (*Alternate Director to Mr. V Siva Jr, appointed with effect from 6th June, 2011*)
 Mr. S A Abeyesinhe (*Alternate Director to Mr. J H P Ratnayake, appointed with effect from 29th August, 2011*)

Appointments during the year

Mr. R J Wickramasinghe was appointed with effect from 3rd May, 2011
 Mr. S A Abeyesinhe was appointed with effect from 18th November, 2011
 Mr. S A Abeyesinhe was appointed as an Alternate Director to Mr. V Siva Jr. with effect from 6th June, 2011.
 Mr. S A Abeyesinhe was appointed as an Alternate Director to Mr. J H P Ratnayake with effect from 29th August, 2011

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

Resignations during the year

There were no resignations during the year.

Appointments after the conclusion of the year

There were no appointments during the year.

Directors who held office as at the end of the Accounting period

Mr. H L L M Nanayakkara - *Chairman*

Mr. J H P Ratnayeke - *Deputy Chairman*

Mr. F X R Pereira

Mr. A D Ross

Mr. V Siva Jr.

Mr. D Muthukumarana

Mr. R J Wickramasinghe

Mr. S A Abeyesinhe

Ms. D P Pieris

(Alternate Director to Mr. H L L M Nanayakkara)

Mr. S A Abeyesinhe

(Alternate Director to Mr. V Siva Jr.)

Mr. S A Abeyesinhe

(Alternate Director to Mr. J H P Ratnayeke)

Of the 8 Directors, Mr. F X R Pereira, Mr. A D Ross and Mr. R J Wickramasinghe are non-executive, independent Directors.

Directors retiring (at the Annual General Meeting)

- (1) Mr. H L L M Nanayakkara retires by rotation in accordance with Article 98 of the Articles of Association of the Company and being eligible, offers himself for re-election.
- (2) Mr. D Muthukumarana who is presently 72 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or up to the date of the next Annual General Meeting and for the non-application of the age limit referred to in Section 210 of the Companies Act no.7 of 2007.
- (3) Mr. F X R Pereira who is presently 70 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or up to the date of the next Annual General Meeting and for the non-application of the age limit referred to in Section 210 of the Companies Act no.7 of 2007.

Directors' Interest In Shares

Name	No. of Shares as at 31st March 2012	No. of Shares as at 31st March 2011
H L L M Nanayakkara/Seylan Bank PLC	2,139,200	2,139,200
J H P Ratnayeke/Seylan Bank PLC	30	30
A D Ross	-	-
V Siva Jr.	-	-
D Muthukumarana	50,000	50,000
F X R Pereira	200	-
R J Wickramasinghe	-	-
S A Abeyesinhe	-	-
D P Pieris <i>(Alternate Director to Mr. H L L M Nanayakkara)</i>	40,000	40,000

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Corporate Governance

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

The Audit Committee and the Remuneration Committee function as Board sub committees with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows;

Audit Committee

Mr. F X R Pereira
(Independent Non-Executive Director)
Mr. A D Ross
(Independent Non-Executive Director)
Mr. D Muthukumarana
(Non-Executive Director)
Mr. R J Wickramasinghe
(Independent Non-Executive Director)

	As at 31st March 2012			As at 31st March 2011		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	5,746	884,971	0.8045	5,631	806,065	0.73%
1,001 - 10,000	594	1,494,231	1.3583	552	1,394,642	1.27%
10,001 - 100,000	46	1,297,320	1.1793	42	1,185,480	1.08%
100,001 - 1,000,000	1	543,268	0.4938	-	-	-
1,000,001 & over	4	105,780,210	96.1638	5	106,613,813	96.92%
Total	6391	110,000,000	99.9999%	6,230	110,000,000	100.00%

	As at 31st March 2012			As at 31st March 2011		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	6,319	8,056,845	7.324%	6,161	9,498,762	8.64%
Non-Resident	72	101,943,155	92.675%	69	100,501,238	91.36%
Total	6,391	110,000,000	99.999%	6,230	110,000,000	100%

	As at 31st March 2012			As at 31st March 2011		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individual	6,260	101,731,384	92.483%	6,117	101,346,688	92.13%
Institutional	131	8,268,616	7.516%	113	8,653,312	7.87%
Total	6,391	110,000,000	99.999%	6,230	110,000,000	100%

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

20 Largest Holders of Equity

	Name	As at 31st March 2012		As at 31st March 2011	
		No. of Shares	%	No. of Shares	%
1	Mr. Vijayeswaran S. Vijayarathnam	96,439,973	87.67%	96,381,773	87.62%
2	Fast Gain International Limited	5,175,597	4.71%	3,875,900	3.52%
3	Seylan Bank PLC/Hiniduma Liyanage Lakpriya Manohan Nanayakkara	2,139,200	1.94%	2,139,200	1.94%
4	P W Corporate Secretarial (Private) Limited - Trustee to the ESOP	2,025,440	1.84%	2,025,440	1.84%
5	Asian Alliance Insurance PLC-A/C 02 (Life Fund)	543,268	0.49%	2,191,500	1.99%
6	Mr. Hamish Winston Mcdonald Woodward	98,300	0.09%	-	-
7	Asia Asset Finance PLC	80,000	0.07%	80,000	0.07%
8	Anglo Amalgamated (Private) Limited	67,000	0.06%	67,000	0.06%
9	Mr. Amrith Joseph De Soysa	65,900	0.06%	-	-
10	Mrs. Manjula Morarji Udeshi	55,880	0.05%	55,880	0.05%
11	Mr. Anushman Rajaratnam	50,000	0.05%	-	-
12	Mr. Dayananda Muthukumarana	50,000	0.05%	50,000	0.05%
13	Mr. Ganepalle Koralalage Manjula Bandara Jayasinghe	47,000	0.04%	67,600	0.06%
14	Mr. Mahinda Sarath Dayananda Galagedera	45,000	0.04%	70,000	0.06%
15	Mr. Wannakuwattewaduge Ananda Fernando	44,000	0.04%	44,000	0.04%
16	Ms. Sabiha Abdul Husen Rajkotwala	42,000	0.04%	42,000	0.04%
17	Mr. Dishan Thivanka Fernando	41,000	0.04%	51,000	0.05%
18	Mrs. Dayangani Priyanthi Pieris	40,000	0.04%	40,000	0.04%
19	Mr. Shahul Hameed Noor Mohamed	37,500	0.03%	38,400	0.03%
20	Seylan Bank PLC/Asia Asset Finance PLC	36,400	0.03%	36,400	0.03%

Remuneration Committee

Mr. R J Wickramasinghe

(Independent Non-Executive Director)

Mr. F X R Pereira

(Independent Non-Executive Director)

Mr. D Muthukumarana

(Non-Executive Director)

Mr. V Siva Jr.

(Non-Executive Director)

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). No shares were allotted from the ESOP during the year.

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Directors' Interest Register

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

Directors Remuneration and Other Benefits of Directors

Directors remuneration and other benefits of directors are stated in the Note 09 on page 96 of the Financial Statements.

Directors' Interest In Contracts

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 36 on page 125 of the Financial Statements.

Shareholders Information

The distribution and analysis of shareholdings were as follows;

Public Shareholding

The percentage of public shareholding as at the 31st of March 2012 was 10.24 %.

Annual General Meeting

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

Auditors

The Financial Statements for the year ended 31st March 2012 have been audited by Messrs. KPMG (Chartered Accountants) who offer themselves for reappointment. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

The Auditors Messrs. KPMG Chartered Accountants were paid Rs. 1,050,000/- as Audit fees by the Company. A resolution relating to their reappointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



J H P Ratnayake
Deputy Chairman/Director



S A Abeyesinhe
Director



P R Secretarial Service (Private) Limited
Secretaries

10th August 2012

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

The Financial Statements of Asia Capital PLC and the Group are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995 and the listing rules of the Colombo Stock Exchange, to the extent applicable to the Company. We confirm that to the best of our knowledge, the financial statements and other financial information included in this Annual Report fairly present in all material respects, the financial position, results of operations and cash flows of the Company and the Group as of and for the periods presented in this Annual Report. There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, except where otherwise stated in the Notes accompanying the Financial Statements.

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

To ensure this, we have taken proper and sufficient care in evaluating the effectiveness of the system of internal controls and procedures of the Group and are satisfied that they have been effective as of the end of the period covered by this Annual Report. We are also satisfied that the proper accounting records are maintained for safeguarding assets and for preventing and detecting fraud as well as other irregularities. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

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

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

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



S A Abeyesinhe
Director/Group Chief Executive Officer



Thusitha Perera
Group Chief Financial Officer

10th August 2012

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Statement of Directors' Responsibilities

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

In the circumstances, the Directors of the Company state below their responsibilities in relation to the Financial Statements of the Company and its subsidiaries and associates for the year ended 31st March, 2012. These differ from the Auditors responsibilities, which are set out in their report given on page 76. The Board of Directors have a responsibility to ensure that the Company and its subsidiary and associates are maintaining sufficient accounting policies to ensure the accuracy and reliability of financial statements. The Directors have a general responsibility to take steps to safeguard the assets of the Company.

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

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

The overall responsibility for the Company's internal control systems lies with the Directors. Whilst recognising the fact that there is no single system of internal control that could provide absolute assurance against material

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

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

The Directors have adopted the 'going concern basis' in preparing the Financial Statements. Having reviewed the Group's business plans, the Directors are satisfied that the Company has adequate resources to continue in operation.

The Directors confirm that to the best of their knowledge all taxes and levies payable by the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees and all other statutory obligations including retirement gratuities as were due as at the Balance Sheet date have been either duly paid or appropriately provided for in the financial statements.



S A Abeyesinhe
Director/Group Chief Executive Officer



F X R Pereira
Director

10th August 2012

Audit Committee Report

The Terms of Reference of the Audit Committee comply with the listing Rules of the Colombo Stock Exchange. The Audit Committee comprised of the following.

1. Mr. F X R Pereira
(Chairman) - Independent Non-Executive Director
2. Mr. A D Ross
Independent Non-Executive Director.
3. Mr. D Muthukumarana
Independent Non-Executive Director.
4. Mr. R J Wickremasinghe
Independent Non-Executive Director

Mr. F X R Pereira, FCMA, CGMA, is a fellow member of the Chartered Institute of Management Accountants, United Kingdom, and a fellow of the CMA, Sri Lanka.

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

Mr. D Muthukumarana, has a Masters Degree in Business Administration from PIM (University of Sri Jayewardenapura), Fellowship in Banking from IBSL, Advanced Credit and International Banking at Veereins and West Bank, Hamburg and Midland, London. He holds a certificate in Project Management from Cranfield University, U.K. He is a Senior Banker with long years of experience.

Mr. R J Wickremasinghe, FCMA, FCCA, has over thirty years of experience in the fields of Finance, Operations, and general management both Internationally and locally.

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

The Group Chief Executive Officer and Group Chief Financial Officer attend the meetings at the invitation of the Committee. Discussions have been held with the external auditors, KPMG as well as PricewaterhouseCoopers who carry out the internal audit function. Internal Audit Reports have been reviewed by the Audit Committee.

The Committee meets as and when required including to review the quarterly and Annual Financial Statements. The Committee reviewed and recommended the letter of

engagement of the external auditors and recommended their appointment to the Board of Directors. The Chairman of the Audit Committee is also the Chairman of the Audit Committee of Asia Securities (Private) Limited., a Subsidiary of Asia Capital PLC.

The audit programmes are agreed with PricewaterhouseCoopers, our internal auditors. As mentioned above the Audit reports submitted by internal auditors, together with the Management response is placed before the Audit Committee.

The internal audit carried out by PricewaterhouseCoopers evaluates the efficiency of internal controls and actions taken to control and mitigate operational and business risks, whilst keeping the compliance of Asia Capital PLC and Asia Securities (Private) Limited under review.

Financial Reporting

The Committee as a part of its responsibility to oversee the Asia Capital Groups financial reporting process on behalf of the Board of Directors has reviewed the reporting process including compliance with Accounting Standards. In the last annual report, the committee identified the need for Asia Capital PLC and Asia Securities (Private) Limited., to be compliant with Sri Lanka Financial Reporting Standards (SLFRS) which new standards have come into operation from 1st January 2012. As a preparatory measure, accountants of the Group have been exposed to extensive training conducted by the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee have commissioned KPMG to carry out a gap analysis to identify the areas required to be compliant with SLFRS and LKAS. The Board of Directors will be appraised of any significant changes consequent to the gap report and adopt the required changes in order to comply with Sri Lanka Financial Reporting Standards.

Conclusion

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



F X R Pereira
Chairman - Audit Committee

10th August 2012

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Remuneration Committee Report

Remuneration Committee consists of four Non- Executive Directors as follows:

1. Mr. R J Wickramasinghe
(Chairman) - Independent Non-Executive Director
2. Mr. F X R Pereira
Independent Non-Executive Director
3. Mr. V Siva Jr.
Non-Executive Director
4. Mr. D Muthukumarana
Non-Executive Director

The Chairman and CEO attend the meetings of the Remuneration Committee by invitation.

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

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



R J Wickramasinghe
Chairman - Remuneration Committee

10th August 2012

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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Internet : 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 "Company"), the consolidated financial statements of the Company and its subsidiaries as at 31st March 2012 which comprise the Balance Sheets as at 31st March 2012, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year then ended, and a summary of significant accounting policies and other explanatory notes set out in pages 77 to 129.

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 policies 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 31st March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion-Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31st March 2012 and the profit 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 shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153 (7) of the Companies Act No.07 of 2007.

Chartered Accountants

10th August 2012
Colombo

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	Ms. M. P. Perera FCA	P.Y.S. Perera FCA
C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyratne ACA
S.T.D.L. Perera FCA	G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

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Income statements

For the year ended 31st March	Note	Group		Company	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Revenue	5	1,897,601	2,122,917	799,061	303,344
Cost of Sales		(1,167,190)	(703,856)	(18,745)	(88,256)
Gross Profit		730,411	1,419,061	780,316	215,088
Other Operating Income	6	1,802,339	776,370	775,978	364,698
Selling and Distribution Expenses		(135,251)	(88,967)	(33,215)	(10,599)
Administrative Expenses		(1,096,119)	(782,094)	(145,708)	(73,853)
Other Operating Expenses		(635,923)	(67,468)	(133,761)	(27,058)
Reversal for fall in value of Investments		-	-	-	32,000
(Provision)/Reversal for Bad & Doubtful Debts	7	(67,320)	(2,826)	(22,056)	11,120
Net Finance Income/(Costs)	8	188,767	29,580	(28,330)	(32,042)
Share of Profit of Associate Companies	15.2.1	9,100	48,271	-	-
Profit Before Taxation	9	796,004	1,331,927	1,193,224	479,354
Income Taxation	10	(62,919)	(180,912)	402	(14,125)
Profit for the year		733,085	1,151,015	1,193,626	465,229
Attributable to					
Equity Holders of the Parent Company		889,947	988,018	1,193,626	465,229
Minority Interest		(156,862)	162,997	-	-
Profit for the year		733,085	1,151,015	1,193,626	465,229
Basic Earnings Per Share (Rs.)	11.1	8.09	8.98	10.85	4.23
Dividend Per Share (Rs.)	11.2	-	-	6.95	-

Figures in bracket indicate deductions.

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 83 to 129.

Balance Sheets

As at 31st March	Note	Group		Company	
		2012 Rs.'000	2011 Re-stated Rs.'000	2012 Rs.'000	2011 Re-stated Rs.'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	595,682	401,132	41,854	42,700
Intangible Assets	13	8,325	165,359	1,284	1,818
Investment Properties	14	91,014	69,685	-	-
Investments in Subsidiaries	15.1	-	-	1,204,464	629,475
Investments in Associates	15.2	-	132,440	-	583,187
Other Long Term Investments	15.3	6,000	1,271,095	-	-
Loans given to ESOP	16	17,491	17,491	17,491	17,491
Loans due from Related Parties	17	-	-	-	352,514
Long Term Deposits and Advances	18	89,473	11,422	53,411	7,922
Trade and Other Receivables	22	1,266,201	754,343	-	-
Deferred Taxation	27	46,581	9,777	-	-
		2,120,767	2,832,744	1,318,504	1,635,107
Current Assets					
Inventories	19	279,650	34,935	-	-
Short Term Investments	20	412,420	3,593,231	279,662	1,166,686
Short Term Lendings	21	-	-	-	-
Income Tax Receivable		15,647	4,329	12,396	1,832
Trade and Other Receivables	22	1,636,959	1,886,260	214,577	307,627
Loans due from Related Parties	17	-	-	-	31,125
Amounts due from Related Parties	23	188,707	72,845	893,289	483,720
Cash and Cash Equivalents	24	331,713	211,523	1,618	12,914
		2,865,096	5,803,123	1,401,542	2,003,904
Total Assets		4,985,863	8,635,867	2,720,046	3,639,011
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	25	1,114,558	1,114,558	1,114,558	1,114,558
Revaluation Reserve		-	27,560	-	-
Capital Reserves		6,229	5,774	-	-
General Reserve		8,425	3,000	-	-
Retained Earnings/ (Accumulated Losses)		(54,322)	27,986	39,052	(390,074)
Shareholders' Fund		1,074,890	1,178,878	1,153,610	724,484
Minority Interest		46,715	598,549	-	-
Total Equity		1,121,605	1,777,427	1,153,610	724,484
Non-Current Liabilities					
Retirement Benefit Obligations	28	25,523	44,376	5,607	2,736
Non - Interest Bearing Borrowings	29	144,670	144,670	144,670	144,670
Interest Bearing Borrowings - Non Current	30	58,314	41,724	14,131	9,364
Provision for Life Solvency		-	100,000	-	-
Trade and Other Payables	32	361,071	105,686	-	-
		589,578	436,456	164,408	156,770

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As at 31st March	Note	Group		Company	
		2012 Rs.'000	2011 Re-stated Rs.'000	2012 Rs.'000	2011 Re-stated Rs.'000
Current Liabilities					
Interest Bearing Borrowings - Current	30	512,753	1,241,316	654,973	1,539,501
Debentures	26	10	10	-	-
Insurance Provision	31	-	2,190,558	-	-
Trade and Other Payables	32	2,198,484	2,109,857	15,039	87,213
Amounts due to Related Parties	33	-	-	305,956	444,600
Income Tax Payable		46,801	132,634	-	-
Bank Overdrafts	24	516,632	747,609	426,060	686,443
		3,274,680	6,421,984	1,402,028	2,757,757
Total Liabilities		3,864,258	6,858,440	1,566,436	2,914,527
Total Equity and Liabilities		4,985,863	8,635,867	2,720,046	3,639,011
Net Assets Per Share (Rs.)		9.77	10.72	10.49	6.59

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 83 to 129. The Independent Auditors' Report is given on page 76.

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



Thusitha Perera
Group Chief Financial Officer

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



F X R Pereira
Director



S A Abeyesinhe
Director

10th August 2012
Colombo.

Cash Flow Statements

For the year ended 31st March	Note	Group		Company	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income Tax Expense		796,004	1,331,927	1,193,224	479,354
Adjustments for:					
Provision for Retiring Benefit Obligations	28	4,633	22,622	2,871	1,973
Depreciation on Property, Plant and Equipment	12	64,719	48,467	9,156	5,113
Amortisation on Intangible Assets		1,474	2,047	609	603
Profit on Disposal Property, Plant and Equipment		(7,025)	(1,630)	-	(1,362)
Profit on Disposal of Subsidiary		(1,468,358)	(350,772)	-	(138,353)
Profit on Disposal of Associates		(33,460)	-	(770,634)	(161,466)
Unrealised Capital (Gain)/Loss		523,091	(143,415)	30,883	(20,601)
Profit on Disposal of Investment Property		-	(7,721)	-	-
Provision for Insurance Claims		-	450,981	-	-
Provision/(Reversal) for Bad & Doubtful Debts		67,320	2,826	22,056	(11,120)
Provision for fall in value of investments		-	-	-	(32,000)
Share of Profit of Associate Company's before taxation		(9,100)	(48,271)	-	-
Interest Income	8	(273,677)	(129,012)	(75,070)	(67,521)
Interest Expenses	8	84,910	99,432	103,400	99,563
Operating profit/(loss) before working capital changes		(249,469)	1,277,481	516,495	154,183
(Increase)/decrease in Inventories		(244,715)	(30,786)	-	-
(Increase)/decrease in Short Term Investments		709,377	(1,320,323)	856,530	(395,766)
(Increase)/decrease in Trade and Other Receivables		(155,763)	(1,630,383)	25,919	(76,451)
(Increase)/decrease in Amount due from Related Parties		(115,862)	25,419	(500,436)	(202,910)
Increase /(decrease) in Trade and Other Payables		495,931	317,958	(72,169)	(12,415)
Increase /(decrease) in Amount due to Related Parties		-	124	(96,118)	207,665
Cash generated from/(used in) operations		439,499	(1,360,510)	730,221	(325,694)
Claims paid (net of premium receive)		-	(472,676)	-	-
Gratuity paid	28	(748)	(6,786)	-	(180)
Income tax paid		(189,360)	(48,831)	(8,011)	(15,529)
Net cash from/(used in) operating activities		249,391	(1,888,803)	722,210	(341,403)
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of Property, Plant and Equipment		(272,883)	(57,842)	(1,483)	(21,839)
Acquisition of Intangible Assets		-	-	(76)	-
Acquisition of Investment Properties		(21,329)	(32,935)	-	-
Proceeds from Disposal of Investment Properties		-	34,760	-	-
Advance for Intangible Assets		-	-	(44,860)	-
Acquisition of Subsidiary net of cash received	34	-	(545,651)	-	(203,280)
Increase in Interest in Subsidiaries		(484,113)	(292,193)	(484,113)	-
Investments in Associates		-	-	(170,546)	(586,119)
Net Proceeds from Disposal of Subsidiary	34.2	2,225,828	291,856	-	299,559
Net Proceeds from Disposal of Associates		168,766	-	1,524,367	-
Loans Granted to Related Parties (Net)		-	-	383,638	(148,748)

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For the year ended 31st March	Note	Group		Company	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
Proceeds from Disposal of Property, Plant and Equipment		9,678	2,156	-	1,362
Dividend Received from Associates		-	9,000	-	-
Purchase of other Long Term Investments		(334,524)	86,915	(630)	-
Proceeds from Disposal of Long Term Investments		-	226,603	-	-
Interest received		273,677	129,012	75,070	67,521
Net cash flows from/(used in) investing activities		1,565,100	(148,319)	1,281,367	(591,544)
CASH FLOW FROM FINANCING ACTIVITIES					
Net Proceeds from /Repayment of Other Loans		34,959	427,274	-	4,363
Direct Cost on Share Issue		-	(4,688)	-	-
Proceed of Minority on renunciation of right of Subsidiary		-	812,500	-	-
Proceed of Minority on issue of share of Subsidiary		81,470	-	-	-
Net Proceeds from /Repayment of Amounts Payable under Re-purchase Agreement		(910,206)	426,360	(912,997)	375,858
Net Proceeds from /Repayment of Commercial Papers		179,864	69,894	26,407	291,363
Dividend Paid		(764,500)	-	(764,500)	-
Interest paid		(84,910)	(99,432)	(103,400)	(99,563)
Net cash flows from/(used in) financing activities		(1,463,323)	1,631,908	(1,754,490)	572,021
Net increase/(decrease) in cash & cash equivalents		351,167	(405,214)	249,087	(360,926)
Cash and cash equivalents at the beginning of the year	24	(536,086)	(130,872)	(673,529)	(312,603)
Cash and cash equivalents at the end of the year	24	(184,919)	(536,086)	(424,442)	(673,529)

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 83 to 129.

Figures in brackets indicate deductions.

Statements of Changes in Equity

GROUP	Stated Capital	Revaluation Reserve	Capital Reserve	General Reserve	Retained Earnings/ (Accumulated Losses)	Total	Minority Interest	Total Attributable to Equity Holders
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2010 as previously stated	1,114,558	8,709	1,790	3,000	(856,779)	271,279	248,106	519,385
Prior Year Adjustment (Note 35)	-	-	-	-	(14,758)	(14,758)	-	(14,758)
Balance as at 31st March 2010 (Re-stated)	1,114,558	8,709	1,790	3,000	(871,537)	256,521	248,106	504,627
Transferred from Investment in Associate	-	19,956	-	-	-	19,956	-	19,956
Transferred to Reserves	-	-	3,984	-	(3,984)	-	-	-
Adjustment on Acquisition and Disposal of Subsidiary	-	(1,105)	-	-	(62,110)	(63,215)	211,232	148,018
Share Issue Expenses	-	-	-	-	(2,274)	(2,274)	(2,414)	(4,688)
Allocation for Life Solvency	-	-	-	-	(20,128)	(20,128)	(21,372)	(41,500)
Profit for the year	-	-	-	-	988,018	988,018	162,997	1,151,015
Balance as at 31st March 2011 (Re-stated)	1,114,558	27,560	5,774	3,000	27,986	1,178,878	598,549	1,777,427
Transferred to Reserves	-	-	455	5,425	(5,880)	-	2,270	2,270
Adjustment on Acquisition and Disposal of Subsidiary	-	-	-	-	(72,335)	(72,335)	(397,232)	(469,567)
Adjustment on Disposal of Associate	-	(27,560)	-	-	(129,540)	(157,100)	-	(157,100)
Profit/(Loss) for the year	-	-	-	-	889,947	889,947	(156,862)	733,085
Interim Dividend Paid	-	-	-	-	(764,500)	(764,500)	-	(764,500)
Subsidiary dividend to Minority Shareholders	-	-	-	-	-	-	(10)	(10)
Balance as at 31st March 2012	1,114,558	-	6,229	8,425	(54,322)	1,074,890	46,715	1,121,605

COMPANY	Stated Capital	Retained Earnings/ (Accumulated Losses)	Total
	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2010 as previously stated	1,114,558	(834,326)	280,232
Prior Year Adjustment (Note 35)	-	(20,979)	(20,979)
Balance as at 31st March 2010 (Re-stated)	1,114,558	(855,305)	259,253
Profit for the year	-	465,229	465,229
Balance as at 31st March 2011 (Re-stated)	1,114,558	(390,074)	724,484
Profit for the year	-	1,193,626	1,193,626
Interim Dividend Paid	-	(764,500)	(764,500)
Balance as at 31st March 2012	1,114,558	39,052	1,153,610

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the accounting policies and related notes, which are set out on pages 83 to 129.

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1 REPORTING ENTITY

1.1 Domicile and Legal form

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

The Consolidated Financial Statements of Asia Capital PLC for the year ended 31st March 2012 comprise the Company and its Subsidiaries (together referred to as the 'Group') and the Group's interests in Associates.

All the Group entities are limited liability Companies, incorporated and domiciled in Sri Lanka.

1.2 Principle Activities and Nature of Operations

During the year the principle activities of the Group was stock brokering, corporate finance, asset management, margin trading, treasury management, dealing and investing in securities, financial services, hotels, insurance, tea packaging and production of motion pictures.

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

1.3 Parent and Ultimate Parent Enterprise

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

1.4 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.

1.5 Date of Authorisation for Issue

The Financial Statements were authorised for issue by the Board of Directors on 10th August 2012.

2 BASIS OF PREPARATION

2.1 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, requirements of the Companies

Act No 7 of 2007 and Sri Lanka Accounting and Auditing Standards Act, No.15 of 1995.

2.2 Basis of Measurement

The Financial Statements of the Group are prepared and presented on historical cost basis except for Property, Plant and Equipment and Investment in Quoted Equity Securities in accordance with 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 Financial Statements.

2.3 Responsibility for Financial Statements

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

2.4 Going Concern

The Board of Directors has made an assessment of Group's ability to continue as a going concern and they do not intend either to liquidate or cease operations.

2.5 Functional Currency and Presentation Currency

The individual Financial Statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the Company's functional currency. The figures are rounded to the nearest thousand rupee, unless stated otherwise.

2.6 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLAS) require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying value of assets and liabilities those are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are

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recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date the control ceases.

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" (Revised 2005).

Asia Securities (Private) Limited
 Asian Alliance Insurance PLC
 Asia Growth Fund 1 (Private) Limited
 Asia Fort Sri Lanka Direct Investment Fund Limited
 Asia Capital Technologies (Private) Limited
 Asia Asset Finance PLC
 Asia Apparel Trading (Private) Limited
 Asia Leisure Holdings (Private) Limited
 Asia Leisure (Private) Limited
 Asia Wealth Management Company (Private) Limited
 Asia Tea Packaging (Private) Limited
 Asia Digital Entertainment (Private) Limited

3.1.2 Profits 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".

3.1.3 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".

3.1.4 Intra Group Transactions

Intra group balances, intra group transactions and resulting unrealised profits are eliminated in full in the Consolidated Financial Statements. Unrealised losses resulting from intra group transactions are eliminated unless the cost can be recovered.

3.1.5 Acquisition and Disposal of Subsidiary

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. In respect of the acquisition where control is obtained, the excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill, and if the cost of acquisition is less than the fair value of the net assets of the Subsidiary acquired, the difference is recognised directly in the Income Statement. When the Parent's interest in a Subsidiary decreases due to dilution or disposal of the Subsidiary, gains and losses due to changes in ownership are directly recognised in the Income Statement.

3.1.6 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 earnings. The carrying amount of the Company's investment is reduced to the extent of the dividends received from these Associate Companies.

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3.1.7 Other Investments

Investment in companies where the Group's holding is less than 20% and where the Group does not exercise significant influence and/or control over the financial and operating policies/decisions are accounted for on the basis stated in 3.2.4 below.

3.1.8 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lankan Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected. Insurance contracts which were underwritten in foreign currency are converted to Sri Lankan Rupees at the rates of exchange prevailing at the time of underwriting and Revenue is recognised accordingly.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupee equivalents using year end spot foreign exchange rates. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Income Statement.

3.2 Assets and Bases of their Valuation

3.2.1 Property, Plant and Equipment

3.2.1.1 Recognition and Measurement

The Property, Plant and Equipment are stated at cost/ revaluation less accumulated depreciation which is provided on the bases specified below. The cost of the asset is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use. Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued at fair value.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease

of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement, any revaluation deficit offset a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

3.2.1.2 Subsequent Costs/Replacement

The cost of replacing part of an item of Property, Plant and Equipment is recognised 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 and Equipment are recognised in the Income Statement as incurred.

When replacement costs are recognised in the carrying of an item of Property, Plant and equipment, the remaining carrying amount of the replaced part is derecognised.

3.2.1.3 Leased Assets

a) Finance Leases

Assets used by the Group, which have been funded through finance leases, are reflected in the Balance Sheet at an amount equal to the lower of its fair value and present value of minimum lease payments and the resulting lease obligations are included as creditors, net of finance charges. Subsequent to the initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under finance leases are amortised over the estimated useful lives unless ownership is not transferred at the end of the lease period. In such cases the assets are amortised over the shorter of the lease term and their useful lives.

b) Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the leased term are classified as operating leases. Lease payments (excluding costs for services such as insurance and maintenance) paid under operating leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

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3.2.1.4 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. Lease assets are depreciated over the shorter of the lease term and other useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease period.

The rates of depreciation used on a straight line method are as follows:

Buildings and Improvements	5%-10%
Computer Equipment	10%-20%
Office Equipment	10%-20%
Furniture and Fittings	10%-20%
Fixtures and Fittings	10%
Motor Vehicles	20%-25%
Plant and Machinery	15%-20%
Hotel Equipment	15% -25%
Camera Equipment	25%
Video Editing System	25%

3.2.1.5 De-recognition

An item of Property, Plant and Equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Statement of Income in the year the asset is de-recognised. When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognised.

3.2.1.6 Capital WIP

Capital expenses incurred during the year which are not completed as at the Balance Sheet date are shown as Capital WIP, whilst the capital assets which have been completed during the year and put to use have been transferred to Property, Plant and Equipment.

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

3.2.2 Intangible Assets

3.2.2.1 Goodwill

The goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill on acquisitions of subsidiaries is included in intangible assets. The separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold are recognised in the income statement. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

3.2.2.2 Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (Maximum five years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met,

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The computer software costs recognised as intangible assets are amortised over their estimated useful lives (not exceeding five years).

3.2.3 Investment Properties

Investment property, comprising freehold land and buildings, 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. The Group entities account for Investment Property using Cost Model as referred to in SLAS 40-“Investment Property”.

3.2.4 Investments

3.2.4.1 Current Investments

a) Investments in Trading Equity Shares Quoted

Investments made in equity shares with the intention of disposing in the near future are valued at market value. The market value is determined on an aggregate portfolio basis. Unrelieved gains and losses on investments carried at market value i.e. reduction to market value and reversals of such reductions required to reflect the investments at the market value, are credited or charged to the Income Statement.

Unquoted

Current investments in unquoted shares are stated at cost unless otherwise stated.

b) Investment in Government Securities

Investment in treasury bills, treasury bonds and repurchase agreement are stated at cost, and interest is accrued over the maturity period.

c) Investment in Debt Instruments and Bank Deposits

Investment in Debt Instruments, Bank Deposits, and Term Deposits are stated at cost and interest is accrued over maturity period. Cost of an investment is the cost of acquisition inclusive of brokerage fees, duties and bank fees.

3.2.4.2 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.

3.2.5 Inventories

Real Estate Stock

Real estate stock comprises all costs of purchase, cost of conversion and other costs incurred in bringing the real estate to its saleable condition less repayments.

Land Cost - purchase cost with legal charges

Cost of conversion - Actual Development costs including the borrowing cost up to the completion of development.

Vehicle Stock

Unsold vehicles at Balance Sheet date are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net Realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

Consumer Durables

Other inventory materials at Balance Sheet date are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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Food & Beverages

Stock of Food and Beverages are carried at lower of cost and net realisable value, whichever is lower.

Tea Stock

Finished goods, filter papers, other consumables are valued at lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

Film Stock

Expenditure in relation to the production of a film includes any expenditure incurred in the promotion of that film will consider as Work In Progress until such production starts its exhibition.

Films that have been completed its production and ready for its exhibition are shown under finished stocks.

3.2.6 Trade and Other Receivables

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

3.2.7 Loans and Advances

Loans and advances to customers are stated in the Balance Sheet net of provision for bad and doubtful loans and interest, which were not accrued to revenue are detailed as follows.

Lease Rentals Receivable and Hire Purchase

Assets leased to customers under agreements, which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Lease rentals receivable represents the total minimum lease payments due net of unearned income and allowance for doubtful recoveries.

Assets sold to customers under fixed rate hire agreements, which transfer all the risks and rewards as well as the legal title at the end of such contractual period are classified as hire purchase. Such assets are accounted for in a similar manner as finance leases.

3.2.8 Provisions for Bad and Doubtful Debts

The provisioning for bad and doubtful debt is estimated in accordance with Finance Companies Provision for Bad and Doubtful Debts Direction No. 03 of 2006 of the Finance Business Act No. 42 of 2011 as follows,

- Fifty percent (50%) of all lease, hire purchases and loan receivables (net of unearned income) which are in arrears for a period over 06 but less than 12 months.
- One hundred percent (100%) of all lease, hire purchases and loan receivables (net of unearned income) which are in arrears for a period over 12 months.

Balance receivables on any terminated contracts are provided for in full. i.e. One hundred percent (100%) of balance receivables.

The values of the following items held as collateral for a particular advance have been deducted in arriving at the above provisions.

- With regard to vehicles that have been repossessed by the Company and pending disposal, eighty per cent (80%) of the valuation obtained during the preceding six months from a valuer approved by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

- With regard to land and buildings mortgaged and held as collateral for a particular accommodation, the value decided by a qualified professional valuer at the time of granting the accommodation, on the following basis,

- a. In the case of an accommodation in arrears for a period of 6 months but not exceeding 36 months, 100 per cent
- b. In the case of an accommodation in arrears for a period over 36 months but not exceeding 60 months, 80 per cent
- c. In the case of an accommodation in arrears for a period over 60 months but not exceeding 120 months, 50 per cent
- d. In the case of an accommodation in arrears over 120 months, no amount shall be deducted

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3.2.9 Premium Receivable

Collectability of premium and other debtors are reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful debts is raised for any long outstanding receivables in terms of a policy agreed by the Board of Directors.

3.2.10 Reinsurance Receivable

Reinsurance assets include the balances due from both insurance and reinsurance Companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the Balance Sheet unless a right to off set exists.

3.2.11 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.

3.2.12 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 recognised 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 the Income Statement. 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 recognised 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 amortisation, if no impairment loss had been recognised.

3.3 Liabilities and Provisions

3.3.1 Provisions

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

3.3.2 Liabilities

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

3.3.2.1 Current Liabilities

Liabilities classified as current liabilities in the Balance Sheet are those obligations expected to be settled in the entity's normal operating cycle, it is held primarily for the purpose of being traded, it is due to be settled within

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twelve months after the balance sheet date, or the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3.3.2.1 Trade and Other Payables

Trade and other payables are stated at their cost.

3.3.2.2 Reinsurance Payables

Reinsurance liability consists of reinsurance premium due to reinsurers in respect of the reinsurance contracts that are entered into by the Company.

3.3.2.2 Non Current Liabilities

All liabilities other than current liabilities are classified as 'non-current liabilities'.

3.3.2.1 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with Sri Lanka Accounting Standard 16- Employee Benefits (Revised 2006).

The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less fair value of the plan assets, together with adjustments for unrecognised past service cost. The defined benefit obligation is calculated by the Company using "Projected Unit Credit Method" based on the formula prescribed in Sri Lanka Accounting Standard No.16 - "Employee Benefits" (Revised 2006)

The present value of defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high quality corporate bonds that are denominated in currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligations.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for gratuity payment to an employee arises only after the completion of five years continued service with the company.

This liability is not externally funded nor actuarially valued except for which gratuity liability is actuarially valued by Asian Alliance Insurance PLC and Asia Assets Finance PLC as required by the Sri Lanka Accounting Standard 16- "Employee Benefits" (Revised 2006). The item is grouped under non current liabilities in the Balance Sheet.

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.

The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

3.4 Income Statement

3.4.1 Revenue

Group revenue represents proceeds from the sale of investments, dividends, underwriting commissions, brokerage income, interest income, lease and hire purchase income, sale of goods and theatrical distribution on exhibition of films.

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

3.4.1.1 Revenue Recognition

Revenue is recognised 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 recognised.

3.4.1.1.1 Investments

a) Corporate and Government Securities

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

b) Income from Fee Based Activities

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

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3.4.1.2 Stock Brokering

Brokerage income is recognised in the period in which such transactions were effected.

3.4.1.3 Deposit Mobilisation and Credit

a) Interest Income from Leases and Hire Purchase Contracts

Income from leases is recognised on the basis of the method of financing. The excess of aggregate rental receivable over the cost of the leased assets consists of the total unearned income at the commencement of the contract. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed, in proportion to the declining receivable balance of the lease.

Interest ceases to be taken to revenue where any portion of interest or principal is in arrears for more than six months and thereafter such interest is recognised on cash basis.

b) Interest Income from Loans and Advances

Interest Income from Loans and Advances is recognised on an accrual basis. Interest ceases to be taken into revenue when the interest or principal is in arrears for six months or more and thereafter interest is recognised on cash basis.

c) Overdue Interest

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

3.4.1.4 Insurance

Non-Life (General) Insurance Business

a) Gross Written Premium

Gross Written Premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. Earned premiums are calculated on the 365 basis except for marine business, which is computed on a 60-40 basis.

b) Reinsurance premium

Reinsurance premium expense is recognised in the same accounting period as the gross written premium to which it relates or in accordance with the pattern of reinsurance services received.

c) Unearned Premium

The unearned premium reserve represents the portion of the gross written premium and reinsurance premium written in the current year but relating to the unexpired period of coverage. Unearned premiums are calculated on the 365 basis except for marine business, which is computed on a 60-40 basis in accordance with the rules made by the Insurance Board of Sri Lanka.

d) Unexpired Risks

Provision is made where appropriate for the estimated amount required over and above unearned premium to meet future claims and related expenses on the business in force the balance sheet date.

e) Claims

Claims expense and a liability for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers claims reported but not yet paid, IBNR (Incurred But Not Reported) claims, IBNER (Incurred But Not Enough Reported) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR and IBNER (Incurred But Not Enough Reported) is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis. While the directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

f) Deferred Acquisition Costs

Deferred Acquisition Costs represents commissions and reinsurance commission, which are deferred and amortised over the period in which the related written premiums are earned.

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Insurance – Life (Long term) Insurance Business

Premiums from traditional long term insurance contracts, including participating contracts & annuity policies with life contingencies, are recognised as revenue when cash is received from the policyholder. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

The single premium contracts premiums are recognised as income when cash is received.

a) Reinsurance Contracts

Outward reinsurance premiums are recognised when payable. Reinsurance recoveries are credited to match the relevant gross claims.

b) Claims

Death claims are recorded on the basis of notifications received. Surrenders, maturities and annuity payments are recorded when due. Claims payable includes direct costs of settlement. The interim payments and surrenders are accounted only at the time of settlement. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Consultant Actuary.

c) Insurance Provision Life

Long duration contract liabilities included in the Long Term Insurance Fund, result primarily from traditional participating and non-participating Long Term Insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products. The actuarial reserve/insurance provision has been established based upon the following,

- Interest rates which vary by product, as required by regulations issued by the Insurance Board of Sri Lanka.
- Mortality rates based on published mortality tables adjusted for actual experience, as required by Regulations issued by the Insurance Board of Sri Lanka.
- Surrender rates based upon actual experience.

The amount of policy holder bonus to be paid is determined annually by the Company, on the advice of the Actuary. The bonus includes life policy holders' share of distributable surplus as certified by the Actuary that are

required to be allocated by the insurance contract or by insurance regulations.

3.4.1.5 Leisure

a) Room Revenue

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

b) Food & Beverage

Food & Beverage Revenue is recognised at the time of sale.

3.4.1.6 Dividend Income

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

3.4.1.7 Other Income and Gains

Other income and gains are recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of Property, Plant and Equipment and other non current assets including investments have been accounted for in the Statement of Income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

3.4.2 Expenditure Recognition

- a) All expenditure incurred in running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Income Statement in arriving at the profit for the year.
- b) Borrowing costs are recognised 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.

3.5 Taxation

3.5.1 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.

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3.5.2 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 profits, and differences relating to investments in Subsidiaries to the extent that they probably will not reverse in the foreseeable future. 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.

3.5.3 Economic Service Charge

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provisions on the Act.

3.5.4 VAT on Financial Services

Value base for Value Added Tax is the adjusted accounting profit before income tax, in respect of economic depreciation and emoluments for employees computed on prescribed rates.

3.6 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

3.7 Earnings Per Share

The Group presents basic Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

3.8 Comparative Information

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

3.9 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except where voluntary changes have been made.

3.10 Events Occurring after the Balance Sheet Date

All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in the Financial Statements.

3.11 Commitments & Contingencies

Commitments and contingencies as at the balance sheet date are disclosed in the Financial Statements.

3.12 Business Segment Reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segments) or in providing products or services within a particular economic environment (Geographical Segments) which is subject to risks and rewards that are different from those of other segments.

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

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

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

3.13 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

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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.

4. New Accounting Standards Issued but not effective as at the Balance Sheet Date

The Institute of Chartered Accountants of Sri Lanka has issued new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2012. Accordingly, these standards have not been applied in preparing these financial statements as they were not effective for the year ended 31st March 2012.

These Sri Lanka Accounting Standards comprise accounting standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRS.

The Group and Company are currently in the process of evaluating the potential effects of these Standards on its Financial Statements and the impact on the adoption of these Standards have not been quantified as at Balance Sheet date.

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For the year ended 31st March		Group		Company	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
5	REVENUE				
5.1	Summary				
	Gross Revenue	2,677,700	2,257,108	799,061	303,344
	Less: Intra Group Transactions	(780,099)	(134,191)	-	-
		1,897,601	2,122,917	799,061	303,344
5.2	Net Segments Revenue				
	Investments	34,072	273,395	799,061	303,344
	Stock Brokering	316,573	818,530	-	-
	Deposit Mobilisation and Credit	374,607	478,507	-	-
	Insurance	1,030,680	470,717	-	-
	Leisure	94,679	63,605	-	-
	Manufacturing	35,494	-	-	-
	Services	11,496	18,163	-	-
		1,897,601	2,122,917	799,061	303,344
	The Detail Segmental Review is given under Note 40 to the Financial Statements				
6	OTHER OPERATING INCOME				
	Dividend Income	18,717	11,319	-	-
	Profit on Disposal of Property, Plant and Equipment	7,025	1,630	-	1,362
	Profit on Disposal of Investment Property	-	7,721	-	-
	Realised Capital Gain	206,021	148,883	-	-
	Unrealised Capital Gain	-	143,415	-	20,601
	Profit on Disposal of Subsidiary	1,468,358	350,772	-	138,353
	Profit on Disposal of Associate	33,460	-	770,634	161,466
	Profit on Settled Contracts	15,191	35,737	-	-
	Sundry Income	53,254	74,773	69	10,045
	Guarantee Fees	313	1,252	313	1,252
	Management Fees	-	868	4,962	31,619
		1,802,339	776,370	775,978	364,698
7	PROVISION FOR BAD & DOUBTFUL DEBTS				
	Balance at the beginning of the year	478,222	475,396	499,060	510,180
	Provision made by during the year	67,320	2,826	65,167	-
	Provision reversal of during the year	-	-	(43,111)	(11,120)
	Net Provision/(Reversed) for the year	67,320	2,826	22,056	(11,120)
	Balance at the end of the year (Note 7.1)	545,542	478,222	521,116	499,060
7.1	Provision for Bad and Doubtful Debts reflected in,				
	Short Term Investments (Note 20)	18,860	18,860	18,860	18,860
	Short Term Lendings (Note 21)	336,837	336,837	336,837	336,837
	Trade and Other Receivables (Note 22)	166,279	98,959	115,297	50,714
	Amounts due From Related Parties (Note 23)	23,566	23,566	50,122	92,649
	Balance at the end of the year	545,542	478,222	521,116	499,060

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For the year ended 31st March	Group		Company	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
8 NET FINANCE INCOME/(COSTS)				
Financing Income				
Interest Income - Related Parties	-	-	37,951	57,549
- Others	273,677	129,012	37,119	9,972
	273,677	129,012	75,070	67,521
Financing Cost				
Interest on Overdraft	(62,253)	(30,156)	(46,300)	(46,348)
Interest on Other Borrowings - Related Parties	-	-	(1,757)	(53,215)
- Others	(22,657)	(69,276)	(55,343)	-
	(84,910)	(99,432)	(103,400)	(99,563)
Net Finance Income/(Costs)	188,767	29,580	(28,330)	(32,042)
9 PROFIT BEFORE TAXATION				
Profit Before Tax is stated after charging all expenses including the following :				
Included in Administrative Expenses				
Auditors Remuneration - Audit Fees & Expenses	3,572	3,672	1,050	1,050
- Non Audit Services	621	408	388	97
Director's Emoluments	183,590	129,097	69,451	25,269
Director's Fees	17,986	4,268	17,986	3,828
Secretarial Fees	2,479	1,346	357	260
Depreciation on Property Plant & Equipment	64,719	49,230	9,157	5,113
Legal Fees	985	5,003	245	-
Personnel Costs Includes;				
Defined Benefit Plan - Gratuity	12,721	22,622	2,871	1,973
Defined Contribution Plan Costs - EPF and ETF	37,654	35,418	4,193	3,326
Staff Incentives	13,791	7,663	2,584	1,230
Other Staff Costs	312,201	318,308	38,420	36,044
Included in Selling & Distribution Expenses				
Bad Debts Write-off	2,042	-	1,596	-
10 INCOME TAX EXPENSES				
Current Tax Expenses- Company (Note 10.1)	-	1,924	-	1,924
Current Tax Expenses- Subsidiaries (Note 10.2)	14,544	169,284	-	-
Current Tax Expenses- Total	14,544	171,208	-	1,924
Under/(Over) Provision in Respect of Prior Years	752	25	(402)	-
Social Responsibility Levy & Economic Service Charge	4	4,844	-	29
Withholding Tax on Dividends Received from Group Companies	85,000	14,502	-	12,172
Deferred Taxation Charge/(Reversal) (Note 27)	(37,381)	(9,667)	-	-
	62,919	180,912	(402)	14,125

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	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
10.1 Reconciliation of Accounting Profit/(Loss) & Taxable Income				
Accounting Profit before tax	796,004	1,331,927	1,193,224	479,354
Aggregate disallowed items	412,791	14,681	126,621	(28,384)
Aggregate allowable items	(322,982)	(62,860)	(47,533)	(25,034)
Expenses not subject to tax	(2,054,955)	(417,477)	(1,328,193)	(417,477)
Tax Profit/(Loss) on Trade or Business	(1,169,142)	866,271	(55,881)	8,459
Other Taxable Income	2,020	4,469	-	-
Tax Losses Set off under section 32 (Note 9.1.1)	(22,759)	(19,910)	-	(2,961)
Taxable Income/(Loss)	(1,189,881)	850,830	(55,881)	5,498
Income Tax @ 28% (2011-35%)	14,390	170,016	-	1,924
Income Tax @ 10 %	154	1,192	-	-
Current tax expense	14,544	171,208	-	1,924
10.1.1 Reconciliation of Accumulated Tax Losses				
Opening Balance	1,283,074	1,270,836	559,600	562,561
Under Provision in Respect of Prior Years	183,315	-	610	-
On Acquisition of Subsidiary	19,771	-	-	-
On Disposal of Subsidiary	-	(1,918)	-	-
Loss for the Year	93,936	34,066	55,881	-
Loss Utilised during the year	(22,759)	(19,910)	-	(2,961)
	1,557,337	1,283,074	616,091	559,600
10.2 Subsidiary Companies				
Asia Securities (Private) Limited	2,607	146,487	-	-
Asia Leisure Holdings (Private) Limited	-	15	-	-
Asia Leisure (Private) Limited	42	-	-	-
Asia Growth Fund 1 (Private) Limited	-	-	-	-
Asian Alliance Insurance PLC	-	-	-	-
Capital Reach Holdings Limited	-	19,502	-	-
Asia Capital Technologies (Private) Limited	154	1,192	-	-
Asia Asset Finance PLC	9,043	1,831	-	-
Asia Wealth Management Company (Private) Limited	369	257	-	-
Asia Fort Sri Lanka Direct Investment Fund Limited	2,329	-	-	-
	14,544	169,284	-	-

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10.3 Summary

Asia Securities (Private) Limited

The Company is liable to taxation at the rate of 28% (2011 - 35%) on its taxable profit. The Income tax liability for the current year was Rs. 2,607,374/- (2011/12 - Rs.146,487,069/-).

Asia Fort Sri Lanka Direct Investment Fund Limited

The Company is liable to taxation at the rate of 28% (2011 - 35%) on its taxable profit. The income tax liability for the current year was Rs.2,329,193/-. However, no provision has been made in year 2011 due to tax losses. The accumulated tax losses carried forward to year of assessment 2012/13 is Rs.26,454,797/- (2011/12- Rs.30,934,014/-).

Asia Growth Fund 1 (Private) Limited

The Company is liable to taxation at the rate of 28% (2011 - 35%) on its taxable profit. However no provision has been made due to tax losses. The accumulated tax losses carried forward to year of assessment 2012/13 is Rs. 1,718,991/- (2011/12- Rs.1,497,455/-).

Asia Asset Finance PLC

The Company is liable to taxation at the rate of 28% (2011 - 35%) on its taxable profit. The Income tax liability for the current year was Rs. 9,043,340/- and the accumulated tax losses carried forward to the year of assessment 2012/2013 of Rs. 599,758,978/- (2011/12 - Rs.549,612,600/-).

Asia Capital Technologies (Private) Limited

The Company is liable to taxation at the rate of 10% (2011 - 10%) on its taxable profit. The Income tax liability for the current year was Rs. 153,501/- and the accumulated tax losses carried forward to the year of assessment 2012/2013 of Rs. 17,484,766/- (2011/12 - Rs.18,530,900/-).

Asia Wealth Management Company (Private) Limited

The Company is liable to taxation at the rate of 28% (2011 - 35%) on its taxable profit. The Income Tax Liability for the current year was Rs. 391,546/- (2011/12 - 257,170/-).

Asia Leisure Holdings (Private) Limited

The Company is liable to taxation on Hotel Profit & Income at the rate of 28% (2011-35%) However no provision has been made due to tax losses and the accumulated tax losses carried forward to the year of assessment in 2012/13 is Rs.134,871,030/- (2011/12-Rs.133,477,910/-)

Asia Leisure (Private) Limited

The Company is liable to taxation at the rate of 28% (2011 - 35%) on its taxable profit. The Income Tax Liability for the current year was Rs. 41,804/- and the accumulated tax losses carried forward to the Y/A 2012/2013 of Rs. 227,435,742/- (2011/12 - Rs.213,369,326/-).

Asia Digital Entertainment (Private) Limited

The company is liable to taxation at the rate of 28% (2010 - 35%) on its taxable profit. However no provision has been made in both 2011/12 and 2010/11 due to tax losses. The accumulated tax losses carried forward to the year of assessment in 2012/13 is Rs.20,512,362/- (2011/12- Rs.1,240,329/-)

Asia Tea Packaging (Private) Limited

The Company is liable to taxation at the rate of 28% (2010 - 35%) on its taxable profit. However no provision has been made due to tax loss. The accumulated tax losses carried forward to the year of assessment in 2012/13 is Rs.41,914,447/- (2011/12 -Rs.19,619,968/-).

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11 BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE

11.1 Basic Earnings Per Share

Basic Earnings Per Share is calculated by dividing the profit attributable to ordinary shareholders for the year by the weighted average number of ordinary shares outstanding during the year.

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

For the year ended 31st March	Group		Company	
	2012	2011	2012	2011
Profit after tax attributable to Ordinary Shareholders (Rs.000')	889,947	988,018	1,193,626	465,229
Weighted Average number of Ordinary Shares outstanding during the year (000')	110,000	110,000	110,000	110,000
Basic Earnings Per Share (Rs.)	8.09	8.98	10.85	4.23

11.2 Dividend Per Share

The dividend per share is calculated by dividing the dividends paid, by the number of ordinary shares in issue.

For the year ended 31st March	Company	
	2012	2011
Dividends paid (Rs.000')	764,500	-
No of Ordinary Shares (000')	110,000	-
Dividend Per Share (Rs.)	6.95	-

	Balance As At 01.04.2011	Addition of Subsidiary	Additions	Disposals / Transfers	Disposal of Subsidiary	Balance As At 31.03.2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

12.1.1 Cost/Valuation

Freehold Assets

Lands	175,000	-	58,259	-	-	233,259
Buildings and Improvements	60,657	11,806	21,520	-	-	93,983
Motor Vehicles	27,728	-	43,081	(7,768)	(4,105)	58,936
Office Equipment	74,851	7,565	30,851	(8)	(35,302)	77,957
Fixtures and Fittings	76,373	-	1,136	-	(42,336)	35,173
Furniture and Fittings	100,841	2,339	5,946	(1)	(33,769)	75,356
Computer Equipment	174,022	4	15,298	-	(73,911)	115,413
Plant and Machinery	1,337	12,276	9,690	-	-	23,303
Hotel Equipment	13,468	-	800	-	-	14,268

Leasehold Assets

Motor Vehicles	20,632	-	26,629	-	-	47,261
Computer Equipment	-	-	3,185	-	-	3,185
Plant & Equipment	-	24,000	11,686	-	-	35,686
Total	724,909	57,990	228,081	(7,777)	(189,423)	813,780

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	Balance 01.04.2011 Rs.'000	Addition of Subsidiary Rs.'000	Incurred During the year Rs.'000	Reclassified Transferred Rs.'000	Disposal of Subsidiary Rs.'000	Balance As At 31.03.2012 Rs.'000
12.1.1.1 In the Course of Construction						
Building Work in Progress	2,412	-	44,802	-	-	47,214

	Balance As At 01.04.2011 Rs.'000	Addition of Subsidiary Rs.'000	Charge for the year Rs.'000	Disposals / Transfers Rs.'000	Disposal of Subsidiary Rs.'000	Balance As At 31.03.2012 Rs.'000
12.1.2 Accumulated Depreciation						
Freehold Assets						
Buildings and Improvements	26,561	525	3,616	-	-	30,702
Motor Vehicles	17,977	-	10,193	(5,115)	(2,097)	20,958
Office Equipment	43,282	472	7,044	(8)	(22,729)	28,061
Fixtures and Fittings	46,305	-	8,849	-	(26,496)	28,658
Furniture and Fittings	48,104	314	6,931	(1)	(15,932)	39,416
Computer Equipment	131,016	-	7,808	-	(59,944)	78,880
Plant and Machinery	1,227	2,216	3,466	-	-	6,909
Hotel Equipment	8,755	-	3,521	-	-	12,276
Leasehold Assets						
Motor Vehicles	2,961	-	7,642	-	-	10,603
Computer Equipment	-	-	265	-	-	265
Plant & Equipment	-	3,200	5,384	-	-	8,584
Total Depreciation	326,188	6,727	64,719	(5,124)	(127,198)	265,312
12.1.3 Net Carrying Value	401,132					595,682

12.1.4 Revaluation of Land

The fair value of land was determined by means of a revaluation during the financial year 2009-2010 by an independent valuer [(Deshabandhu Professor (Dr.) Haminda Haegoda - A.I.V (Sri Lanka), S.C.V. (USA), D.I.P.F.M. (UK)], with reference to market based evidence. The results of such revaluation has been incorporated in the Financial Statements 2009/2010 from its effective date which is 31/12/2009. The surplus arising from the revaluation has also been transferred to a revaluation reserve at that date.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost is as follows.

Class of Assets	Net Carrying Amount	
	2012 Rs.'000	2011 Rs.'000
Freehold land (Cost)	54,594	54,594

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12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

Details of the Land owned by the Group are as follows;

Location/Address	Building Sq/Ft	Land Acre	Extent Road	Perch	Revalued Amount Rs.'000
The River House, No 70, Uttamanaya Mawatha, Ahungalla	14,767	6	1	36	90,000
Ahungalla Beach Property	-	1	-	10	85,000
					175,000

	Balance As At 01.04.2011 Rs.'000	Additions Rs.'000	Disposals / Transfers Rs.'000	Balance As At 31.03.2012 Rs.'000
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12.2 Company

12.2.1 Cost

Freehold Assets

Motor Vehicles	9,897	124	-	10,021
Office Equipment	9,407	94	-	9,501
Fixtures and Fittings	14,743	-	-	14,743
Furniture and Fittings	26,944	64	-	27,008
Computer Equipment	30,918	1,203	-	32,121

Leasehold Assets

Motor Vehicles	18,504	6,827	-	25,331
Total	110,413	8,312	-	118,725

	Balance As At 01.04.2011 Rs.'000	Charge for the year Rs.'000	Disposals / Transfers Rs.'000	Balance As At 31.03.2012 Rs.'000
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12.2.2 Accumulated Depreciation

Freehold Assets

Motor Vehicles	9,859	78	-	9,937
Office Equipment	5,235	510	-	5,745
Fixtures and Fittings	11,577	606	-	12,183
Furniture and Fittings	12,281	1,973	-	14,254
Computer Equipment	27,219	1,364	-	28,583

Leasehold Assets

Motor Vehicles	1,542	4,626	-	6,168
Total Depreciation	67,713	9,157	-	76,870

12.2.3 Net Carrying Value	42,700			41,854
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Notes to the Financial Statements

As at 31st March	Note	Group		Company	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
13 INTANGIBLE ASSETS					
13.1 Computer Software					
Cost					
Balance as at the beginning of the year		27,581	44,242	3,015	3,015
Additions during the year		1,267	-	76	-
On Acquisition/Addition of Subsidiary		96	-	-	-
On Disposal of Subsidiary		-	(16,661)	-	-
Balance as at end of the year		28,944	27,581	3,091	3,015
13.1.1 In the Course of Construction					
Balance as at the beginning of the year		17,651	-	-	-
Incurred during the year		-	17,651	-	-
Transferred during the year		-	-	-	-
On Disposal of Subsidiary		(17,651)	-	-	-
Balance as at end of the year		-	17,651	-	-
13.1.2 Amortisation					
Balance as at the beginning of the year		24,238	38,072	1,197	594
Amortisation for the year		1,474	2,047	610	603
On Acquisition/Addition of Subsidiary		3	-	-	-
On Disposal of Subsidiary		-	(15,881)	-	-
Balance as at end of the year		25,715	24,238	1,807	1,197
Net Carrying Value		3,229	20,995	1,284	1,818
13.2 Goodwill					
Balance as at the beginning of the year		144,364	71,973	-	-
On Acquisition of Subsidiary		234,726	203,733	-	-
On Disposal of Subsidiary		(373,994)	(38,758)	-	-
Written off during the year		-	(92,584)	-	-
Balance as at end of the year		5,096	144,364	-	-
13.2.1 Total Net Carrying Value		8,325	165,359	1,284	1,818

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As at 31st March	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
14 INVESTMENT PROPERTIES				
Balance at the beginning of the year	69,685	67,039	-	-
Re-classification of Balance	-	(40,000)	-	-
On Acquisition of Subsidiary	-	36,750	-	-
On Disposal of Subsidiary	(36,750)	-	-	-
Additions during the year	58,079	32,935	-	-
On Disposals during the year	-	(27,039)	-	-
Balance as at end of the year	91,014	69,685	-	-

The Investment Properties as at 31st March 2012 were held by Asia Assets Finance PLC. The Investment Properties as at 31st March 2011 were held by Asia Asset Finance PLC and Asian Alliance Insurance PLC.

14.1 Valuation Details of Investment Property

GROUP

Asia Asset Finance PLC

Fair value of the investment property is ascertained by valuations carried out by the independent valuers once in every three years as required by SLAS 40 .

Location of the Land	Valuer's Name and Report Date	Fair	Cost
		Value Rs.'000	2012 Rs.'000
Dungahahena Land, Andigama Bazar Junction, Anamaduwa, Puttalam.	D. Jayawardene (Incorporated Valuer) valuation report dated 17 May 2012.	4,080	1,250
Kekumegawatte Land, Wattedgedara Road, Maharagama.	S. Nimal De Silva (Licensed Auctioneer and Valuer) dated 26 March 2010.	17,733	15,453
Delgahawaththa Land, Walpitamulla, Dewalapola, Naiwala , Gampaha	D. Jayawardana (Incorporated Valuer) valuation report dated 12 May 2012.	1,300	500
No 25/20, Kalyani Mawatha, Mabola, Wattala.	IP Kumara Edward (Chartered Valuer) valuation report dated on 22 November 2010.	18,305	15,732
Godapeellee Estate, Madagedaragoda Village, Ratnapura, Sabaragamuwa.	D. Jayawardana (Incorporated Valuer) valuation report dated 12 May 2012	10,000	10,000
Lot 1 depicted in Plan No 4021, Kadirana Group Estate, Katunayake.	D. Jayawardana (Incorporated Valuer) valuation report dated 15 March 2012	179,000	48,079
		230,418	91,014

As at 31st March	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
15 LONG TERM INVESTMENTS				
Investments in Subsidiaries (Note 15.1)	-	-	1,204,464	629,475
Investments in Associates (Note 15.2)	-	132,440	-	583,187
Other Long Term Investments (Note 15.3)	6,000	1,271,095	-	-
Total Investments	6,000	1,403,535	1,204,464	1,212,662

Notes to the Financial Statements

	COMPANY			
	2012		2011	
	Effective Holding %	Rs.'000	Effective Holding %	Rs.'000
15.1 Investments in Subsidiaries				
Non-Quoted				
Asia Securities (Private) Limited	100%	382,750	100%	182,500
Asia Growth Fund 1 (Private) Limited	100%	10,050	100%	10,050
Asia Fort Sri Lanka Direct Investment Fund Limited	100%	5,001	100%	5,001
Asia Apparel Trading (Private) Limited (Note15.1.1)	100%	4,000	100%	4,000
Asia Wealth Management Co. (Private) Limited	100%	25,000	100%	25,000
Asia Capital Technologies (Private) Limited	100%	32,000	100%	32,000
Asia Asset Finance PLC	92.63%	872,910	98.64%	589,047
Asia Digital Entertainment (Private) Limited	100%	4,088	-	-
Asia Tea Packaging (Private) Limited	100%	86,788	-	-
		1,422,587		847,598
Provision for fall in value of investments				
Asia Growth Fund 1 (Private) Limited		(10,050)		(10,050)
Asia Apparel Trading (Private) Limited		(4,000)		(4,000)
Asia Asset Finance PLC		(204,073)		(204,073)
		(218,123)		(218,123)
Total Investments in Subsidiaries		1,204,464		629,475

15.1.1 According to the Section 153 6 (a) of the Companies Act No. 7 of 2007, Asia Apparel Trading (Private) Limited has been excluded from the consolidation. Asia Apparel Trading (Private) Limited had no operations during the year under review and the directors are of the opinion that this company need not 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			
	2012	2011	2012	2011	2012	2011	2012	2011
	Holding %	Rs. '000	Holding %	Rs. '000	Holding %	Rs. '000	Holding %	Rs. '000
15.2 Investments in Associates								
Quoted								
Asian Alliance Insurance PLC	-	-	-	-	-	-	28%	571,187
								571,187
Non-Quoted								
Asia Siyaka Commodities (Private) Limited	-	-	40%	12,000	-	-	40%	12,000
				12,000				12,000
				12,000				583,187

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	GROUP					
	Investment at Cost		Share of Post Acquisition Profit		Net Assets	
	2012	2011	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Asia Siyaka Commodities (Private) Limited	-	12,000	129,540	120,440	-	132,440
	-	12,000	129,540	120,440	-	132,440

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

	Holding %	Total Assets	GROUP		Revenues	Profit/(Loss)
			Total Liabilities	Profit/(Loss)		
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2011						
Asian Alliance Insurance PLC	41.76%	1,327,264	1,118,762	352,905	30,376	
Asia Siyaka Commodities (Private) Limited	40%	443,895	284,135	150,481	17,895	
		1,771,159	1,402,897	503,386	48,271	
2012						
Asia Siyaka Commodities (Private) Limited	40%	-	-	136,598	9,100	
		-	-	136,598	9,100	

During the year ended March 31st 2012 the Company disposed its entire holding in Associates of Asian Alliance Insurance PLC and Asia Siyaka Commodities (Private) Limited as of 12th August 2011 and 29th August 2011 respectively.

	GROUP		COMPANY	
	2012	2011	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
15.3 Other Long Term Investments				
Investments in Debentures (Note 15.3.2)	-	310,062	-	-
Investments in Treasury Bonds	-	955,033	-	-
Investment in Joint Venture (Note 15.3.3)	-	-	-	-
Margin Account	6,000	6,000	-	-
	6,000	1,271,095	-	-

Notes to the Financial Statements

	GROUP					
	No. of Debentures	2012	Market	No. of Debentures	2011	Market
		Cost	Value		Cost	Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
15.3.2 Investments in Debentures						
Quoted						
Sampath Bank PLC - Floating Rate	-	-	-	25,000	25,000	25,000
Nations Trust Bank PLC	-	-	-	40,000	40,000	40,000
Singer Sri Lanka PLC	-	-	-	90,000	10,062	9,000
LB Finance PLC	-	-	-	15,000	15,000	14,956
		-	-		90,062	88,956

	GROUP					
	No. of Debentures	2012	Director's	No. of Debentures	2011	Director's
		Cost	Value		Cost	Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Non-Quoted						
People's Leasing Company Limited	-	-	-	700,000	70,000	70,000
Commercial Leasing Limited	-	-	-	700,000	70,000	70,000
Merchant Bank of Sri Lanka PLC	-	-	-	800,000	80,000	80,000
		-	-		220,000	220,000
		-	-		310,062	308,956

The above investment was made by Asian Alliance Insurance PLC which was acquired as a subsidiary during the year ended March 31, 2011.

	GROUP		COMPANY	
	2012	2011	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
15.3.3 Investment in Joint Venture				
Balance at the beginning of the year	-	2,906	-	-
Expenses incurred during the year	-	1,182	-	-
Film rights transfer to Asia Digital Entertainment (Private) Limited	-	(4,088)	-	-
Balance at the end of the year	-	-	-	-

During the year ended March 31st 2011, the ownership and all rights of "Flying Fish" Film has been transferred to Asia Digital Entertainment (Private) Limited by the Asset Transfer Agreement entered into on 12th November 2010 between Asia Growth Fund 1 (Private) Limited and Asia Digital Entertainment (Private) Limited.

Subsequently expenses incurred on behalf of Asia Digital Entertainment (Private) Limited and investments made in Flying Fish have been transferred against the amounts due to Asia Capital PLC during the year ended 31st March 2011.

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As at 31st March	GROUP		COMPANY	
	2012	2011	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
16 LOANS GIVEN TO ESOP				
ESOP Trust Loan	17,491	17,491	17,491	17,491
	17,491	17,491	17,491	17,491

No shares were allotted from the Employee Share Ownership Plan (ESOP) Trust during the year. The Company has provided an interest free loan of Rs.17.5 Mn to the ESOP Trust.

As at 31st March	GROUP		COMPANY	
	2012	2011	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
17 LOANS DUE FROM RELATED PARTIES				
Interest bearing long term loan				
Asia Fort Sri Lanka Direct Investment Fund Limited (Note 17.1)	-	-	-	40,216
Asia Securities (Private) Limited (Note 17.2)	-	-	-	298,905
Non-Interest bearing long term loan				
Asia Fort Sri Lanka Direct Investment Fund Limited (Note 17.3)	-	-	-	44,518
	-	-	-	383,639
Payable within one year	-	-	-	31,125
Payable after one year	-	-	-	352,514
	-	-	-	383,639

Company

- 17.1** The Company has given a loan to Asia Fort Sri Lanka Direct Investment Fund Limited at prevailing market interest rates without any agreed terms of repayments. However, the Company has set off the loan due amount against the Current Account balance during the year.
- 17.2** The Company has given interest bearing advances to Asia Securities (Private) Limited at an annual compound rate of 20% (2011 - 20%) calculated on a basis of a year of 365 days and payable monthly on the first calendar day of each month. The Company has set off this interest bearing advance against the Current Account balance during the year.
- 17.3** The Company has given an interest free loan to Asia Fort Sri Lanka Direct Investment Fund Limited without any agreed terms of repayments. However, the Company has set off the loan amount due against the Current Account balance during the year.

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As at 31st March	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
18 LONG TERM DEPOSITS AND ADVANCES				
Deposit with the Colombo Stock Exchange	3,500	3,500	-	-
Rent Deposit	8,551	7,922	8,551	7,922
Advances given for development of software	77,422	-	44,860	-
	89,473	11,422	53,411	7,922
19 INVENTORIES				
Vehicle Stock	22,935	33,118	-	-
Food and Beverages	1,854	1,817	-	-
Films Stock	252,564	-	-	-
Tea Stock	2,297	-	-	-
	279,650	34,935	-	-
20 SHORT TERM INVESTMENTS				
Investments in Equity Securities (Note 20.1)	139,120	1,269,966	95,525	43,605
Investments in Commercial Papers				
- Asia Fort Asset Management (Private) Limited	18,860	18,860	18,860	18,860
- Others	82,894	337,349	-	337,360
Investments in Fixed Deposits	30,863	40,010	10	10
Investments in Securitised Paper	-	174,045	-	174,045
Investments in Terms Deposits	-	78,713	-	-
Investments in Preference Shares	-	10,000	-	-
Investments in Reverse Repurchase Agreements	159,543	1,683,148	184,127	611,666
	431,280	3,612,091	298,522	1,185,546
Provision for fall in value of investment	(18,860)	(18,860)	(18,860)	(18,860)
	412,420	3,593,231	279,662	1,166,686
20.1 Investments in Securities				
Quoted (Note 20.1.1 & 20.1.3)	98,848	1,239,516	75,525	23,605
(Provision)/Reversal for fall in value of investment	-	-	-	-
	98,848	1,239,516	75,525	23,605
Non-Quoted (Note 20.1.2 & 20.1.4)	41,272	31,450	20,000	20,000
(Provision)/Reversal for fall in value of investment	(1,000)	(1,000)	-	-
	40,272	30,450	20,000	20,000
	139,120	1,269,966	95,525	43,605

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	GROUP			
	2012		2011	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
20.1.1 Investments in Equity Securities - Quoted				
Bank, Finance and Insurance				
Hatton National Bank PLC - Non Voting	-	-	638,800	136,958
Commercial Bank of Ceylon PLC- Non Voting	100	10	50	13
Nation Trust Bank PLC	-	-	189,100	15,789
Asia Capital PLC	116,400	4,365	2,307,900	113,220
Sampath Bank PLC	6	1	6	2
Seylan Bank PLC -Non Voting	-	-	1,907,400	93,082
Seylan Bank PLC - Voting	1,100,000	31,900	100,000	3,930
		36,276		362,994
Diversified Holdings				
John Keells Holdings PLC	15	3	15	4
Richard Pieris & Co PLC	870	6	870	12
Hemas Holding PLC	100	3	100	5
		12		21
Hotels and Travels				
Taj Lanka Hotels PLC	4	0	4	0
		0		0
Manufacturing				
Lanka Ceramics PLC	63,400	4,514	63,400	9,282
Dipped Products PLC	-	-	1,017,000	121,727
Samson International PLC	10,040	904	10,040	1,004
Ceylon Grain Elevators PLC	504	31	504	85
Tokyo Cement Company PLC	-	-	2,788,600	112,382
Royal Ceramics Lanka PLC	24	-	1,136,000	346,365
Lanka Wall Tile PLC	400,600	28,042	439,300	63,876
		33,491		654,721
Telecommunications				
Dialog Axiata PLC	500,000	3,550	5,500,000	64,750
		3,550		64,750
Beverage, Food and Tobacco				
The Lion Brewery Ceylon PLC	-	-	236,400	44,434
Bairaha Farms PLC	61,100	7,943	-	-
Distilleries Company of Sri Lanka PLC	-	-	500,000	89,000
		7,943		133,434
Units				
Ceybank Century Growth Fund	200,000	11,208	200,000	15,298
Eagle Growth Fund	100,000	6,368	100,000	8,298
		17,576		23,596
Grand Total		98,848		1,239,516

Notes to the Financial Statements

	No. of Shares	GROUP				
		Cost	Director's Value	No. of Shares	Cost	Director's Value
		2012 Rs. '000	2012 Rs. '000		2011 Rs. '000	2011 Rs. '000
20.1.2 Investments in Non Quoted Securities						
20.1.2.1 Investments in Equity Securities - Non Quoted						
Asia Pacific Golf Course Limited	4	1,000	1,000	4	1,000	1,000
Compak (Private) Limited	-	-	-	3,000	70	70
Pugoda Textile (Private) Limited	-	-	-	24	1	1
Siedles T V Industries Limited	2,000	28	28	2,000	28	28
Gem Exports Limited	-	-	-	700	7	7
Finance House Consortium (Private) Limited	20,000	200	200	20,000	200	200
Pure Beverages Co Limited	-	44	44	709	44	44
Units						
National Unit Trust	-	-	-	10,000	100	100
		1,272	1,272		1,450	1,450
20.1.2.2 Investments in Cumulative Redeemable Preference Securities - Non Quoted						
Platinum Reality Investment (Private) Limited	200,000	40,000	40,000	200,000	30,000	30,000
Total		41,272	41,272		31,450	31,450

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	2012		2011	
	No. of Shares	Market Value Rs.'000	No. of Shares	Market Value Rs.'000
20.13 Investments in Equity Securities - Quoted				
Bank, Finance & Insurance				
Seylan Bank PLC	1,000,000	29,000	-	-
	-	29,000		-
Diversified Holdings				
John Keells Holdings PLC	15	3	15	4
Hemas Holdings PLC	100	3	100	5
		6		9
Hotels and Travels				
Taj Lanka Hotels PLC	4	0	4	0
		0		0
Manufacturing				
Lanka Walltiles PLC	300,000	21,000	-	-
		21,000		-
Food & Beverages				
Bairaha Farms PLC	61,100	7,943	-	-
		7,943		-
Units				
Ceybank Century Growth Fund	200,000	11,208	200,000	15,298
Eagle Growth Fund	100,000	6,368	100,000	8,298
		17,576		23,596
Grand Total		75,525		23,605

	No. of Shares	COMPANY				
		Cost	Director's Value	No. of Shares	Cost	Director's Value
		2012 Rs. '000	2012 Rs. '000	2011 Rs. '000	2011 Rs. '000	2011 Rs. '000
20.14 Investments in Cumulative Redeemable Preference Securities - Non Quoted						
Platinum Reality Investments (Private) Limited	200,000	20,000	20,000	200,000	20,000	20,000
		20,000	20,000		20,000	20,000

Notes to the Financial Statements

As at 31st March	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
21 SHORT TERM LENDINGS				
Asia Couture Limited	336,837	336,837	336,837	336,837
Less: Provision for Bad & Doubtful Debts	(336,837)	(336,837)	(336,837)	(336,837)
	-	-	-	-
22 TRADE AND OTHER RECEIVABLES				
Non Current				
Loans and Advances (Note 22.1)	1,266,201	754,343	-	-
Current				
Trade Debtors	779,014	867,307	11,765	238,951
Less: Provision for Bad & Doubtful Debts	(38,066)	(37,772)	(11,765)	(12,348)
	740,948	829,535	-	226,603
Loans and Advances (Note 22.1)	718,100	399,138	-	-
Staff Loan (Note 22.2)	661	4,886	328	310
Loans to Policy Holders (Note 22.3)	-	44,582	-	-
Advances and Prepayments	86,351	103,577	5,734	2,997
Reinsurance Receivables	-	99,937	-	-
Premium Receivables	-	102,611	-	-
Deposits	6,924	29,500	-	-
Other Debtors - Dividend receivable from Asia Fort Sri Lanka Direct Investment Fund Limited	-	-	193,990	-
- Others	160,642	282,135	66,511	64,537
Receivable from Asia Fort Asset Management (Private) Limited	51,546	51,546	51,546	51,546
	1,765,172	1,947,447	318,109	345,993
Less: Provision for Bad & Doubtful Debts	(128,213)	(61,187)	(103,532)	(38,366)
	1,636,959	1,886,260	214,577	307,627
	2,903,160	2,640,603	214,577	307,627

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	GROUP			
	2012		2011	
	Asia Asset Finance PLC Rs.'000	Total Rs.'000	Asia Asset Finance PLC Rs.'000	Total Rs.'000
22.1 Loans and Advances				
Non Current				
Loans and Advances	269,915	269,915	241,568	241,568
Hire Purchase Receivables	543,462	543,462	292,070	292,070
Lease Receivables	461,001	461,001	247,723	247,723
Less: Provision for Bad & Doubtful Debts	(8,177)	(8,177)	(27,018)	(27,018)
	1,266,201	1,266,201	754,343	754,343
Current				
Loans and Advances	564,530	564,530	333,762	333,762
Hire Purchase Receivables	90,310	90,310	34,385	34,385
Hire Purchase Consumer Durables	10,673	10,673	10,840	10,840
Lease Receivables	43,447	43,447	81,887	81,887
Factoring Debtors	36,088	36,088	6,777	6,777
Less: Provision for Bad & Doubtful Debts	(26,948)	(26,948)	(68,513)	(68,513)
	718,100	718,100	399,138	399,138
	1,984,301	1,984,301	1,153,481	1,153,481

	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
22.2 Staff Loan				
Balance at the beginning of the year	4,886	3,343	310	315
On Acquisition of Subsidiary	-	969	-	-
On Disposal of Subsidiary	(4,370)	-	-	-
Loans granted during the year	445	6,355	146	-
Repayments During the year	(300)	(5,781)	(128)	(5)
Balance at the end of the year	661	4,886	328	310
22.3 Loans to Policy Holders				
Balance at the beginning of the year	44,582	-	-	-
On Acquisition of Subsidiary	-	30,484	-	-
On Disposal of Subsidiary	(44,582)	-	-	-
Loans granted during the year	-	18,879	-	-
Interest Accrued	-	5,441	-	-
Repayments during the year	-	(10,222)	-	-
Balance at the end of the year	-	44,582	-	-

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As at 31st March	Relationship	GROUP		COMPANY	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
23	AMOUNTS DUE FROM RELATED PARTIES				
	Asia Apparel Trading (Private) Limited	Subsidiary	4,711	4,711	4,711
	Asia Growth Fund 1 (Private) Limited	Subsidiary	-	-	116,785
	Asia Fort Sri Lanka Direct Investment Fund Limited	Subsidiary	-	-	179,691
	Asia Capital Technologies (Private) Limited	Subsidiary	-	-	948
	Asia Asset Finance PLC	Subsidiary	-	-	15,239
	Asia Wealth Management Co. (Private) Limited	Subsidiary	-	-	2,460
	Asia Leisure Holdings (Private) Limited	Subsidiary	-	-	226,382
	Asia Couture (Private) Limited	Subsidiary	18,855	18,855	18,855
	Asia Digital Entertainment (Private) Limited	Subsidiary	-	19,361	293,131
	Asia Leisure (Private) Limited	Subsidiary	-	-	48,992
	Asia Siyaka Commodities (Private) Limited	Associate	-	-	-
	Asian Alliance Insurance PLC	Associate	-	-	4,120
	Asia Tea Packaging (Private) Limited	Subsidiary	-	53,314	28,149
	Anilana Resort (Private) Limited	Affiliate	-	170	-
	Asia Investment 3 (Private) Limited	Affiliate	188,707	-	188,707
			212,273	96,411	943,411
	Less: Provision for Bad & Doubtful Debts				
	Asia Apparel Trading (Private) Limited		(4,711)	(4,711)	(4,711)
	Asia Growth Fund 1 (Private) Limited		-	-	(26,556)
	Asia Fort Sri Lanka Direct Investment Fund Limited		-	-	(42,527)
	Asia Couture (Private) Limited		(18,855)	(18,855)	(18,855)
			(23,566)	(23,566)	(50,122)
			188,707	72,845	893,289
					483,720

As at 31st March	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
24	CASH AND CASH EQUIVALENTS			
	Favourable Balances			
	Cash in Hand and at Bank	331,713	211,523	1,618
	Unfavourable Balances			
	Bank Overdrafts	(516,632)	(747,609)	(426,060)
	Cash and Cash Equivalents for the Cash Flow Purpose	(184,919)	(536,086)	(424,442)

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As at 31st March	COMPANY			
		2012		2011
	No of Shares	Value Rs.'000	No of Shares	Value Rs.'000
25 STATED CAPITAL				
Ordinary Shares	110,000,000	1,114,558	110,000,000	1,114,558
	110,000,000	1,114,558	110,000,000	1,114,558

26 DEBENTURES**Asia Asset Finance PLC**

As at 31 March 2012, the debentures consisted of 10 unsecured subordinated redeemable 5 years Debentures of Rs. 1,000/- each issued by the Subsidiary Asia Asset Finance PLC in the year 2006.

	GROUP					
			2012			2011
	Allotment In	Mature In	No of Debentures	Value Rs.'000	No of Debentures	Value Rs.'000
Debenture	2006	2009	10	10	10	10

As at 31st March	GROUP		COMPANY	
	2012	2011	2012	2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
27 DEFERRED TAXATION				
Balance at the beginning of the year	(9,777)	(1,913)	-	-
On Acquisition/Addition of Subsidiary	577	-	-	-
Provision/(Reversal) made during the year	(37,381)	(9,667)	-	-
On Disposal of Subsidiary	-	1,803	-	-
Balance at the end of the year	(46,581)	(9,777)	-	-

	GROUP			
	2012		2011	
	Temporary Differences Rs.'000	Temporary Tax Effect Rs.'000	Temporary Differences Rs.'000	Temporary Tax Effect Rs.'000
On Property, Plant and Equipment	(143,542)	(40,759)	(92,420)	(25,534)
On Retirement Benefit Obligations	17,941	4,873	17,610	4,826
On Tax Losses carried forward	305,764	82,467	120,788	30,485
	180,163	46,581	45,978	9,777

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	COMPANY			
	2012 Temporary Differences Rs.'000	2012 Temporary Tax Effect Rs.'000	2011 Temporary Differences Rs.'000	2011 Temporary Tax Effect Rs.'000
On Property, Plant and Equipment	(7,192)	(2,014)	(12,238)	(3,427)
On Retirement Benefit Obligations	5,607	1,570	2,736	766
On Tax Losses carried forward	616,518	172,625	559,600	156,688
	614,933	172,181	550,098	154,027

Group

“Deferred tax assets arising from the temporary differences in subsidiaries other than those from Asia Capital Technologies (Private) Limited and Asia Asset Finance PLC 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.172 Mn (2011- Rs.154 Mn).”

As at 31st March	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
28 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY				
Balance at the beginning of the year	44,376	24,081	2,736	4,926
On Acquisition of Subsidiary	-	14,653	-	-
Transfer of Liability	-	23	-	(3,983)
On Disposal of Subsidiary	(22,738)	(10,216)	-	-
Interest for the year	1,952	490	285	51
Provision made during the year	6,665	15,330	1,954	1,459
(Gain)/Loss arising from changes in assumptions or (over)/under provision in the previous year	(3,984)	6,801	632	463
Payments made during the year	(748)	(6,786)	-	(180)
Balance at the end of the year	25,523	44,376	5,607	2,736

The employee benefit liability of Asia Asset Finance PLC is based on the actuarial valuation carried out by Actuarial & Management Consultants Private Limited, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the “Projected Unit Credit Method”, recommended by SLAS No. 16.

The employee benefit liabilities of all other companies in the group are based on the gratuity formula in Appendix E of SLAS 16 - Employee Benefits (Revised 2005) or gratuity formula.

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

Rate of Interest	11.65% - 11%
Rate of Salary Increase	8%- 10%
Labour Turnover	5%
Retirement Age	55 - 60

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As at 31st March	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
29 NON - INTEREST BEARING BORROWINGS				
Balance at the beginning of the year	144,670	144,670	144,670	144,670
Loan obtained during the year	-	-	-	-
Installments paid during the year	-	-	-	-
Balance at the end of the year	144,670	144,670	144,670	144,670
Amount repayable within one year	-	-	-	-
Amount repayable After one year	144,670	144,670	144,670	144,670
30 INTEREST BEARING BORROWINGS				
Direct Borrowing	26,910	66,529	26,910	47,857
Borrowing Under Commercial Papers	364,782	184,918	517,016	469,661
Borrowing Under Repurchase Agreement	107,454	1,017,660	107,454	1,017,660
Lease Creditor	71,921	13,933	17,724	13,687
	571,067	1,283,040	669,104	1,548,865
Amount repayable within one year	512,753	1,241,316	654,973	1,539,501
Amount repayable after one year	58,314	41,724	14,131	9,364
	571,067	1,283,040	669,104	1,548,865
31 INSURANCE PROVISION				
Life Insurance	-	1,929,352	-	-
Non-Life Insurance (Note 31.1)	-	261,206	-	-
	-	2,190,558	-	-
31.1 Non-Life Insurance				
Reserve for net unearned premiums	-	179,999	-	-
Reserve for IBNR and IBNER	-	14,565	-	-
Reserve for net deferred acquisition cost	-	(14,462)	-	-
Reserve for gross outstanding claims	-	81,104	-	-
	-	261,206	-	-
32 TRADE AND OTHER PAYABLES				
Non Current				
Deposits from Customers	361,071	105,686	-	-
	361,071	105,686	-	-
Current				
Trade Creditors	510,694	382,837	-	-
Claims Payable	-	76,799	-	-
Deposits from Customers	1,520,635	1,203,859	-	-
Sundry Creditors including Accrued Expenses	167,155	446,362	15,039	87,213
	2,198,484	2,109,857	15,039	87,213
	2,559,555	2,215,543	15,039	87,213

Notes to the Financial Statements

As at 31st March	Relationship	GROUP		COMPANY	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
33	AMOUNTS DUE TO RELATED PARTIES				
	Asia Securities (Private) Limited	-	-	23,430	444,600
	Asia Fort Sri Lanka Direct Investment Fund Limited	-	-	280,559	-
	Asia Capital Technologies (Private) Limited	-	-	1,967	-
		-	-	305,956	444,600

	GROUP		
	2012 Disposal Asian Alliance Insurance PLC Rs.'000	Disposal Capital Reach Holdings Limited Rs.'000	2011 Acquisition Asian Alliance Insurance PLC Rs.'000
34	ACQUISITION AND DISPOSAL OF SUBSIDIARIES		
	Property, Plant & Equipment and Intangible Assets	95,392	81,784
	Investment Property	-	36,750
	Other Long Term Investments	1,487,924	1,351,886
	Other Non Current Assets	-	-
	Short Term Investments	2,220,818	1,232,372
	Inventories	-	-
	Deferred Tax Assets	-	-
	Loans and Advances	-	-
	Trade and Other Receivables	405,065	446,390
	Cash and Cash Equivalents	56,756	35,087
		4,265,955	3,184,269
	Deferred Tax Liabilities	-	-
	Provision for Retirement Gratuity	30,207	14,653
	Borrowings	-	-
	Trade and Other Payables	465,525	435,315
	Insurance Provision	2,650,610	2,212,253
	Minority Interest	-	-
	Bank Overdraft	11,135	22,761
		3,157,477	2,684,982
	Net Assets Acquired		354,244
	Goodwill arising on acquisition		203,733
	Total Consideration		557,977
	Cash Received from Subsidiary		(12,326)
	Net cash flow		545,651

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34.1 Disposal of Asian Alliance Insurance PLC

During the year ended March 31, 2012 the Group disposed the entire holding of 53.17% in its Subsidiary -Asian Alliance Insurance PLC

Profit on Disposal of Subsidiary	Asian Alliance Insurance PLC	Capital Reach Holdings Limited
	2012 Rs.'000	2011 Rs.'000
Group		
Consideration Received	2,375,467	299,559
Share of Net Assets of the Subsidiary as at Disposal Date	(589,377)	(230,241)
Unimpaired Goodwill	(373,993)	(28,119)
Profit on Disposal of Subsidiary	1,412,097	41,199
34.2 Net Proceeds form Disposal of Subsidiaries		
Consideration Received	2,375,467	299,559
Less : Cash and Cash Equivalents transferred net off Bank Overdraft	(45,621)	(7,703)
Related Expenses	(104,018)	-
Net Proceeds from Disposal of Subsidiaries for Cash flow purpose	2,225,828	291,856

35 PRIOR YEAR ADJUSTMENT

Group

The investment in equity securities of the Group has been erroneously overvalued by recognizing an unrealized gain of Rs. 4,559,000/- and Rs. 10,199,000/- during the year ended 31st March 2009 and 2010 respectively. The error has been corrected in line with Sri Lanka Accounting Standard No 10 "Accounting Policies, Changes in Accounting Estimates and Errors" (Revised 2005) by restating retained earnings of the Group as at 31st March 2010.

Company

The investment in equity securities of the Company has been erroneously overvalued by recognizing an unrealized gain of Rs. 10,054,000/- and Rs. 10,925,000/- during the year ended 31st March 2009 and 2010 respectively. The error has been corrected in line with Sri Lanka Accounting Standard No 10 "Accounting Policies, Changes in Accounting Estimates and Errors" (Revised 2005) by restating retained earnings of the Company as at 31st March 2010.

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36 RELATED PARTY DISCLOSURE

Transactions with Related Companies

Name of the Related Party	Nature of the Relationship	Name of the Common Director	Details of the Transactions/ Balances	Value of the Transaction	
				2012 Rs.000	2011 Rs.000
(a) Transactions with Subsidiaries/Sub-Subsidiaries					
Asia Securities (Private) Limited	Subsidiary	Mr. H L L M Nanayakkara Mr. J H P Ratnayeke Mr. S A Abeyesinhe	Interest Free Fund Transfer	59,769	190,501
			Reimbursement of Expenses	24,378	17,402
			Fund received to settle Liability	-	75,000
			Brokerage Income	5,079	3,351
			Other Interest Income	-	116
			Interest Bearing borrowing	-	128,810
			Loan Interest Cost	(23,093)	(57,550)
			Transfer of Receivable	-	(7,029)
			Transfer of Liability	-	4,006
			CDAX online and back office charges	(4,818)	(8,098)
			Dividends Paid	89,999	71,999
			Acquisition of Subsidiary	-	(7,500)
			Disposal of subsidiary	-	7,500
			Maturity proceeds on Repo Investment	-	(84,483)
			Sales proceeds from disposal of Property Plant and Equipment	-	(1,525)
			Settlement of Interest bearing borrowings	298,904	-
Settlement of Intercompany Current account	(180,000)	-			
Asia Growth Fund 1 (Private) Limited	Subsidiary	Mr. H L L M Nanayakkara Mr. J H P Ratnayeke Mr. S A Abeyesinhe	Intercompany Fund Transfers	-	1,645
			Reimbursement of Expenses (net)	192	37
			Transfer of Receivables	-	(47,268)
			Balances settled by Asia Capital PLC on behalf following related parties		
			- Asia Tea Packaging (Private) Limited	-	(2,501)
			- Asia Digital Entertainment (Private) Limited	-	(967)
Transfer of Investment in Joint Venture	-	3,873			
Asia Fort Sri Lanka Direct Investment Fund Limited	Subsidiary	Mr. H L L M Nanayakkara Mr. J H P Ratnayeke	Intercompany Fund Transfers	582,177	122,000
			Interest Income on long term Loans	(1,961)	(5,542)
			Interest Expense on Commercial Papers	7,888	11,705
			Interest Income on Short Term Lendings	(6,039)	(9,408)
			Interest on Intercompany Funds	1,757	-
			Settlement of Long-Term Loan	86,940	-
			Reimbursement of Expenses (net)	44,728	72
			Amount paid for investment in Shares of Asian Alliance Insurance PLC	-	46,876
			Proceeds received by sale of rights issue of Asian Alliance Insurance PLC	-	(42,622)
			Settlement of Liabilities due to the Asia Asset Finance PLC	-	5,296
			Current Account Settlement	10,000	-

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Name of the Related Party	Nature of the Relationship	Name of the Common Director	Details of the Transactions/ Balances	Value of the Transaction	
				2012 Rs.000	2011 Rs.000
Asia Capital Technologies (Private) Limited	Subsidiary	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Reimbursement of Expenses (net)	595	1,560
			CDAX Online Trade & Maintenance Charges	(4,818)	(8,098)
			Purchase of Fixed Assets	-	46
			Current Account Settlement	-	(3,000)
Asia Asset Finance PLC	Subsidiary	Mr. H L L M Nanayakkara Mr. D Muthukumarana	Reimbursement of Expenses (net)	602	448
			Repo Borrowing	-	(21,834)
			Expense on Repo Borrowing	-	11,225
			Advance on Operating Lease	-	1,400
			Rentals due on operating lease	1,398	404
			Settlement of operating lease	(361)	-
			Advance paid for intangible assets	14,869	-
			Investment in shares during the year	283,864	384,974
			Borrowing on Commercial Papers	-	(30,000)
			Repayment of Commercial Paper Borrowing	-	30,000
			Interest Expense on Commercial Paper borrowing	-	67
			Investment in short term loan	20,000	-
			Investment in Commercial papers	40,000	-
			Refund of Short term loan	(20,000)	-
Maturity of Investment in Commercial Papers	(40,000)	-			
Interest income for short term loans & Commercial Papers	2,161	-			
Asia Wealth Management Company (Private) Limited	Subsidiary	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Reimbursement of Expenses (net)	69	39
Asia Leisure Holdings (Private) Limited	Subsidiary	Mr. H L L M Nanayakkara	Reimbursement of Expenses (net)	1,306	147
			Intercompany Fund Transfers	69,213	21,948
			Settlement of Liabilities	-	92,589
			Interest on intercompany funds	4,298	-
Asia Leisure (Private) Limited	Subsidiary	Mr. H L L M Nanayakkara	Intercompany Fund Transfers	8,428	21,947
			Interest on intercompany funds	522	-
			Reimbursement of Expenses (net)	1,664	-

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36 RELATED PARTY DISCLOSURE (CONTD.)

Transactions with Related Companies

Name of the Related Party	Nature of the Relationship	Name of the Common Director	Details of the Transactions/ Balances	Value of the Transaction	
				2012 Rs.000	2011 Rs.000
Asia Digital Entertainment (Private) Limited	Subsidiary	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Intercompany Fund Transfers	260,294	-
			Interest on intercompany funds	27,486	-
			Reimbursement of Expenses (net)	4,977	374
			Transfer of Receivables	-	4,088
			Investment in shares during the year	(4,088)	-
Asia Tea Packaging (Private) Limited	Subsidiary	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Intercompany Fund Transfers	59,832	5,500
			Interest on intercompany funds	2,626	-
			Reimbursement of Expenses (net)	-	47,758
			Investment in shares during the year	(86,787)	-
			Current Account Settlement	(780)	-
(b) Transactions with Other Related Parties					
P.R. Secretarial Services (Private) Limited	Common Director	Mr. J H P Ratnayeke	Secretarial Fees	(389)	(233)
Asia Investment 3 (Private)Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Intercompany Fund Transfers	4,398	-
			Interest on intercompany funds	3,019	-
			Funds transferred for the Investment in Lanka Fortune Residencies (Private) Limited	181,289	-
(c) Transactions with other Related Parties by the Group					
Asia Securities (Private) Limited					
Asia Capital Technologies (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyasinghe	CDAX online and back office charges	(4,818)	(8,098)
			Interest Free Fund Transfers	(5,000)	-
			Reimbursement of Expenses (net)	719	-
			Current Account Settlement	5,797	-
Asia Fort Sri Lanka Direct Investment Fund Limited	Common Directors	Mr. J H P Ratnayeke Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Brokerage Income	1,336	618
			Interest on delayed settlements	-	192
			Current Account Settlement	13,374	-

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Name of the Related Party	Nature of the Relationship	Name of the Common Director	Details of the Transactions/ Balances	Value of the Transaction	
				2012 Rs.000	2011 Rs.000
Asia Asset Finance PLC	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Brokerage Income	51	1,028
			Interest on delayed settlements	-	3
			Branch Rent Expenses	(770)	(242)
			Short term investment made during the year	(40,000)	-
			Short term investment maturity during the year	40,000	-
			Interest income from short term investment	1,652	-
Asia Wealth Management Company (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. J H P Ratnayeke Mr. S A Abeyesinhe	Professional Fees	-	(1,082)
			Reimbursement of Expenses	(2,261)	856
			Interest Free Fund Transfers	(20,000)	-
			Settlement of Interest Free Fund Transfers	20,000	-
			Settlement of Current Account Balance	3,047	-
			Current Assets Transfers	(32)	-
Paul Ratnayake Associates	Common Director	Mr. J H P Ratnayeke	Legal Fees	(585)	(1,308)
P.R Secretarial Services (Private) Limited	Common Director	Mr. J H P Ratnayeke	Secretarial Fees	(170)	(186)
Asia Leisure (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Reimbursement of Expenses	245	3,657
			Settlement of Current Account	(220)	-
Asia Leisure Holdings (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Reimbursement of Expenses	-	923
Asia Digital Entertainment (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Interest free Fund transfer	13,350	13,700
			Settlement of Interest free fund transfers	(20,000)	-
			Film production Expenses	-	466
			Reimbursement of Expenses	646	732
			Settlement of Current Account	(616)	-
Asia Tea Packaging (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Reimbursement of expense	1,763	56
			Interest Free Fund Transfer	1,000	-
			Settlement of Current Account	(1,819)	-
			Fund transferred for donation purpose	-	2,223

Notes to the Financial Statements

36 RELATED PARTY DISCLOSURE (CONTD.)

Transactions with Related Companies

Name of the Related Party	Nature of the Relationship	Name of the Common Director	Details of the Transactions/ Balances	Value of the Transaction	
				2012 Rs.000	2011 Rs.000
Asia Capital Technologies (Private) Limited					
Asia Wealth Management Company (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Reimbursement of Expenses (net)	10	-
Asia Growth Fund 1 (Private) Limited					
Asia Tea Packaging (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Reimbursement of expenses	-	1,645
			Reimbursement of Constructions payments of Hokandara Property	-	2,201
Asia Digital Entertainment (Private) Limited	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Joint venture investment	-	(894)
			Reimbursement of expenses	-	288
P. R Secretarial Services (Private) Limited	Common Director	Mr. J H P Ratnayeke	Secretarial fees	77	72
Asia Tea Packaging (Private) Limited					
Asia Asset Finance PLC	Common Directors	Mr. H L L M Nanayakkara Mr. S A Abeyesinhe	Lease Facility obtained	11,500	41,837
			Lease Facility Settled	(20,600)	-
			Repayment of initial lease installment	-	(697)
			Repayment of Lease Capital and interest	(234)	(5,230)
Asia Fort Sri Lanka Direct Investment Fund Limited					
Asia Asset Finance PLC	Common Director	Mr. H L L M Nanayakkara	Interest expense on Borrowings	(722)	(1,221)
			Loans Obtained/(Repayment)	(4,484)	(4,516)
			Investment Commercial Papers	40,000	-
			Interest received on Commercial Papers	506	-
			Borrowings on Commercial Papers	(90,000)	-
			Interest expense on Commercial Papers	(1,757)	-
Asia Growth Fund 1 (Private) Limited	Common Director	Mr. H L L M Nanayakkara	Reimbursement of Expenses	20	-
P.R Secretarial Services (Private) Limited	Common Director	Mr. J H P Ratnayeke	Secretarial Fees	(103)	(95)

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	GROUP		COMPANY	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
(e) Transactions with Key Management Personnel				
The key management personnel includes members of the Board of Directors of the Group companies				
Compensation paid to Key Management Personnel				
Short Term Employee Benefits	200,844	117,649	87,437	29,097
Post Employment Benefit	732	15,716	-	-
	201,576	133,365	87,437	29,097

37 COMMITMENTS AND CONTINGENCIES

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

37.1 Commitments

Name of the Company	Name of the Bank	Purpose	2012 Rs.'000	2011 Rs.'000
Group				
Asia Securities (Private) Limited	HNB Bank	Corporate Guarantee to secure the lease on machinery of Asia Tea Packaging (Private) Limited	20,675	-

Company

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	2012 Rs.'000	2011 Rs.'000
Asia Securities (Private) Limited	Pan Asia Banking Corporation PLC	Margin Account	6,000	-
Asia Siyaka Commodities (Private) Limited.	Sampath Bank PLC	Overdraft	-	5,000
	People's Bank	Overdraft	-	100,000
Asia Leisure Holding (Private) Limited	Seylan Bank PLC	Overdraft	20,000	-

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Asia Securities (Private) Limited					
Name of the Borrower	Name of the Lender	Nature of Facility	Facility Limit	Details of Assets Pledged	Balance as at 31st March 2012 Rs.'000
Group					
Asia Securities (Private) Limited	Pan Asia Banking Corporation PLC	Overdraft Facility	Rs. 100Mn	Rs. 200Mn worth of trade debtors	43,006
Asia Leisure Holdings (Private) Limited					
Name of the Lender	Nature of Facility	Facility Limit	Details of Assets Pledged		Balance as at 31st March 2012 Rs.'000
Seylan Bank PLC	Loan Term Loan	Rs. 150Mn.	River House property located at Balapitiya in extent of 6 A – IR – 36 depicted in plan No. 7657		4,047
Asia Tea Packaging (Private) Limited					
Name of the Lender	Nature of Facility	Facility Limit	Details of Assets Pledged		Balance as at 31st March 2012 Rs.'000
Hatton National Bank	Lease Facility	Rs. 21Mn	2 Units Tea Bagging Machine		18,997
Asia Asset Finance PLC	Hire Purchase	Rs. 11.5Mn	Constanta Tea Bagging Machine		11,266

Notes to the Financial Statements

Business Segment	Investments		Stock Brokering		Deposit Mobilisation and Credit	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
40 SEGMENTAL REPORTING						
Revenue						
Total Gross Sales	799,061	383,508	322,988	821,997	378,484	491,020
Less : Inter segment sales/dividend	(764,989)	(110,113)	(6,415)	(3,467)	(3,877)	(12,513)
Net Segment Revenue	34,072	273,395	316,573	818,530	374,607	478,507
Segmental Operating Profit / (Loss)	(371,576)	125,390	(41,211)	419,030	(15,380)	(8,093)
Other Operating Income	1,503,171	265,858	9,336	64,988	56,506	131,374
Share of Profit/(Loss) of Associate companies	9,100	48,271	-	-	-	-
Operating Profit/(Loss) before Provision for Fall in Value of Investments	1,140,695	439,518	(31,875)	484,017	41,126	123,280
Provision for fall in value of investments	-	-	-	-	-	-
Operating Profit/(Loss)	1,140,695	439,518	(31,875)	484,017	41,126	123,280
Finance Cost	(65,499)	(65,906)	(15,480)	(12,559)	-	(4,564)
Finance Income	18,627	8,841	76,596	62,807	-	-
Profit Before Taxation	1,093,823	382,453	29,241	534,265	41,126	118,716
Income Taxation	(86,927)	(16,456)	(5,676)	(146,962)	29,737	(14,139)
Profit After Taxation	1,006,896	365,997	23,565	387,303	70,863	104,577
Assets						
Segment Assets	880,742	1,497,425	1,076,131	995,473	2,484,595	1,599,829
Deferred Tax Assets/(Liabilities)	-	-	(531)	833	45,428	7,222
Investment in Associates	-	132,440	-	-	-	-
Total Assets	880,742	1,629,865	1,075,600	996,306	2,530,023	1,607,051
Liabilities						
Segment Liabilities	166,200	179,310	564,370	512,731	2,015,267	1,366,316
Interest Bearing Borrowings	948,804	1,950,566	58,322	56,826	20,231	10
Total Liabilities	1,115,004	2,129,876	622,692	569,557	2,035,498	1,366,326
Net Assets	(234,262)	(500,011)	452,908	426,768	494,525	240,725
Capital Expenditure	45,628	35,527	26,228	27,970	44,719	45,188
Depreciation	8,360	5,114	9,231	6,653	4,785	2,644

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Insurance		Leisure		Manufacturing		Services		Group	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
1,030,680	470,717	94,679	63,605	35,494	-	16,314	26,262	2,677,700	2,257,108
-	-	-	-	-	-	(4,818)	(8,098)	(780,099)	(134,191)
1,030,680	470,717	94,679	63,605	35,494	-	11,496	18,163	1,897,601	2,122,917
(745,814)	(50,354)	(9,408)	(25,176)	(21,455)	-	642	16,911	(1,204,202)	477,707
225,506	310,102	7,715	3,796	82	-	23	253	1,802,339	776,370
-	-	-	-	-	-	-	-	9,100	48,271
(520,308)	259,748	(1,693)	(21,380)	(21,373)	-	665	17,164	607,237	1,302,347
-	-	-	-	-	-	-	-	-	-
(520,308)	259,748	(1,693)	(21,380)	(21,373)	-	665	17,164	607,237	1,302,347
(972)	(3,856)	(510)	(12,547)	(2,449)	-	-	-	(84,910)	(99,432)
176,435	56,698	230	64	-	-	1,789	602	273,677	129,012
(344,845)	312,590	(1,973)	(33,863)	(23,822)	-	2,454	17,766	796,004	1,331,927
-	(2,568)	(42)	(14)	577	-	(588)	(773)	(62,919)	(180,912)
(344,845)	310,022	(2,015)	(33,877)	(23,245)	-	1,866	16,993	733,085	1,151,015
-	4,087,936	373,785	272,115	108,150	-	15,879	40,874	4,939,282	8,493,651
-	-	-	-	-	-	1,684	1,721	46,581	9,776
-	-	-	-	-	-	-	-	-	132,440
-	4,087,936	373,785	272,115	108,150	-	17,563	42,595	4,985,863	8,635,867
-	2,752,707	18,792	13,542	9,396	-	2,534	3,174	2,776,549	4,827,780
-	4,242	29,577	19,015	30,765	-	-	-	1,087,709	2,030,659
-	2,756,949	48,369	32,558	40,161	-	2,534	3,174	3,864,258	6,858,440
-	1,330,987	325,416	239,557	67,989	-	15,030	39,401	1,121,605	1,777,427
28,512	23,832	48,651	1,257	62,855	-	2,128	357	258,721	134,131
12,938	15,546	18,075	17,878	10,866	-	464	632	64,719	48,467

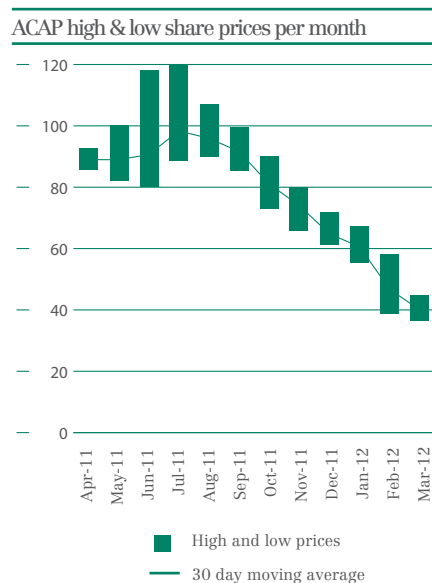
Share Information

Total number of shares in issue as at 31.03.2012 110,000,000
Stock Symbol ACAP.N.0000

The ACAP Share

The Colombo stock exchange recorded a considerable down turn during the period 1st April 2011 to 31st March 2012. The All Share Price Index (ASPI) fell by -24.99% and the Milanka Price Index dipped 28.8% during the same period.

The ACAP share closed at Rs. 37.50 as at 31 March 2012 as against Rs. 87.50 in previous year, which is a decrease of 57.29%. The share traded between a high of Rs. 120.00 and low of Rs. 36.60 in the year under review.



Issued Share Capital

The total number of shares in issue is 110,000,000

	2012	2011
Market cap (Rs)	4,125,000,000	9,658,000,000
Enterprise value (Rs)	3,590,049,000	10,688,886,000
Basic Earnings/(loss) per share (Rs)	8.09	8.98
PER	4.64	9.78
Price to book (times)	3.84	8.19
Total shareholder Return - TSR (%)	(49)	575.38

Earnings Per Share

The basic earnings per share for the year decreased by 9.9 percent to Rs. 8.09 (2010/11-Rs8.98) which is in tandem with 9.9 percent decrease in profit after tax attributable to share holders. The reasoning for the decline in earnings is discussed extensively in the “Management Discussion and Analysis” section of the Annual Report.

Total Shareholder Return

The total shareholder return (TSR) of the share was negative 49 percent (Rs. 37.5-Rs. 90.7) during the year.

Market Capitalization and Enterprise Value

The market capitalization of the company decreased by 57 percent to Rs. 4.13 billion during the year (2010/11-Rs. 9.66 billion). The enterprise value as at 31 March 2012 decreased by 66 percent to Rs. 3.6 billion as a result of decreased in market capitalization.

Price Earnings Ratio

The ACAP share was trading at 4.6 times earnings as at 31st March 2012 which is 53 percent decrease (2010/11-9.8 times) compared to the previous year.

Price to Book Value

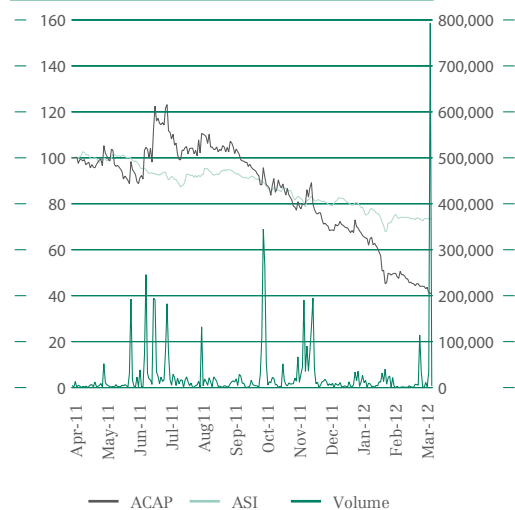
As at 31st March 2012, the price to book ratio of the Group was 3.8 times (2010/11-8.2 times) which is 53 percent decrease compared to the previous year.

Liquidity

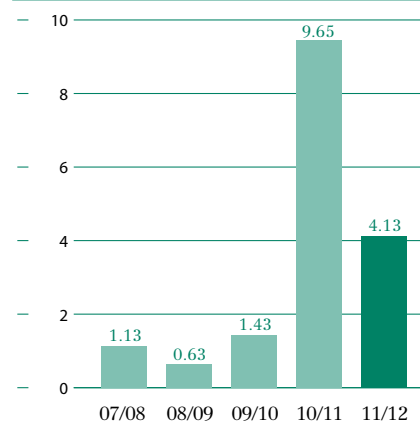
During the year, 6.0 million shares were traded as against 64.1 million shares in previous year. The average daily turnover during the year is Rs 2.0 million which is a decrease of 83 percent compared to the average daily turnover of Rs. 11.5 million recorded in the previous year.

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Share volumes & relative performance vs ASI



Market Capitalization - Rs. Bn



Market information on ordinary shares of the Company

Share Information	2011/12	Q4	Q3	Q2	Q1	2010/11
High	120.00	67.00	90.00	120.00	117.90	115
Low	36.60	36.60	61.10	85.00	75.00	12.75
Close	37.50	37.50	64.40	87.00	105.20	87.80
Dividends paid(per share)	6.9					-

Trading Statistics	2011/12	Q4	Q3	Q2	Q1	2010/11
Number of transactions	7,987	1,267	2,804	1,639	2,277	25,440
Value of shares traded	6,003,007	1,433,070	2,147,400	1,104,500	1,318,100	64,103,300
Value of the shares traded (Rs)	470,159,883	60,805,343	168,579,740	112,276,890	128,497,910	2,715,671,185
Average daily turnover (Rs)	1,959,000	1,013,422	2,809,662	1,782,173	2,254,349	11,556,048
% of total market turnover	0.11%	0.07%	0.26%	0.07%	0.09%	0.41%
Market capitalisation (Rs)	4,125,000,000	4,125,000,000	7,084,000,000	9,570,000,000	11,572,000,000	9,658,000,000
% of total market Capitalisation	0.20%	0.20%	0.32%	0.39%	0.49%	0.40%

Ten Year Summary

Year ended 31st March	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
OPERATING RESULTS										
Revenue	1,897,601	2,122,917	1,328,423	1,803,062	956,048	982,836	743,097	1,678,846	2,636,189	1,552,293
Profit/(loss) before Taxation	796,004	1,331,927	288,795	(395,559)	(354,876)	2,229	(395,559)	267,032	251,732	2,747
Taxation	(62,919)	(180,912)	(66,435)	16,373	(16,125)	(33,034)	(54,346)	(17,875)	(45,542)	(11,396)
Profit/(loss) after Taxation	733,085	1,151,015	232,559	(379,186)	(371,001)	(30,805)	65,620	249,157	206,190	(8,649)
Minority Interest	156,862	(162,997)	(12,600)	(65,681)	(60,641)	(186)	(247)	-	562	(13,573)
Profit/(loss) attributable to Shareholders	889,947	988,018	219,959	(444,867)	(431,642)	(30,991)	65,373	249,157	206,752	(22,222)
ASSETS										
Property, Plant & Equipment	595,683	401,132	328,038	94,001	94,979	75,843	88,400	168,288	136,885	143,898
Intangible Assets	8,325	165,359	78,143	55,455	49,076	150,088	150,088	150,088	-	33,450
Investment Properties	91,014	69,685	67,039	12,023	12,731	13,438	14,145	-	-	-
Long Term Investments	6,000	1,403,535	372,210	337,053	433,991	739,732	511,324	411,020	527,243	891,978
Deferred Taxation	46,581	9,777	1,913	17,809	129	-	-	-	-	-
ESOP Loan	17,491	17,491	17,491	17,491	17,491	17,491	17,491	17,491	17,491	17,491
Other Non Current Assets	1,355,673	765,765	1,339,611	560,766	7,962	14,824	14,824	14,617	16,027	7,775
Current Assets	2,865,096	5,803,123	3,548,588	3,255,127	3,857,563	2,050,008	3,745,748	2,116,806	974,943	361,784
Total Assets	4,985,863	8,635,867	5,758,033	4,349,725	4,473,922	3,061,424	4,542,020	2,878,310	1,672,589	1,456,376
EQUITY AND LIABILITIES										
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	1,114,558	1,114,558
Capital Redemption Reserve Fund	-	-	-	-	-	13,800	13,800	13,800	13,800	14,440
Revaluation Reserve	-	27,560	8,709	10,437	5,970	-	-	-	-	-
Capital Reserves	6,229	5,774	1,790	1,344	1,344	3,174	2,500	2,500	2,500	2,500
Exchange Equalisation Reserve	-	-	-	-	-	78,316	78,316	(48,467)	(22,385)	(15,015)
General Reserve	8,425	3,000	3,000	3,000	3,000	-	-	-	-	-
Retained Earnings/ (Accumulated Losses)	(54,322)	27,986	(856,779)	(1,080,850)	(635,983)	66,604	89,701	131,722	(114,469)	(149,594)
Shareholders' Fund	1,074,890	1,178,878	271,278	48,489	488,889	1,276,452	1,298,875	1,214,113	994,004	966,889
Minority Interest	46,715	598,549	248,106	194,959	131,945	542	247	-	-	6,238
	1,121,605	1,777,427	519,384	243,448	620,834	1,276,994	1,299,122	1,214,113	994,004	973,127
Non Current Liabilities	589,578	436,456	748,778	186,067	92,904	91,523	90,119	91,657	78,179	35,449
Current Liabilities	3,274,680	6,421,984	4,484,871	3,920,210	3,760,184	1,692,907	3,152,779	1,572,540	600,406	447,800
Total Liabilities	3,864,258	6,858,440	5,233,649	4,106,277	3,853,088	1,784,430	3,242,898	1,664,197	678,585	483,249

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Glossary

Accounting Policies

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

Accrual Basis

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

Amortisation

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

Borrowings

All interest and non interest-bearing liabilities.

Capital Employed

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

Cash Equivalents

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

Contingent Liabilities

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

Corporate Governance

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

Current Ratio

Current assets divided by current liabilities.

Deferred Taxation

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

Dividend Per Share (DPS)

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

EBIT

Earnings before interest and tax.

Earnings Per share (EPS)

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

Equity

Shareholders' funds.

Fair Value

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

Guarantees

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

General Reserve

Reserves available for distributions and investment. Gross Domestic Product - GDP The value of all goods and services produced domestically in an economy during a specified period, usually a year. Nominal GDP, adjusted for inflation, gives GDP in real terms.

Gross Dividend

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

Gross Profit Ratio

The percentage of gross profit to net turnover.

Impairment

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

Interest Cover

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

Key Performance Indicators (KPI)

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

Glossary

Market Value Per share

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

Market Capitalisation

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

Materiality

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

Net Assets Per share

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

Net Profit margin

Net profit as a percentage of net turnover.

Price Earnings Ratio

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

Related Parties

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

Return on Average capital employed (ROCE)

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

Return on Equity (ROE)

Net Profit as a percentage of shareholders' equity.

Return On average Net Assets – (RONA)

Profit after tax divided by the average net assets.

Rights Issue

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

Segment

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

Stated Capital

Consists of issued and paid capital.

Substance over Form

Whether the accounting treatment in the Financial Statements of transactions reflect the financial reality and

substance, rather than the legal form of the transaction and event which underlies them.

Strategy

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

Sustainability

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

Stakeholder

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

Total Assets

Current assets plus fixed assets.

Total Shareholder Return

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

Unrealised Gain

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

Working Capital

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

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

Subsidiaries

Asia Securities (Private) Limited
Asia Wealth Management Company (Private) Limited
Asia Capital Technologies (Private) Limited
Asia Fort Sri Lanka Direct Investment Fund Limited
Asia Growth Fund 1 (Private) Limited
Asia Asset Finance PLC
Asia Leisure Holdings (Private) Limited
Asia Leisure (Private) Limited
Asia Tea Packaging (Private) Limited
Asia Digital Entertainment (Private) Limited

Associates

Asian Alliance Insurance PLC
Asia Siyaka Commodities (Private) Limited

Board of Directors

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

J H P Ratnayake (*Deputy Chairman*)

S A Abeyesinhe (*Group Chief Executive Officer*)

F X R Pereira

A D Ross

V Siva Jr.

D Muthukumarana

R J Wickramasinghe

Audit Committee

F X R Pereira (*Chairman*)

A D Ross

D Muthukumarana

R J Wickramasinghe

Remuneration Committee

R J Wickramasinghe (*Chairman*)

F X R Pereira

V Siva Jr.

D Muthukumarana

Secretaries

P R Secretarial Services (Private) Limited

59 Gregory's Road,

Colombo 7

Registrar

KPMG Outsourcing (Private) Limited

32A, Sir Mohamed Macan Markara Mawatha,

Colombo 3

Auditors

KPMG

32A Sir Mohamed Macan Markara Mawatha,

Colombo 3

Internal Auditors

PricewaterhouseCoopers

100, Braybrooke Place, Colombo 2.

Lawyers

Paul Ratnayake Associates

59 Gregory's Road, Colombo 7

Bankers

Hongkong and Shanghai Banking Corporation Limited

Pan Asia Banking Corporation PLC

Bank of Ceylon

Hanton National Bank PLC

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