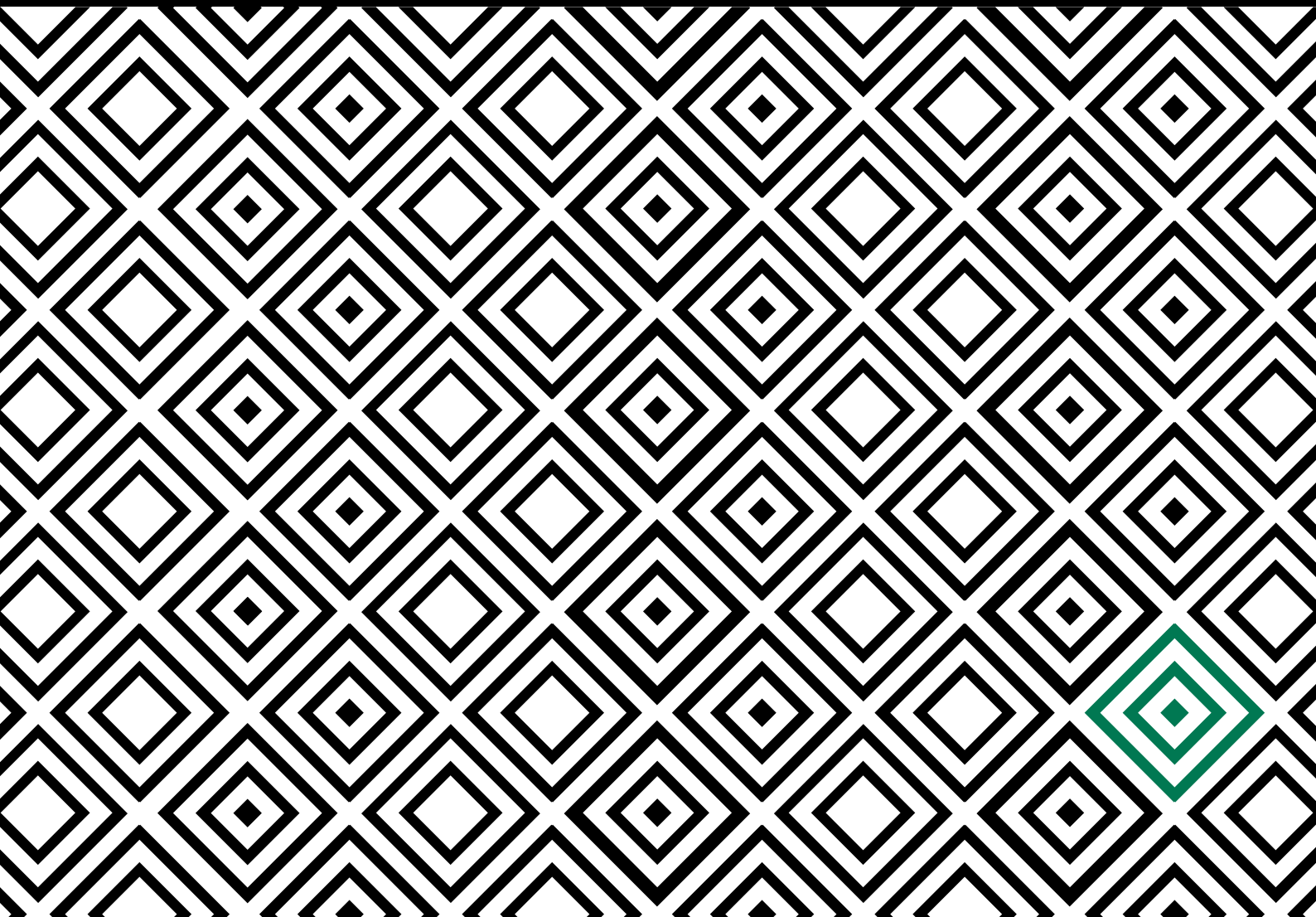


# Positivity



# Posit

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# ivity

At Asia Capital we're working in a spirit of positivity, emerging from a challenging year with renewed energy and confidence. As a diversified financial services conglomerate with a bold approach, we will continue to strive towards 'achieving the unreasonable, the unattainable and even the impossible' in value added investment and unmatched wealth creation in the years that lie ahead.



# Our Vision

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

## Our Values

### **Learning**

To drive organisational development by encouraging a learning culture

### **Innovation**

To deliver innovation and value to every stakeholder we serve

### **Teamwork**

To encourage and emphasise teamwork across the company

### **Accountability**

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

### **Integrity**

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

### **Respect**

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

### **Corporate Citizenship**

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

# Our Mission

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

### Who We Are

To describe ourselves as a diversified financial services conglomerate would be too narrow a representation of the offerings of our group. Being the largest investment bank to be listed on the Colombo Stock Exchange has meant years of strategic risk taking in the uneven playing field of the share market. In the early 1990s we stepped into the industry as Asia Securities - a brokering firm that set its goal post literally towards the stars.

Our aspirations were high, but that's because our trading strategies were always supported by intensive investment research. Our value added investment services have always been client-focused and have enabled us to establish ourselves at the heart of the markets. Today, in more ways than one, we can truly say that we are among the stars in the industry. Our issued share capital of LKR 1 billion on the Colombo Stock Exchange is just a small highlight of the potential within.

Our operations encompass, but are not limited to, the following services which include – investment banking, asset management and information technology services. As the saying goes “diversity makes for a rich tapestry” - we've recently added leisure, project management, property management and real estate to our ever expanding tapestry of spheres.

Why Asia Capital you may ask? Our tried and tested innovative approaches to investment management and wealth creation are constantly what drive many foreign and local investors in Sri Lanka to seek out our services. For 2014/15, the group generated over LKR 1.5 billion revenue internally at a time when many in the industry were feeling the pinch of economic woes. This achievement alone is a testament to the fact that we are one of the biggest firms in the industry.

For those who seek a secure partner who will deliver above and beyond one's expectations, then welcome to Asia Capital PLC (ACAP). We look forward to hearing about your biggest aspirations.

# Board of Directors

## **J H P RATNAYEKE**

Chairman

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

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

## **A D ROSS**

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

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

## **R J WICKRAMASINGHE**

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

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

## **V SIVA JR**

Mr. Siva is the Managing Partner of a boutique corporate finance firm based 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. Abeyesinhe is the Group Chief Executive Officer for Asia Capital PLC and also serves on the Boards of Asia Capital Technologies (Private) Limited, Asia Leisure (Private) Limited, Asia Capital Projects (Private) Limited and other subsidiaries of the Group.

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

## **Z MERCHANT**

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

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

Mr. Merchant is also a Permanent Member of the Executive Committee of a University in Malaysia; the appointed Treasurer and Executive Committee/ Board Member of the Direct Selling

Association of Singapore (DSAS), and sits on the Ethics & Regulatory Affairs, Membership, and Strategic Review Committees of the Association. He also sits on the Board of Swiss luxury watch brand CIMIER®.

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#### **T TANAKA**

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

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#### **Y WATANABE**

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

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

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# Group Structure

Company	Board of Directors	Shareholders
01 Asia Capital PLC	<ul style="list-style-type: none"> <li>J. H. P. Ratnayake</li> <li>S. A. Abeyesinhe</li> <li>A. D. Ross</li> <li>V. Siva Jr.</li> <li>Z. Merchant</li> <li>T. Tanaka</li> <li>R. J. Wickramasinghe</li> <li>Y. Watanabe</li> </ul>	<ul style="list-style-type: none"> <li>Public Listed Company</li> </ul>
02 Asia Capital Private Equity (Private) Limited	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>P. N. Jansen</li> <li>T. Tanaka</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 100%</li> </ul>
03 Asia Leisure Holdings (Private) Limited	<ul style="list-style-type: none"> <li>J. H. P. Ratnayake</li> <li>S. A. Abeyesinhe</li> <li>V. Siva Jr.</li> <li>P. N. Jansen</li> <li>N. S. A. Ratwatte - Abeyesekera</li> <li>R. M. Morris</li> <li>T. Tanaka</li> <li>R. A. T. P. Perera</li> <li>K. Senathirajah</li> <li>M. S. D. Galagedara - D.O.R - 09/07/2015</li> <li>S. Hettige - D.O.A - 23/09/2015</li> <li>R. J. Wickramasinghe - D.O.A - 21/12/2015</li> <li>Y. Watanabe - D.O.A - 22/01/2016</li> <li>S. A. Abeyesinhe (Alternate Director to Mr. K. Senathirajah - D.O.A - 31/03/2015)</li> <li>T. Tanaka (Alternate Director to Mr. Y. Watanabe - D.O.A - 22/01/2016)</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 96%</li> <li>Asia Growth Fund 1 (Private) Limited - 4%</li> </ul>
04 Asia Leisure (Private) Limited	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>P. N. Jansen</li> <li>R. M. Morris</li> <li>M. S. D. Galagedara - D.O.R. - 09/07/2015</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 97.55%</li> <li>Asia Leisure Holdings (Private) Limited - 2.45%</li> </ul>
05 Asia Tea Packaging (Private) Limited	<ul style="list-style-type: none"> <li>P. N. Jansen</li> <li>R. A. T. P. Perera</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 100%</li> </ul>
06 Asia Fort Sri Lanka Direct Investment Fund Limited	<ul style="list-style-type: none"> <li>J. H. P. Ratnayake</li> <li>S. A. Abeyesinhe</li> <li>V. Siva Jr.</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 99.99%</li> </ul>
07 Asia Growth Fund 1 (Private) Limited	<ul style="list-style-type: none"> <li>J. H. P. Ratnayake</li> <li>S. A. Abeyesinhe</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 99.94%</li> </ul>
08 Asia Capital Projects (Private) Limited (Formerly known as Asia Wealth Management Company (Private) Limited)	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>P. N. Jansen</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 99.99%</li> <li>Asia Growth Fund 1 (Private) Limited - 0.01%</li> </ul>
09 Asia Capital Technologies (Private) Limited	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>P. N. Jansen</li> <li>N. S. A. Ratwatte - Abeyesekera</li> <li>R. A. T. P. Perera</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 99.99%</li> <li>Asia Growth Fund 1 (Private) Limited - 0.01%</li> </ul>
10 Asia Digital Entertainment (Private) Limited	<ul style="list-style-type: none"> <li>P. N. Jansen</li> <li>V. Siva Jr.</li> <li>R. A. T. P. Perera</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 100%</li> </ul>
11 River House Estate (Private) Limited (Formerly known as Asia Investment 2 (Private) Limited)	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>V. Siva Jr.</li> <li>R. A. T. P. Perera</li> </ul>	<ul style="list-style-type: none"> <li>Through River House (Private) Limited - 100%</li> </ul>



Company	Board of Directors	Shareholders
12 <b>Shinagawa Beach Resorts (Private) Limited</b> (Formerly known as Balapitiya Resorts (Private) Limited)	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>P. N. Jansen</li> <li>C. I. Hapugoda</li> <li>S. Shinagawa</li> <li>S. Ohki</li> <li>T. Tanaka</li> <li>S. Ohtsu - D.O.R. - 27/07/2015</li> <li>R. M. Morris</li> <li>N. Ishikawa - D.O.A. - 30/07/2015</li> <li>N. S. A. Ratwatte - Abeyesekera (Alternate Director for S.A. Abeyesinhe) - D.O.R - 17/05/2016)</li> <li>S. Gunawijeya (Alternate Director for S.A. Abeyesinhe) - D.O.A - 17/05/2016</li> </ul>	<ul style="list-style-type: none"> <li>Through Asia Leisure Holdings (Private) Limited - 67.86%</li> </ul>
13 <b>Wadduwa Resorts (Private) Limited</b>	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>P. N. Jansen</li> <li>S. Hamaguchi</li> <li>O. Miyoshi</li> <li>T. Tanaka</li> <li>Y. Watanabe</li> <li>R. M. Morris</li> <li>S. Samaranayake (Alternate Director for S.A. Abeyesinhe)</li> <li>D. Ratnayake (Alternate Director for R. M. Morris - D.O.A - 17/05/2016)</li> </ul>	<ul style="list-style-type: none"> <li>Through Asia Leisure Holdings (Private) Limited - 77.87%</li> </ul>
14 <b>River House (Private) Limited</b>	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>P. N. Jansen</li> </ul>	<ul style="list-style-type: none"> <li>Through Asia Leisure Holdings (Private) Limited - 100%</li> </ul>
15 <b>Asia Leisure Travels (Private) Limited</b>	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>R. M. Morris</li> <li>D. Rathnayake</li> <li>R. A. T. P. Perera</li> <li>S. Gunawijeya</li> <li>M. Senda</li> <li>S. Hettige</li> <li>T. Tanaka</li> </ul>	<ul style="list-style-type: none"> <li>Through Asia Leisure Holdings (Private) Limited - 80%</li> </ul>
16 <b>Galle Beach Hotel (Private) Limited</b>	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>P. N. Jansen</li> <li>R. M. Morris D.O.A. - 02/07/2015</li> </ul>	<ul style="list-style-type: none"> <li>Through Asia Capital Private Equity (Private) Limited - 100%</li> </ul>
17 <b>Galle Beach (Private) Limited</b>	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe</li> <li>V. Siva Jr.</li> <li>R. A. T. P. Perera</li> </ul>	<ul style="list-style-type: none"> <li>Through Asia Capital Private Equity (Private) Limited - 100%</li> </ul>
18 <b>Forest Resorts Nuwara Eliya (Private) Limited</b>	<ul style="list-style-type: none"> <li>S. Hettige</li> <li>N. S. A. Ratwatte - Abeyesekera</li> <li>R. A. T. P. Perera</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 100%</li> </ul>
19 <b>Katumanakele Hill Estate (Private) Limited</b>	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe - D.O.A. - 13/05/2015</li> <li>R. M. Morris - D.O.A. - 13/05/2015</li> <li>S. Hettige - D.O.A. - 13/05/2015</li> </ul>	<ul style="list-style-type: none"> <li>Through Forest Resorts Nuwara Eliya (Private) Limited - 49%</li> </ul>
20 <b>Galle Beach C C Trust (Private) Limited</b>	<ul style="list-style-type: none"> <li>S. A. Abeyesinhe - D.O.A. - 07/04/2015</li> <li>R. M. Morris - D.O.A. - 07/04/2015</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 47.11%</li> </ul>
21 <b>Strider Capital Asia (Private) Limited</b>	<ul style="list-style-type: none"> <li>T. Tanaka</li> <li>S. A. Abeyesinhe</li> <li>Ryoichi Hayakawa - D.O.A. - 02/07/2015</li> <li>Ryotaro Hayakawa - D.O.A. - 02/07/2015</li> </ul>	<ul style="list-style-type: none"> <li>Asia Capital PLC - 50%</li> </ul>

# Chairman's Statement

It is indeed reassuring to see that Sri Lanka is gaining momentum as a lucrative investment destination for real estate and property development ventures, specifically for hotels, resorts and condominium spaces.

In the year under review, we remained steadfast in our commitment to drive the wider growth ambitions of the core business. In doing so, we worked with a single-minded purpose to advance Asia Capital PLC's position as a leading business promoter in Sri Lanka.

Putting this into perspective, I wish to touch on some key aspects that impacted our performance in the current year.

## MACRO-ECONOMIC ENVIRONMENT

At 4.8%, Sri Lanka's economic growth for 2015 was amongst the highest in the region and comparatively well above the growth aggregates recorded by advanced economies for the same period.

Total FDIs (Foreign Direct Investments) into the country declined year-on-year from USD 969.7 million in 2015 compared to USD 1,528.4 million in 2014, reflecting a drop of 36%. Interestingly though, Sri Lanka is not alone here, as the drop in global net FDI flows appear to be a global phenomenon that has continued to agitate many advanced and emerging economies alike ever since the global economic downturn in 2008.

Amidst this backdrop, it is indeed reassuring to see that Sri Lanka is gaining momentum as a lucrative investment destination for real estate and property development ventures, specifically for hotels, resorts and condominium spaces. A fact evidenced by the recent surge in tourism related FDIs, which grew five-fold in as little as three years.

I believe the key challenge for the country now is to properly manage the qualitative aspects of these FDIs, mainly to boost per-capita income levels and drive the country's growth expectations of becoming a middle-income economy by 2020. Essentially, this would call for far-reaching systemic changes, led by a clear investor-friendly regulatory framework that would validate Sri Lanka's credentials as a regional investment hub.



Read Chairman's Message online.

## GROUP STRATEGY AND FOCUS

In the current financial year, the Group strategy remained more or less unchanged. We continued to focus on refining our core competencies and consolidating our position as a leading investment promoter in Sri Lanka. As I'm sure you are aware, following a strategic business restructure a

few years ago, our core business now focuses mainly on attracting large-scale leisure sector FDIs into the country.

I am pleased to report that these projects, many of which we co-own have already been completed and are fully operational at present. Under the stewardship of Asia Leisure (Pvt) Ltd, we continue to deliver results in line with our expectations and those of our stakeholders.

At the same time, we continued to work on accelerating key projects within our development pipeline. The four main projects earmarked for development are; Galle Heritage Hotel Project, Marine-Drive city hotel project, Vauxhall mixed development project and Union Place condominium project. With much of the initial groundwork already completed, these ventures are expected to kick off over the next few months, once the necessary planning approvals have been obtained.

Meanwhile, efforts to further expand our project pipeline prompted us to explore equity-based partnerships with globally renowned investment partners from Japan. I am pleased to report that we were successful in securing two new projects during the year, a 15-room hotel project and another 100-room beach-front resort estimated to cost USD 2.25 million and USD 14 million respectively.

We also looked into the possibility of tying up with a strategic investor to develop our overall leisure sector value proposition and negotiate a fresh capital infusion aimed at strengthening the Group balance sheet.

## **FUTURE PLANS**

Based on the progress made in the past three years, including the strong operational performance registered during the current financial year, I believe the Group is well placed to take advantage of future economic and market improvements and capture new business opportunities that will arise as the country progresses towards investment hub status.

Moving forward, I am confident that we at Asia Capital PLC can leverage on our expertise and solid track record to expand our investment pipeline, which will be the catalyst in driving future ambitions of the entire Group, in the years ahead.

## **APPRECIATIONS**

I take this opportunity to thank my colleagues on the board for the unstinted support extended to me at all times. I also wish to thank our CEO Mr. Stefan Abeyesinhe, the management teams and all employees of Asia Capital PLC and Asia Leisure Holding (Pvt) Ltd, for their commitment and dedication.

A special word of thanks also to our business partners for the encouragement and support over the years.

In closing, I wish to thank the shareholders and all other stakeholders of Asia Capital PLC and its subsidiaries, for your patronage and request your support to take the Group forward in the years ahead as well.



**J. H. P. Ratnayake**  
Chairman

18th August 2016

I am confident that we at Asia Capital PLC can leverage on our expertise and solid track record to expand our investment pipeline, which will be the catalyst in driving future ambitions of the entire Group, in the years ahead.

# CEO's Review

The year 2015/16 was a very significant one for Asia Capital PLC. Underpinned by the "Fit for Growth" initiative that began two years ago, we sought to position ACAP as a specialist investment promoter for leisure sector projects. We worked with great determination throughout the course of the year to create an efficient, innovative and more resilient business model that will help us capitalise on the unprecedented changes taking place in the country's economy at present.

## NEW BUSINESS DEVELOPMENTS

During the year, Asia Capital PLC made good progress on a number of business initiatives. With regard to our development pipeline, we secured 02 planning permits, for which construction is set to commence in the early part of the next financial year. These projects further strengthen the diversity of our investment portfolio and testify to our strength as an investment promoter for the leisure sector. More importantly, these strategic investments are designed to produce definite tangible results in the coming years.

Further we strengthened our core business offering by expanding our client advisory services to support our clients in making critical investment/business decisions including; improving cash flow and working capital management, sale of non-core assets or business units and recapitalising, among others. Our purpose is to offer our professional expertise and act as catalysts of growth to help our clients fast track their business goals. This business strategy has delivered good results, leading to a robust increase in Asia Capital PLC's top line, which in turn resulted in a strong positive contribution to the bottom line of the core business.



CEO's Review  
online.

## OPERATIONAL IMPROVEMENTS

I must admit that tapping into these new business opportunities however did underscore the need for adequate resources.

In this context, we set up a dedicated project unit in the current financial year, in an effort to introduce a more disciplined approach towards managing our project pipeline. This has already had a tremendous impact in streamlining the monitoring process and expediting project outcomes.

Meanwhile, with the growth in our consultancy and advisory services, we found that clients are now relying on our expertise more and more, especially

**We strengthened our core business offering by expanding our client advisory services to support our clients in making critical investment/business decisions including; improving cash flow and working capital management, sale of non-core assets or business units, and recapitalising, among others.**

when critical business decisions are at stake. I am happy to note that the ongoing investment in training and the emphasis on delivering excellence has allowed our teams to sharpen their skills and become more responsive towards client needs.

Speaking of our people, I must say that not only are they professionals with enviable track records, they are also dedicated, incredibly hard-working and are committed to making a difference for our clients. Indeed they are a new breed of thinkers who are passionate about their work and never short of ideas. I am proud to acknowledge that it is the calibre of our team that continues to drive the results achieved by Asia Capital PLC.

In fact therein lies the rationale behind our ESOP scheme, which was fully rolled out during the current financial year. The scheme is aimed at retaining and motivating talented employees by encouraging them to align individual performance goals in tandem with corporate objectives.

## FINANCIAL HIGHLIGHTS

As the parent in the Group, Asia Capital PLC performed commendably well compared to the previous financial year. What is even more significant though, is the remarkable turnaround in performance of the core business, from a loss of Rs. 380 million in the previous financial year to a profit of Rs. 427 million, which I believe points to the clarity of our current business thrust.

Meanwhile, in order to align all companies in the group towards a common policy and establish a definitive valuation baseline for assets, all Group properties were revalued during the year under review. This process resulted in significant revaluation gains, especially for the leisure sector properties, the details of which can be found in the financial review segment of this report.

## **PERFORMANCE OF SUBSIDIARIES**

Asia Leisure Holdings (Pvt) Ltd, which manages all four of our leisure sector properties and Asia Leisure Travels (Pvt) Ltd., made good on the promise to deliver improved results by increasing year-on-year turnover levels, paving the way for a reduction in the operational loss tabled as at 31st March 2016.

The performance and operational activities of all properties under Asia Leisure Holdings (Pvt) Ltd., are comprehensively reviewed on pages 26-27 of this report.

## **LOOKING AHEAD**

While I must admit that thanks to our “Fit for Growth” restructuring programme, Asia Capital PLC has become fundamentally stronger in a relatively short time. I do believe that the best is yet to come.

As a Group we are ready for our next wave of growth and have set no limits to how far we can take this business. We are now well placed to take advantage of future economic and market improvements, and capture compelling business opportunities that will spearhead future growth.

Further, with ongoing cost discipline and strategic investment in offerings and new capabilities, I am confident that we are on the right track to generate and sustain profitability, maintain adequate liquidity and strengthen our balance sheet. This will help us deliver consistent returns to our shareholders in the years ahead.

## **APPRECIATIONS**

I wish to express my sincere gratitude to the Chairman and the Board of Directors for the support and guidance extended to me at all times. A special word of thanks to the employees of Asia Capital PLC and its subsidiaries for the team effort that has been instrumental in achieving corporate goals.

To our customers, business partners and all other stakeholders, while I thank you for your loyalty, I hope we have been able to meet your expectations.

In conclusion, I wish to thank our shareholders for the trust and confidence placed in the Group. The management team and I look forward to your continued support to seize the opportunities that lie ahead.



**S. A. Abeyesinhe**

Director/ Group Chief Executive Officer

18th August 2016

# Key Financial Highlights

	GROUP		COMPANY	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Income Statement</b>				
Turnover	498,791	1,651,075	1,070,779	868,462
EBIT	(314,868)	(278,143)	544,805	(273,199)
Profit/Loss for the Year	(404,125)	(388,607)	426,588	(380,458)
<b>Statement of Financial Position</b>				
Total Assets	4,329,205	2,641,332	2,115,786	2,277,590
Non Current Assets	3,746,673	1,659,331	1,290,404	368,640
Current Assets	582,532	982,001	825,382	1,908,950
Current Liabilities	693,908	382,722	440,921	218,016
Shareholders Funds	2,174,485	349,895	1,104,133	676,500
<b>Ratios</b>				
No. of Shares	131,329,995	131,329,995	131,329,995	131,329,995
Profit/Loss per Share	(2.87)	(2.76)	3.25	(3.02)
Net Asset per Share	16.56	2.66	8.41	5.15

**COMPANY  
REVENUE  
INCREASED TO**

**Rs. 1.07 Bn**

From  
**Rs. 0.8 Bn**  
in 2015

**COMPANY  
REPORTED AN  
EBIT OF**

**Rs. 545 Mn**

In contrast to a loss of  
**Rs. 273 Mn**  
in 2015

**TOTAL COMPANY  
EQUITY  
INCREASED BY**

**Rs. 428 Mn**

From  
**Rs. 677 Mn**  
in 2015

# Business Report

**Our goal is to provide advisory services to assist clients in addressing business challenges and help them take advantage of the business opportunities in the market.**



# Business Proposition

Our service strategies reflect the determination to drive the concept of shared values as the basis of mutual success for the company and the client.

## A CLIENT-CENTRED APPROACH

At Asia Capital PLC, we view our clients as valued partners and seek to build trust and develop partnership-style relationships with them. Our Corporate Finance division works closely with clients to help them anticipate, understand, manage and overcome complex business matters arising from such factors as the economy, financial and credit markets, governmental regulation and legislation and litigation. Our goal is to provide advisory services to assist clients in addressing business challenges and help them take advantage of economic, regulatory, financial and/or other business opportunities in the market.

We differentiate our value proposition in three ways:

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

This proactive approach is at the very core of our business proposition and underpins our efforts to grow our market position, order book and revenue streams. Our service strategies reflect the determination to drive the concept of shared values as the basis of mutual success for the company and the client.

## OUR SERVICES

### • Advisory

The services we offer in an advisory capacity comprise of acquisition searches, IPOs, financing and sell side advisory services and thematic industry research. We also perform due diligence reviews, evaluating key value drivers and risk factors. Furthermore, we advise clients on the most advantageous tax and accounting structure for the transaction by scrutinising the quality of earnings, quality of the balance sheet and working capital requirements.

In addition to the above, our clients are privy to a wide offering that could be tailored according to the various requirements of the client.

### • M & A

We help potential buyers and sellers develop and formulate M&A strategies, identify, screen and initiate discussions with potential acquisition targets, structure and negotiate and arrange acquisition financing.

### • Private Equity

We help clients raise equity capital and guide their management teams

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

### • Research

The research division evaluates global and domestic economic developments and their interdependencies to recognise implications on specific investment areas as well as on the economy in general. This involves generating forecast models to predict the behaviour of economic variables and incorporating the findings to assess the future functioning of desired investment fields. Our clients use these insights and investment ideas to develop their strategies.

## THE TEAM

Our Corporate Finance Team comprise of a young, dynamic group of people with fresh ideas and a bold new outlook. As thinkers and doers, they are the backbone of our core business proposition.

Academically, their backgrounds range from Accounting, Economics and Marketing to the Social Sciences and Actuarial Studies, while their collective experience in the fields of Corporate Finance, Financial Advisory Services, M & A, Capital Markets, Audit and Assurance is what gives Asia Capital PLC its edge in the market.



In addition to the wealth of expertise, the team is backed by an extensive network of contacts across corporate, private equity and finance communities, which enhances the ability to deliver the best possible outcome for our clients.

From exploring strategic business options to advise on business restructuring or total project management solutions, our Corporate Finance Team is geared to provide a total integrated offering that supports the clients' vision for growth.

The newly set up Projects Team is responsible for monitoring ongoing projects in the Asia Capital PLC development pipeline. The key responsibilities of the Projects Team are;

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

# Project Progress Update

Project	Scope	Secured Investment Value – FDI (USD million)	Land Extent (Acres)
<b>ONGOING PROJECTS</b>			
Marine Drive Hotel	308-room Business Hotel	55	0.5
Galle Heritage Hotel	50-room Super Luxury Resort	16.5	2.2
Union Place Apartments	44-story Residential Tower	53	0.6
Miriandhoo Island Resort Project -Maldives	75-room Island Resort	55	14.8
Galle Beach Hotel	94-room Sea-view Resort Hotel	14	2.0
Nuwaraeliya Hotel	15-room Luxury Boutique Hotel	2.25	0.4
Kosgoda Hotel	100-room Sea-view Resort Hotel	14	5.5

## NEW PROJECTS

Located in the heart of Colombo's commercial and financial district, the proposed project would consist of luxury apartments, several levels of office and retail space, a luxury hotel, a multi-level car park and a host of other modern amenities.

The project concept embodies global design trends and is designed to portray Sri Lanka as an emerging, high-end real estate destination in South Asia.

The proposed project comprises of two towers; Tower One would be a 50-floor residential block accommodating 150 furnished apartments and Tower Two would consist of 40 floors with the first 20 levels allocated for office space and a 300-room hotel.

Status as at 31st March 2016

Initial Planning Stage	Land Acquisition	Project Development and Design	Awaiting Plan Approval	Approval Received	Expected Commencement of Construction	Expected Completion
------------------------	------------------	--------------------------------	------------------------	-------------------	---------------------------------------	---------------------

					November 2016	36 months
					August 2016	18 months
					September 2016	36 – 40 months
					September 2016	18 months
					September 2016	24 months
					January 2017	12 months
					January 2017	24 months

# Corporate Finance Case Studies

## End-to-end manufacturer of leather goods needing to source overseas investors

### THE CHALLENGE:

The client needed to raise capital to fund the five-year growth plan, aimed at expanding to regional markets. A financial evaluation needed to be prepared to clearly demonstrate to investors, the core capital and working capital requirements for this strategic growth plan. The client did not have the expertise to undertake this financial evaluation and requested ACAP's assistance.

### ACAP'S SOLUTION:

We obtained key information required in analysing the industry in our discussions with the client. Following which we developed an analytical structure incorporating our research on regional and global trends in the industry combined with economic and industry specific dynamics that are domestically in operation. The approach enabled us to understand the determinants of the cost structure, output, prices and the contribution margins of the industry and thereby enabled us to forecast the expected functioning of these key variables.

### OUTCOMES:

The client has requested our assistance when making representations to potential investors and once a suitable partner is identified, it is likely that ACAP would be called upon to structure the mechanics of the deal.

## Evaluation of a new project for a leisure-sector company

### THE CHALLENGE:

The client who is a relatively new player in the local leisure sector proposes to set up a theme resort and cable park for wakeboarding, which would be the first of its kind in Sri Lanka. Although the client did possess the financial resources needed, they did not have the capability to assess the feasibility or manage a project of this nature in the long-term. Therefore ACAP was called in to assist with these aspects.

### ACAP'S SOLUTION:

We conducted an extensive assessment of the client's business and financial capacity. We then prepared a project blueprint, in order to help the client understand the scale and magnitude of the undertaking. Given our own experience with the construction of large-scale leisure projects, we were also able to advise the client on the acquisition of land and obtaining necessary approvals.

### OUTCOMES:

Based on our advice, the client decided to carry out the project in 3 phases, over a period of 5 years, with a possible tie-up with Asia Leisure as the managing partner for the project.

## A medical equipment manufacturer who is looking to diversify their business model

### THE CHALLENGE:

The client is the only Sri Lankan supplier of a particular medical equipment used in hospitals worldwide. Having built a successful business based on their single-product model, the company decided it was time to take their business to the next level by augmenting their product portfolio. However, they needed advice on developing a new business structure and raising capital to fund their expansion plans.

### ACAP'S SOLUTION:

We conducted an assessment of the current business model to identify areas of improvement and opportunities for growth, mapped out financial impact of the various opportunities and determined capital requirements for growth. We also advised them on a suitable strategy to secure the patent rights for a product developed by them and are currently assisting them in their capital raising efforts.

### OUTCOMES:

Based on our advice, the client has started negotiations with selected investors and commenced the transition to a multi-product business model.

# Operational Report

**As a business entity, our fundamental purpose is to create value for all stakeholders. We strive, at all times, to meet the expectations of each stakeholder group.**



# Getting to Know Our Stakeholders

## (Stakeholder Engagement Mechanism)



### STAKEHOLDERS



#### Employees

##### Our Commitment

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

##### Important Issues

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



#### Shareholders

##### Our Commitment

Direct interaction with shareholders at the AGM. Providing shareholders with a clear and unbiased view of the group's activities through the annual report, quarterly reports and regular updates on the group website, social media forums and press releases

##### Important Issues

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



#### Business Partners

##### Our Commitment

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

##### Important Issues

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

**WE ARE VERY MUCH AWARE THAT THE SUCCESS OF OUR BUSINESS DEPENDS ON THE VALUE PERCEPTIONS OF OUR STAKEHOLDERS. UNDERSTANDING WHAT IS PERCEIVED AS IMPORTANT TO EACH STAKEHOLDER GROUP IS THEREFORE A CRITICAL PART OF OUR STRATEGIC PLANNING PROCESS. WE RELY ON A BROAD RANGE OF STAKEHOLDER ENGAGEMENT MECHANISMS, WHICH HELP US GATHER THE INFORMATION WE NEED. THIS IS THEN DIRECTLY FED INTO THE DECISION-MAKING PROCESS TO MAP OUT OUR STRATEGIC FOCUS AND HELP US EVOLVE IN TANDEM WITH STAKEHOLDER ASPIRATIONS.**



### Customers

#### Our Commitment

Formulating a dynamic value proposition through personalised communication and one-on-one dialogue with customers, in addition to ongoing interaction via mass media communication channels including, press releases, the corporate website and social media platforms

#### Important Issues

- Service Quality and Reliability
- Pricing
- Technology and Innovation



### Government/Industry

#### Our Commitment

Creating a progressive operating environment through routine exchange with regulators and working closely with policy level decision makers as well as participating in consultative forums and knowledge sharing sessions with industry experts

#### Important Issues

- Statutory Compliance
- Tax Structure
- Governance Committees



### Local Communities

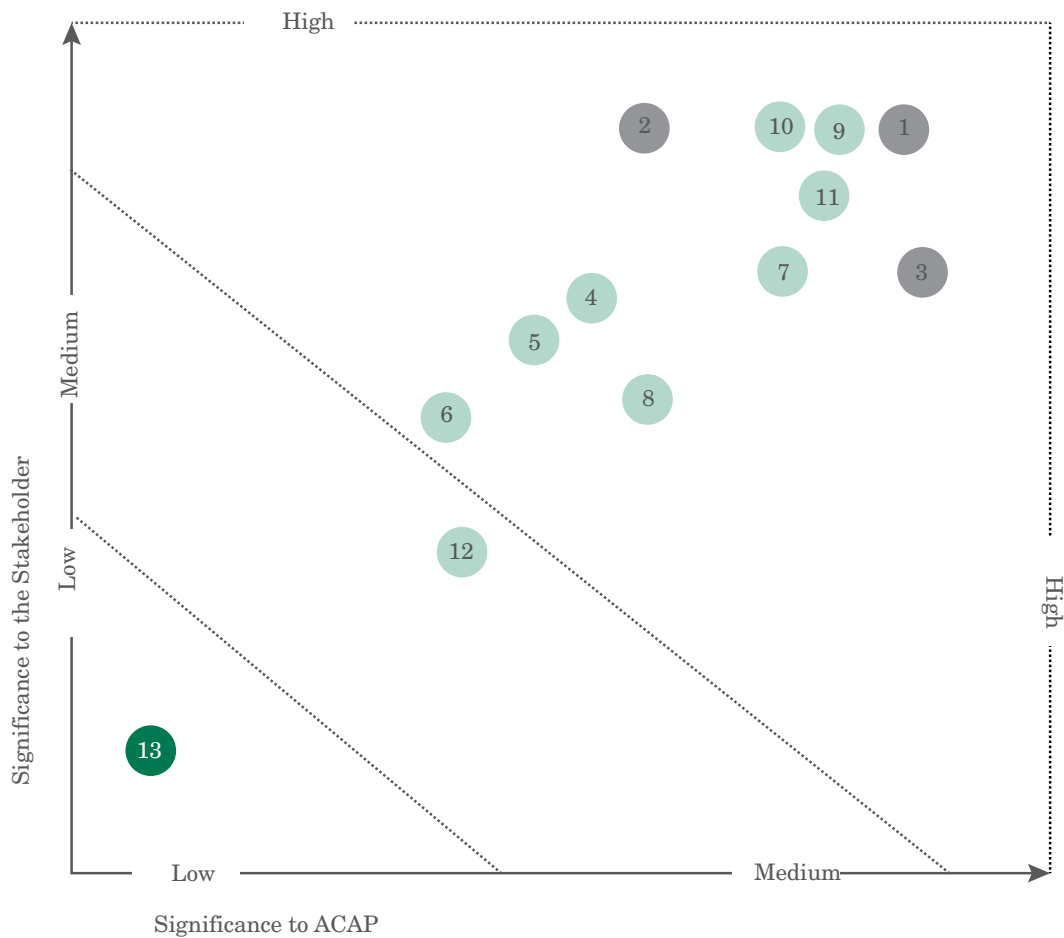
#### Our Commitment

Embracing corporate social responsibility through a range of direct communication opportunities that help integrate local communities into the mainstream business model

#### Important Issues

- Social Welfare and Livelihood Development
- Community Infrastructure Development
- Preservation of Eco-Systems
- Disaster Relief

# Materiality Analysis



## Economic Aspects

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

## Social Aspects

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

## Environmental Aspects

- 13 Green Ethics



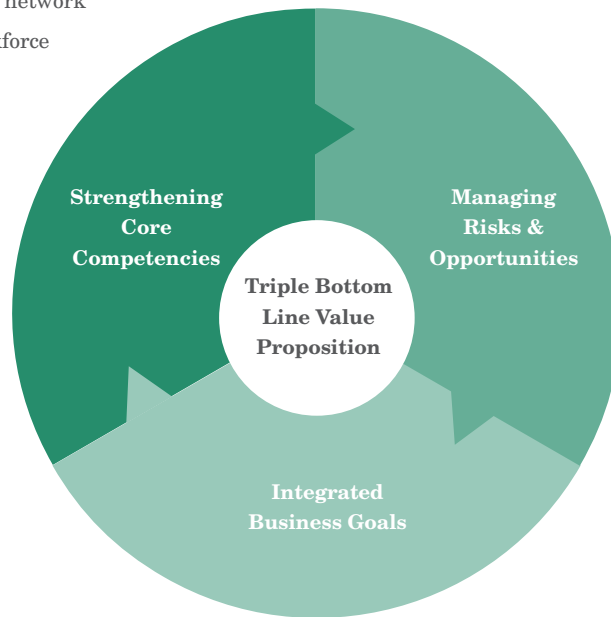
# Value Creation Template

## STRENGTHS AND CORE COMPETENCIES

- Access to equity
- Dynamic business offerings
- Established brand identity
- Strong market presence
- Robust business network
- Competent workforce

## STRATEGIC OPPORTUNITIES

- Attracting new investors by leveraging on emerging global niche markets and new customer segments
- Use of new technology and business connectivity to cater to the evolving needs of the customer.
- Growth opportunities arising from rapid infrastructure developments taking place in Sri Lanka
- Negotiating integrated business opportunities that would facilitate more effective operational synergies
- Use of business intelligence to improve corporate governance and stewardship



## INTEGRATED BUSINESS GOALS

- Formulating competitive business strategies
- Pursuing process innovations and service excellence
- Engage in ongoing process improvements in order to map changing stakeholder value perceptions
- Continuously improve on corporate citizenship parameters

## KEY CHALLENGES

- Attracting and retaining a talented workforce
- Data security in an environment where sophisticated malware have been developed for spying and business disruption
- Regulatory barriers and adverse macroeconomic trends locally and globally

# Group Financial Review

## REVENUE

The Consolidated Group Revenue for the financial year ending 31st March 2016 was Rs. 499 million. Although this was a 69% YoY reduction from the Rs. 1.6 billion reported in the previous year, it is noteworthy that the revenue for the previous financial year includes contributions from Asia Asset Finance PLC and Asia Securities (Pvt) Ltd, both former subsidiaries, which were divested in the latter part of the financial year 2014/15. With these divestments taking place during the financial year, the revenue from both companies was prorated and added to the group revenue for 2014/15. The consolidated revenue for the current financial year consists of a 26% contribution from Asia Capital PLC (ACAP), and the balance 74%, collectively from all companies in the leisure sector coming under Asia Leisure Holdings (Pvt) Ltd.

ACAP's revenue increased from Rs. 868 million in 2014/15, to Rs. 1.1 billion as at 31st March 2016, up by a commendable 27% YoY. The revenue derived from equity shareholdings in new projects together with the gains made on the disposal of non-quoted investments and the income generated from corporate advisory services, were main revenue drivers responsible for this growth.

The Leisure sector revenue increased by a phenomenal 54% YoY, from Rs. 237 million in the previous year to Rs. 366 million for the current financial year. This was mainly due to the higher revenue recorded by all companies under the Asia Leisure Holdings (Pvt) Ltd umbrella, particularly Asia Leisure Travels (Private) Ltd., where revenue from inbound tours and outbound ticketing sales witnessed a significant increase compared to the previous year.

## COSTS

Total group costs reduced compared to the previous financial year, mainly due to lower cost aggregate resulting from

the disposal of the two subsidiaries in the previous year.

ACAP's costs also reduced, due to the strict cost containment strategies introduced by the management, along with steps taken to align costs directly to revenue and eliminate non-essential expenses.

Leisure sector costs on the other hand, registered an increase in direct correlation to the higher business volumes and revenue expansion recorded by all companies in the portfolio.

## EBIT

ACAP reported an EBIT of Rs. 545 million for the year, in contrast to the loss of Rs. 273 million tabled in the previous year, signalling a complete turnaround in performance of the company.

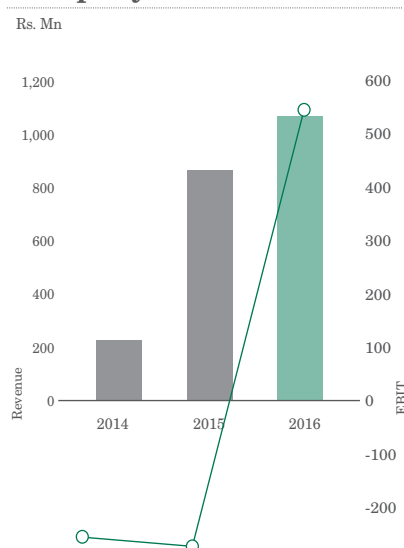
In the Leisure sector, although a loss of Rs. 127 million was reported for the current financial year, this was a 12% YoY less than the loss of Rs. 146 million shown in the previous year, once again suggesting a strengthening of the core business model.

## NET FINANCE COST

The Group Net Finance Cost increased from Rs. 103 million in the previous financial year to Rs. 118 million for the year under review. This increase of Rs. 15 million or 15% YoY, was largely due to the interest rate fluctuations seen in the market during the second half of the financial year.

ACAP's Net Finance Cost registered a decrease of 7% YoY, from Rs. 91 million in 2014/15 to Rs. 85 million in 2015/16, mainly as a result of the effective cash management strategies that led to positive cash flows for a good part of the current year.

## Company Revenue & EBIT



	GROUP		COMPANY	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Revenue	498,791	1,651,075	1,070,779	868,462
EBIT	(314,868)	(278,143)	544,805	(273,199)
Net Finance Cost	(118,579)	(102,784)	(84,737)	(91,400)
Profit after Tax	(404,125)	(388,607)	426,588	(380,458)
EPS (Rs.)	(2.87)	(2.76)	3.25	(3.02)
Total Assets	4,329,205	2,641,332	2,115,786	2,277,590
Total Debt	1,303,451	2,009,095	795,720	1,431,392
Total Equity	2,645,599	369,747	1,104,133	676,500
Debt/Equity (x)	0.49	5.43	0.72	2.12
Current Ratio (x)	0.84	2.57	1.87	8.76
Closing Share Price (Rs.)	5.80	8.70	-	-

### PROFIT AFTER TAX

The Group tabled a consolidated loss of Rs. 404 million for the year ended 31st March 2016, compared to figure of the Rs. 389 million reported for the previous financial year.

However, ACAP registered a Profit after tax of Rs. 427 million for the year compared to the loss of Rs. 380 million reported in 2014/15, a significant turnaround from the management perspective and effectively the result of the strong business growth outlined above and also the profit accrued on account of the disposal of non-quoted investments during the year under review.

The Leisure sector also tabled an improved performance as the loss contracted from Rs. 161 million in the previous year, to Rs. 153 million for the current financial year.

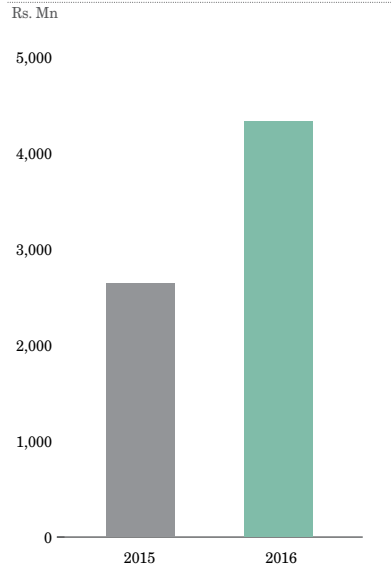
### ASSETS

Following a Group-wide asset revaluation carried out during the course of the current financial year, the Group total asset base rose to Rs. 4.3 billion as at 31st March 2016, compared to Rs. 2.6 billion reported in the previous financial year. The revaluation gains on account of the Leisure sector properties and the new Leisure sector properties acquired during the year were mainly responsible for the increase in the Group asset base.

### TOTAL EQUITY BASE

The Group's total equity base increased from Rs. 370 million a year ago to Rs. 2.6 billion as at the end of the current financial year. This increase was supported by higher equity values at

### Group Total Assets



both ACAP and Asia Leisure, where reduction in the accumulated losses and asset revaluations.

### DEBT

Total Group debt reduced by 35% YoY for the year, from Rs. 2.0 billion in 2014/15 to Rs. 1.3 billion in 2015/16, mainly due the settlement of foreign loans and capitalisation of the long term borrowings at ACAP, which takes up the largest chunk of the debt. ACAP's debt reduced from Rs. 1.4 billion in the previous year to Rs. 0.8 billion at the end of the current year.

# Review of Leisure Sector Operations by Group CEO

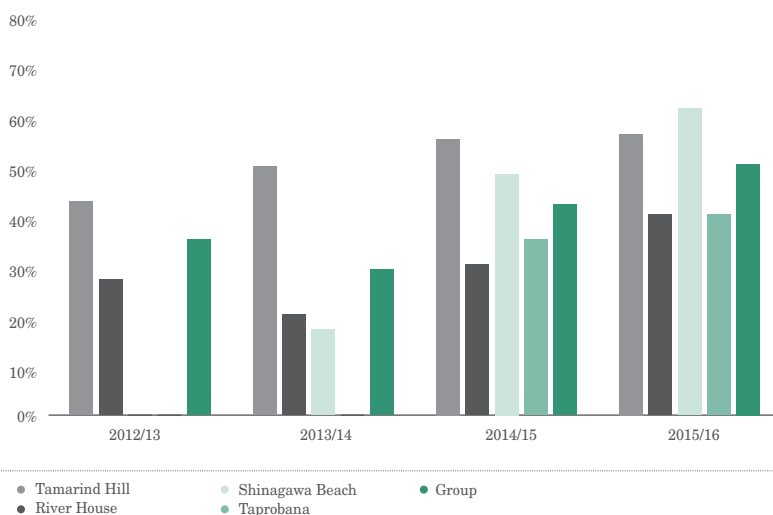
It was certainly an active year for us at Asia Leisure (Pvt) Ltd. Our portfolio of properties; Taprobana Wadduwa, Shinagawa Beach, The River House and Tamarind Hill, offering a total room inventory of 70, were all fully operational and open for business throughout the year.

## OCCUPANCY LEVELS

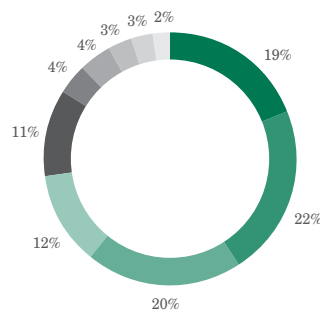
Average occupancy levels for the year improved compared to the previous year, in part due to higher arrivals from China during the off-peak season. In fact, the highest incremental growth in arrivals for the year was from China, a direct result of the higher volume of Chinese tourists visiting Sri Lanka throughout 2015. We also found a higher number of Indian tourists patronising our hotels in the current year; yet another trend that cascades down from more Indian tourists arriving in the country.

On the other hand, we found that guest arrivals from Russia have fallen compared to the previous year, mirroring the country's tourist arrival patterns in 2015.

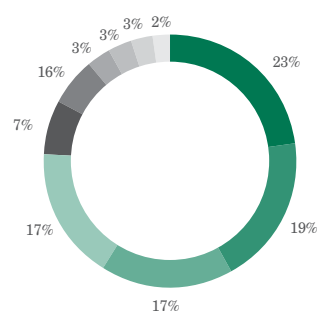
## Occupancy Level



## Guest Mix 2015/16



## Guest Mix 2014/15



## SALES AND MARKETING

Our focus as always was on driving business for our hotels based on demand patterns and booking preferences observed in various source markets across the world.

In this regard, local DMC's (Destination Management Companies) remained our key booking source from traditional origin markets in Europe, namely; UK and Germany, both of which have registered higher number of guest arrivals at all our properties.

To further drive growth from the region, we set up a representative office in Berlin during the year, a move aimed at widening our reach not only in Germany, but also making inroads into Austria and other Scandinavian markets as well.

The Group DMC (Asia Leisure Travels (Pvt) Ltd) was the main pivot used to tap into the fast-growing Chinese market, a strategy, which has delivered positive results as evidenced by the increase in guest arrivals from China seen across all properties.

Our direct marketing activities also continue to yield good results, with our participation at ITB Berlin and ITB Asia, now a key part of the direct marketing strategy to penetrate travel markets in these regions.

Meanwhile, with an increasing number of global travellers switching to online booking options, we too began to see a growth in our OTA (Online Travel Agent) booking volumes. To leverage on this trend and drive growth of the online channel, we revamped our online booking framework and introduced dedicated booking engines for each property, in a bid to directly capture a larger share of the online volumes. Our goal was to grow direct business as it is the most cost effective option and also enables us to establish a one-to-one relationship with our guests.

## Achievements in Branding and Excellence

### The River House

- Ranked as one of the top 50 best places in the world for honeymooners by Knot Magazine USA
- Trip Advisor - Certificate of Excellence 2016
- Trip Advisor - Travellers Choice Award 2015

### Tamarind Hill

- Trip Advisor - Certificate of Excellence 2016

### Shinagawa Beach

- Trip Advisor - Certificate of Excellence 2016
- Trip Advisor - Travellers Choice Award 2016

### Taprobana Wadduwa

- Trip Advisor - Certificate of Excellence 2016

I believe our efforts to manage these sales and marketing channels have enhanced the visibility of each property and helped each brand to gain traction in key source markets across the world.

## OPERATIONAL IMPROVEMENTS

Unlike many other hotel groups we own or co-own all our hotels and many were developed, converted or extensively renovated and repositioned by us cognisant to our own high standards and specific requirements. And as always, we continue to focus our attention on further improvements to ensure that each property remains competitive within their immediate operating space.

Among the key initiatives for the year was the implementation of ISO 9001: Quality Management Standards at Taprobana Wadduwa and Shinagawa Beach, which raises the standards of both properties on par with other Small Luxury Hotels worldwide.

Led by our service-oriented culture, we also accelerated our staff training agenda and even set up a dedicated in-house unit to focus on human resource aspects of the leisure sector.

Further, as part of the on going commitment to deliver high quality and memorable guest experiences, we introduced touch screen tablets at key locations across each hotel to allow guests to rate their experience and share their feedback regarding their stay at our hotels.

## GROUP BRANDING

I am indeed pleased to see that all of our properties are now increasingly recognised for their unique style and premium services, which I believe also points to the success of the underlying brand positioning strategy adopted for each property.

However, having thus far focused mainly on developing individual property brands, we discovered that there was very little visibility regarding “Asia Leisure”, in the market. Hence one of the main priorities for the year was to strengthen our position in Sri Lanka’s upscale and lifestyle hotel segment, which we expect will further enhance the scalability of our leisure sector proposition in the longer term. We began working on a new corporate branding strategy aimed at showcasing “Asia Leisure” as a premium hospitality management company in Sri Lanka. Our goal was to create greater brand association by strengthening the alignment between each individual

hotel brand and the holding company. All promotional material was also redesigned and the corporate website revamped accordingly.

## NEW DEVELOPMENTS

Cognisant to the remodelling of our corporate branding strategy, we expanded our business outlook and considered entering into property management contracts to grow our leisure footprint. We leveraged on our expertise in managing boutique-style properties to secure a contract to manage a 28-room, beachfront hotel in Kosgoda. The property, which is currently under construction, is expected to come on the market by December 2016, at which point will bring our room inventory to 98.

## ASIA LEISURE TRAVELS (PVT) LTD

Asia Leisure Travels (Pvt) Ltd., the Group’s Travel business, continues to record a steady growth in revenue due mainly to the strong increase in arrivals from China, which remains the company’s main market. To maintain our competitive edge in this challenging market, the company made a focused effort during the year, to expand its links in all major territories across China.

## FUTURE OUTLOOK

Moving forward, the key priority would be to expand the Asia Leisure portfolio, mainly through management contracts that would enhance the diversity of the property suite. In doing so however, we would need to reassess our core brand architecture and look to develop a more progressive and fluid structure that will facilitate a broader value dynamic and cater to different segments of the market in the years to come.

# Customer Reviews

(SOURCE: TRIP ADVISOR)

## “An elegant oasis ” – Tamarind Hill

Tamarind Hill exceeded our expectations and more. This hotel has only 12 rooms and truly deserves to be called a luxury boutique hotel. We had room number 1 and 2 and both were perfectly appointed with four-poster beds and huge bathrooms.

The service was outstanding. Samira at front desk was the perfect hostess. Our check-in was seamless and our request to use the facilities after check-out time (11am) was not a problem at all. We were able to leave our luggage at the hotel while we did a tour of the Galle fort. After which we were allowed to freshen up and stay within the property till we are ready to depart to the airport (around 4.30pm).

We were told to preorder our Sri Lankan breakfast the night before and be warned that the portions are generous! We felt bad that we could not finish all the delicious hoppers and egg-hoppers prepared especially by the chef. The chicken curry and dhal were all delicious. Our younger children opted for the English breakfast, and again, the portions were very generous.



Our children had the best time in this hotel petting the rabbits and playing in the garden spotting various birds and peacock.

We were suitably impressed by Tamarind Hill and hope to explore the other properties managed by Asia Leisure in future, but hard to imagine that the others will have the same qualities exhibit by Tamarind Hill. We felt like we stepped back in time, to a life that's less hurried and more elegant.

*-layfern - Kuala Lumpur, Malaysia*



## “Had a wonderful time in “Taprobana Wadduwa” .....” – Taprobana Wadduwa

This was my fourth time stayed in Taprobana. The best thing I like in this hotel is that is a very calm, very relaxing place...The room and bathroom was very clean. The swimming pool was fantastic and the food was awesome. The staff was very friendly, flexible and very helpful. Thank you so much and wish you all good luck.....!!!!!! :) :)

*-coolsproas - Colombo, Sri Lanka*

**“Perfectly tranquil” – Shinagawa Beach**

We visited Sri Lanka for a few days on route to the Maldives in the rainy season and the Wild Ocean and thunderstorms truly added to the feeling of escape in this secluded and tranquil spot.

And what a welcome! Arriving during a rainstorm we were met at the car with umbrellas and greeted with a cold towel and a refreshing fruit juice, an amazing start to our stay here at Shinagawa Beach.

Our room was clean and modern with lots of lovely local products in the bathroom to use as well as fluffy bathrobes.

The staff here were excellent, attentive without being too much, nothing was too much bother for them. They also helped us to organise a day trip out round the local area in a tuk tuk which we would highly recommend.



The food in the restaurant was delicious and very good value for money. The curry comes with lots of nice sides.

Even during a torrential downpour and thunder storm this hotel was a perfect place to relax and unwind on the balcony gazing out over the ocean with a glass of bubbles and room service.

Highly recommend this hotel for a peaceful and tranquil getaway.

*-KirstyandShaneTravel - Qatar*



**“My best boutique hotel experience” - The River House**

It all started when we checked in a bit late and asked until what time we could get dinner.

The answer we were given was: “There is no time Sir, your time is our time”. Do I really need to add anything else?

The room was flawless, big and decorated with lot of taste. The bathroom and private patio were charming.

I also forgot my jacket at checkout and got it back on my way back to Colombo 2 weeks later dry cleaned. What else can I say?

*-Alexandre J*

# People and Culture

Employees are the lifeblood of our business, and play a decisive role in ensuring competitiveness and industry leadership. It is why we are passionate about caring for our employees and consider it to be a crucial part of our strategic business agenda. In fact, we understand that putting employees first and increasing their sense of belonging, is the only way for the Group to achieve dynamic and robust business growth in the long term.

## Our People Philosophy

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

## RECRUITMENT

Our priority is to attract and retain top talent in order to meet our diverse business needs across the Group. Therefore, in addition to our direct hiring process, we also rely on our online recruitment mechanism to enhance our ability to recruit effectively and efficiently, by allowing us to reach a broader pool of candidates to meet both present and future resourcing needs.

We also support local hiring wherever possible and practical and have

implemented a local hiring policy for all properties in the leisure sector, where approximately 60% of the employees, are local hires.

## MANAGING FOR HIGH PERFORMANCE

As part of our commitment, we ensure that all employees are evaluated regularly to assess their performance and their capacity for progress within the Group. In order to meet these goals, we have introduced a performance management tool-kit, which is geared to identify each employee's training and skills development needs and map the individual's career aspirations in tandem with corporate goals.

This Professional Development process also seeks to improve rapport between managers and staff, increase job satisfaction and inspire employees to develop a sense of loyalty. From a Group perspective, it is also the basis on which the corporate talent pipeline is built.

## EMPLOYEE TRAINING AND DEVELOPMENT

As a learning organisation, we invest a significant amount of time and effort to encourage on the job training, vis-à-vis knowledge sharing forums and peer coaching opportunities.

At Asia Capital PLC, we offer an Accelerated Skills Development Programme, which combines workshops

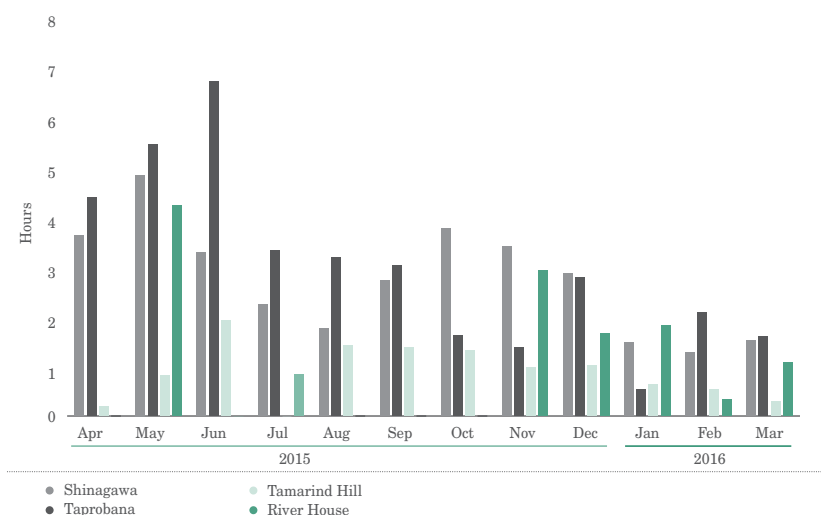
with senior management on strategy and key business essentials, along with opportunities for employees to fine-tune their skills by engaging in cross-functional management roles across the group. We also support our employees to pursue technical training and continuous professional development, specific to their field of expertise, with all costs in this regard being fully reimbursed by the Company.

Meanwhile, in the Leisure sector, employees are provided with ongoing in-house training to enable them to sharpen their skills, with many of these efforts being intensified during peak service seasons. In the current year our efforts resulted in an average of 5 training hours per month per employee, which is higher than the recommended industry standard for graded hotels.

## REMUNERATION AND BENEFITS

As part of the Group recruitment policy, remuneration and benefits offered to employees are competitive, in line with industry standards and comply with the statutory labour laws of the country. Further, we aim to fairly incentivise, reward and recognise our people based on their performance and contribution to the Group and offer comprehensive benefits, performance-related bonuses for senior roles, share incentive plans and staff recognition programmes, where applicable.

Staff Training Monthly Average April 2015 to March 2016





In addition to the range of tangible benefits, we are also working towards improving the additional benefits accessible to our employees and in the current financial year, rolled out the flexi-working hours option at Asia Capital PLC a move aimed at keeping employees motivated by improving their work-life balance.

The Group annual event calendar was also enhanced during the year, with the inclusion of new sports activities aimed at fostering a sense team spirit and promoting greater employee engagement outside the formal work environment.

### HEALTH AND SAFETY

Health and well-being is of paramount importance to us, and our goal has always been to provide a safe and injury-free workplace for our employees, clients, guests and visitors. This is demonstrated by our group health and safety policy, where safe working practices are emphasised as a priority, at all business functions across the Group.

Regular safety training is conducted, particularly in the Leisure sector properties, where in line with the safety requirements of the Sri Lanka Tourist Board, each property has between 6 – 8 trained safety officers, of which a minimum of 2 are on duty at any given time.

### EMPLOYEE DIALOGUE

We have put in place a range of tools and programmes that foster active and ongoing dialogue with employees, while our open door policy means, employees can even approach the CEO directly, should the need arise. Our aim is to ensure that everyone understands their role and appreciates how they can contribute towards achieving overall Group objectives.

Further as part of our communication strategy, we also encourage one-on-one communication between staff and senior managers and offer individuals the chance to express their views known through feedback at regular presentations by senior managers. Other communication channels include

regular team meetings to discuss performance, weekly and monthly staff briefings and newsletters, while our corporate intranet keeps employees informed about business achievements, Group CSR commitments and upcoming events on the group event calendar.

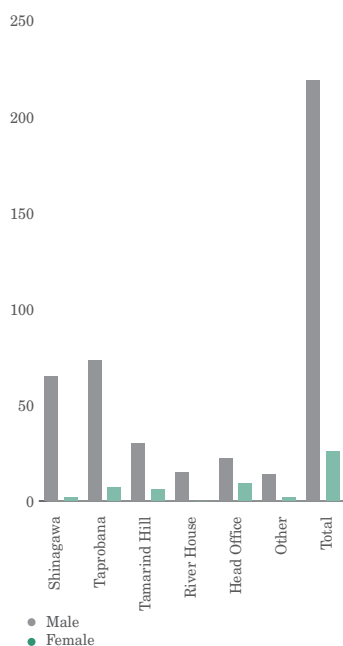
In the current financial year, we also released an employee handbook for Asia Capital PLC, to formally communicate to employees regarding their responsibility to uphold the Group's core corporate values at all times.

### UPHOLDING DIVERSITY AND EQUAL OPPORTUNITIES

The Group aspires to follow best practices in equal opportunities and anti-discrimination across all operations and as such, has successfully built a diverse and multi-disciplinary workforce.

As an equal opportunity employer, we ensure all our employees are assessed purely on the basis of job requirements, relevant aptitudes, skills and abilities, and their commitment to uphold our corporate values. Further, we do not discriminate based on race, colour, religion, age, gender, expression, sexual orientation, marital status or disability or any other status protected by law.

### Gender Distribution

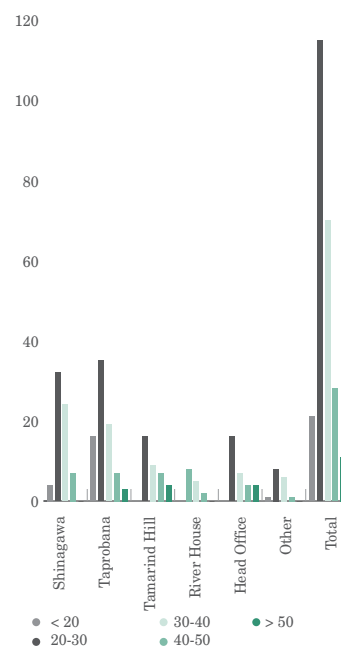


At the same time, we remain committed to giving full and fair consideration to applications for employment made by disabled persons, and to encourage their involvement in the Group activities whenever possible. Where applicable, we offer retraining to disabled staff to ensure that they can continue to perform work appropriate to their aptitudes and abilities.

We do however believe that employment should, at all times, be at the free will of the employee and no individual will be forced to remain in employment should they not wish to do so. Furthermore, child labour is strictly prohibited.

Our diversity and inclusion policy underlines the group's commitment to ensure equality and diversity and elimination of discrimination at every stage of the employment process including recruitment, selection, evaluation, promotion, training and development, which facilitates access to a wider pool of talent. The Executive Board regularly reviews progress in addressing these issues, with each member taking an active approach to improve the diversity mix in the business through various formal and informal programmes.

### Agewise Recruitments



# Environmental Responsibility

## GROUP POLICY

At Asia Capital PLC, we take our responsibility to the environment seriously and remain committed to manage any negative impact our business activities may have on the environment. In doing so, we aim to effectively manage our direct footprint by promoting the efficient use of resources and by raising awareness among employees and encouraging them to make responsible choices that will minimise the negative impact on the environment.

## RESOURCE EFFICIENCY

At a corporate level one of our key priorities is to reduce the volume of paper waste generated on a daily basis. Accordingly, nearly all our internal communication, including management and board level communications are now done electronically or through the corporate intranet. Much of the client communications are also conducted electronically, supported by the frequent use of video conferences.

Meanwhile, ongoing process improvements and investments in energy efficient equipment are all aimed at lowering energy consumption levels at the corporate office.

## RAISING AWARENESS

Regular campaigns carried out across business units seek to raise awareness among employees regarding the importance of subscribing to green ethics. Our goal is to encourage our employees to practice sustainable habits and behaviours both at work and at home.

## ENVIRONMENTAL RESPONSIBILITY – LEISURE SECTOR

At Asia Leisure (Pvt) Ltd, we are well aware of the close link between sustainable growth and environmental protection. It is why all our hotels, with their close affinity to nature and abundant use of natural light are designed to provide travellers with an

## Key Priorities

- Implement sound environmental practices in the design, development and operation of hotels.
- Where possible we will inform our guests about the differences they can make by saving energy, water, the use of products and services without impacting their comfort during their stay.
- We will continue to educate and involve employees in the implementation of these policies with the aim of improving environmental performance.
- Work with suppliers and contractors who share our commitment and have compatible policies for managing their impact on the environment.
- Consumption of energy, water usage and waste will be recorded throughout our hotels and regularly audited and evaluated to ensure that objectives and targets for reduction are met.
- Manage waste generated from our hotels, continue to recycle where possible and reduce the percentage of our waste going into landfills.
- Work with all stakeholders to preserve the bio-diversity and protect the eco-systems in the vicinity of our properties.
- Have a proactive and positive attitude to environmental issues and review our Environmental Policy on an annual basis.

unique travel experience. Aside from the eco-friendly architectural designs, we make every effort to reduce our ecological footprint by minimising the use of water and electricity and minimising the volume of waste generated in the day-to-day operations of our hotels.

## ENERGY AND CARBON FOOTPRINT MANAGEMENT

Reducing our carbon footprint is a key part of our environmental commitment. We believe small changes can and will add up to big savings and therefore, through careful planning we strive to incorporate various sustainable energy measures and practices to use energy wisely in our daily operations. Steps taken during the year include;

- The ongoing installation of energy efficient lighting at all hotels
- Continuous maintenance of equipment to optimise operations
- Introduction of energy saving tips to raise awareness and inspire greater participation among staff and guests

## WATER CONSERVATION AND MANAGEMENT

We understand that water is a scarce resource, and therefore remain committed to using water responsibly throughout our operations. In conformity with national environmental regulations, water used at each property is diverted to an independent water treatment unit prior to release to the environment. Of our total treated water load, over 50% is currently reused in our gardens.

Moreover, a number of water conservation measures have also been implemented to reduce water

consumption and costs at all our properties:

- We invite our guests to support our conservation efforts, by choosing to re-use linen and towels during their stay, a move that has generated a strong positive response
- Ongoing awareness programme to ensure housekeeping and kitchen staff pay attention to their water usage practices
- Continuous monitoring of our water usage practices to ensure that water is not being wasted

#### **WASTE REDUCTION AND MANAGEMENT**

We are always on the lookout for new and innovative ways to reduce, reuse, and recycle the waste generated at our hotels. Our aim is to increase recycling levels covering a broader range of materials, thereby reducing the amount of waste to be disposed of at landfills.

We also place great emphasis on reducing our food waste. Our approach is to identify the issue and take the initiative to make changes as required. In this regard, we have established a food-waste recycling programme, where we partner with local recycling contractors who collect food waste (wet garbage) on a daily basis. The wet garbage collected is then converted into animal feed to support local agricultural activities.

#### **RAISING AWARENESS ON ENVIRONMENTAL SUSTAINABILITY**

All our hotels also actively support green initiatives and activities in order to raise awareness and understanding on environmental sustainability among key stakeholders. In order to achieve the desired impact, we ensure that these green activities are carried out with the active participation of our guests and employees.

# Corporate Social Responsibility

## GROUP APPROACH

As a committed corporate citizen, Asia Capital PLC has always played an active role in serving the community. To fulfil our CSR objectives, we leverage on our resources, while encouraging our staff to volunteer their time to serve underprivileged members in our society. In the current year, a number of charitable initiatives were carried out in support of local religious and cultural activities, sports and community welfare programmes.

### 1) SUPPORTING THE LIVELIHOOD OF LOCAL COMMUNITIES

In the leisure sector, through our procurement policy we seek to actively manage the social consequences of our hotel operations. In this context, we procure over 60% of our fresh produce from local suppliers based in and around each of our properties, thereby helping to contribute to the livelihood of local communities.

When needed, we also partner with small local businesses to arrange excursions and tours for our guests, yet another move that

supports the upliftment of these small entrepreneurs.

### 2) SUPPORTING HOMES FOR THE ELDERLY

Asia Leisure supports Sri Lanka's aging population with contributions of meals to homes for the elderly. Our teams partake in each of these activities and spend time with the occupants of these homes.

### 3) SUPPORT FOR DENGUE PREVENTION ACTIVITIES

Curtailling the spread of Dengue across the island involves significant effort from government authorities and local communities. Our resorts support these efforts by providing meals to participants who often work long hours throughout the day.

### 4) WORLD ENVIRONMENT DAY

Initiatives across all resorts on World Environment Day include interactive educational programmes for both staff and guests and also the planting of trees. For this, we select either fruit trees or herbs with medicinal values that are increasingly becoming harder to source in Sri Lanka.

### 5) CARING FOR OUR HABITAT

Asia Leisure arranges frequent beach clean-ups engaging not only our staff but also those from the surrounding communities. These joint efforts have made local residents feel empowered to preserve their precious environment.

### 6) FOSTERING TALENT AMONGST YOUTH

Shinagawa Beach, Balapitiya arranged an interactive art class with renowned Japanese artist, Sayaka San for less fortunate children from the local community. This was an inspirational session for aspiring young artists to learn new skills.

### 7) BLOOD DONATION DRIVE AT WTC

Asia Capital held a blood donation drive at the World Trade Centre as part of its commitment towards being a responsible corporate citizen. The event, which was open to anyone, saw the participation of over 100 people representing 15 companies. Held in partnership with the National Blood Transfusion Service of Sri Lanka over 75 pints of blood were collected.



*Supporting Homes for the Elderly*



*Support for Dengue Prevention Activities*



*World Environment Day*



*Caring for Our Habitat*



*Fostering Talent amongst Youth*



*Blood Donation Drive at WTC*

# 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.

## RISK MANAGEMENT SYSTEM

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

## Risk Policy Manual

The ACAP Risk Policy Manual seeks to comprehensively document the critical effects of all risk elements that define the performance of the group. In addition the manual provides strict guidelines to combat all material risk elements. The Risk Policy Manual is revised annually to incorporate any new Risk Assessment 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 that encapsulates the diversity of the group. The scope of activities carried out by the committee include:

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

## ACAP RISK MANAGEMENT PROCESS

### PHASE 1 - Risk Identification

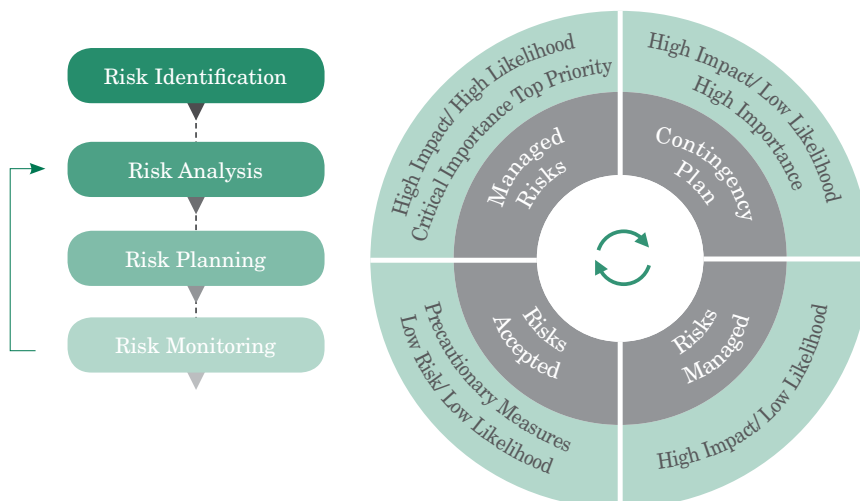
Risk identification at ACAP is a detailed procedure which includes brainstorming sessions, surveys, questionnaires, team meetings and other reliable techniques used to identify internal risks to the group. In-depth market study, competitor analysis, technology evaluation and customer studies are some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

### PHASE 2 - Risk Analysis

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

### PHASE 3 - Risk Planning

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



Risk Category	Elements of Risk	Risk Control Strategy
<b>RISK CATEGORY</b>	<ul style="list-style-type: none"> <li>• Inability to implement selected strategies or plans</li> <li>• Not achieving business objectives</li> <li>• Inappropriate or adverse decision making</li> <li>• Lack of responsiveness to industry changes</li> <li>• Ill-timed investments in capital ventures</li> <li>• Failure to optimise risk/return formula through business strategies</li> </ul>	<ul style="list-style-type: none"> <li>• The Risk Management Committee has recommended a 5-year strategic plan, revised annually.</li> <li>• Comprehensive budgeting and variance analysis done at company and SBU level</li> </ul>
<b>COMPETITION RISK</b>	<p><b>Internal Risks</b></p> <ul style="list-style-type: none"> <li>• Over reliance on existing products</li> <li>• Failure to adopt new technology</li> <li>• Inability to introduce new products and deviate from the market</li> </ul> <p><b>External Risks</b></p> <ul style="list-style-type: none"> <li>• Introduction of new products by competitors</li> <li>• Adverse promotional campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Direct competitor analysis is carried out on a quarterly basis and Key Performance Indicators are analysed and compared industry wide</li> </ul>
<b>LIQUIDITY RISK</b>	<ul style="list-style-type: none"> <li>• Non-availability of adequate working capital requirements</li> <li>• Lack of liquid resources to secure a viable business opportunity</li> <li>• Inability to meet regulatory cash reserves</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous review of group working capital requirements</li> <li>• Strict management and control of funding</li> <li>• Continuous monitoring and control of debtors and creditors mismatch</li> </ul>
<b>MARKET RISK</b>	<ul style="list-style-type: none"> <li>• Adverse financial impact on the company resulting from the fluctuation of interest rates</li> <li>• Currency fluctuations</li> <li>• Variations in equity and commodity prices</li> <li>• Volatile property values</li> </ul>	<ul style="list-style-type: none"> <li>• In accordance with the risk management committee recommendations, the research division monitors economic indicators</li> <li>• Findings are presented to the strategic planning committee along with recommendations on strategies that negate any adverse effects</li> </ul>
<b>CREDIT RISK</b>	<ul style="list-style-type: none"> <li>• Partial or full default of obligations by Asia Capital counterparties</li> </ul>	<ul style="list-style-type: none"> <li>• Regular review of counterparty exposure limits and eliminating excessive exposure to one party</li> <li>• Formulation of solid legally binding agreements for all contracts with third parties</li> <li>• Ensure proper security/collateral/back ground checks prior to granting loans to third parties</li> <li>• Maintaining strong relationships with creditors</li> </ul>
<b>IT RISK</b>	<ul style="list-style-type: none"> <li>• System failures</li> <li>• System errors and breakdowns</li> <li>• Unauthorised system access</li> <li>• Improper use of information</li> <li>• Non-availability of required IT platforms or inadequate IT support</li> </ul>	<ul style="list-style-type: none"> <li>• The comprehensive group IT policy is outlined in the IT security policy manual</li> <li>• Asia Capital has appointed an IT security, risk and infrastructure manager to overlook the IT risk management function</li> <li>• 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</li> </ul>

# Risk Management

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

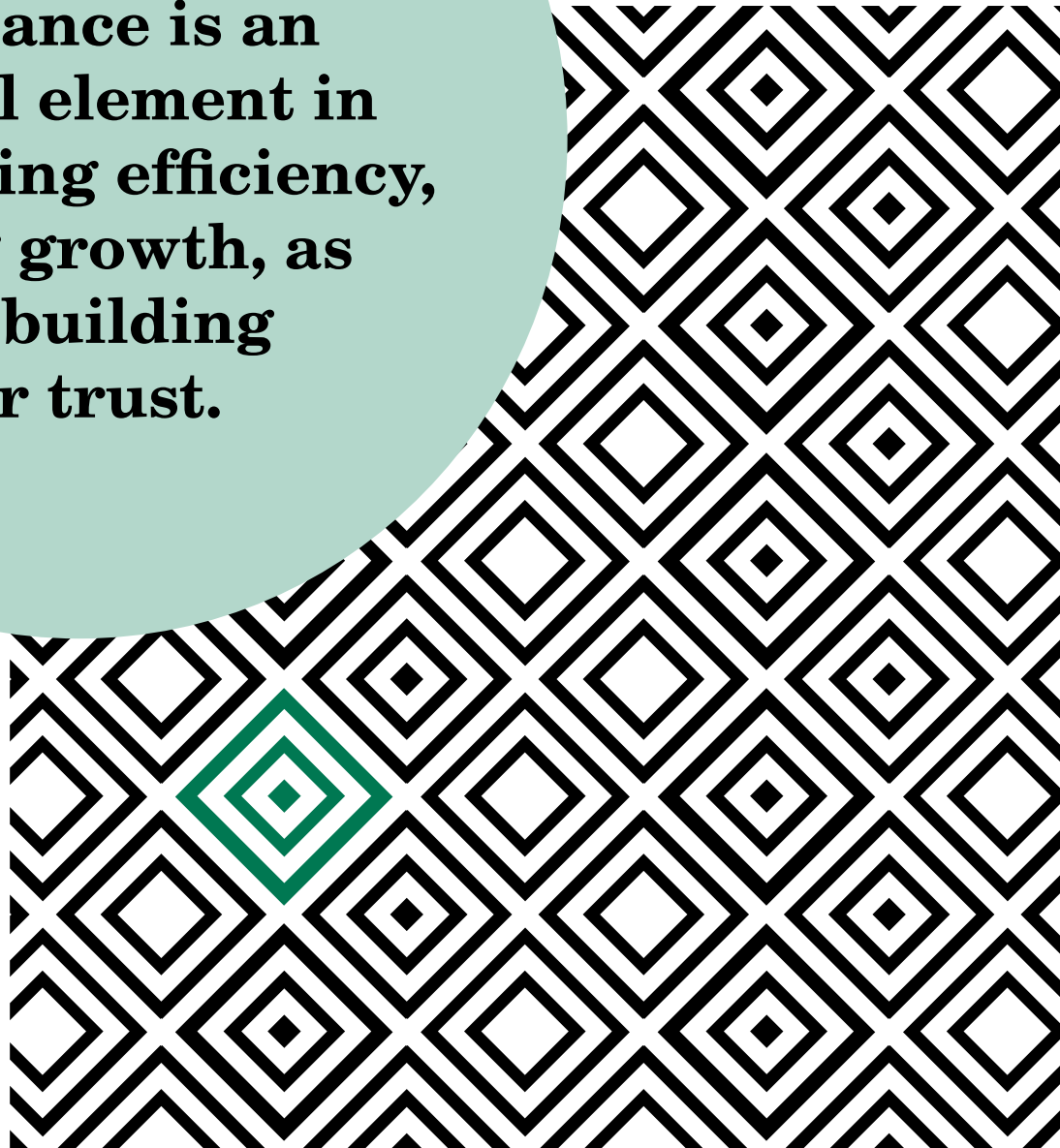
## PHASE 4 - Risk Monitoring

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.



# Governance Report

**At ACAP, we believe that Corporate Governance is an integral element in improving efficiency, driving growth, as well as building investor trust.**



# Corporate Governance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
<b>1. COMPANY</b>			
<b>A. DIRECTORS</b>			
<b>A.1 Directors (The Board)</b>	A.1/7.10.1(a), 7.10.2(a) and 7.10.3(c-d)	Complied	<p>The Board of Directors currently consist of eight members including the Chairman.</p> <p>The day to day monitoring of operations of the organisation has been delegated to the CEO and the Executive Committee governed by policies, procedures and authority by the Board of Directors.</p> <p>The Board is accountable to the stakeholders of the Company to ensure that the business is conducted in an appropriate manner based on an approved business plan and the financial and non-financial targets of the 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> <ul style="list-style-type: none"> <li>I Company strategy and business plan</li> <li>II Financial reporting and internal controls</li> <li>III Financial performance</li> <li>IV Dividend policy</li> <li>V Changes to capital structure</li> <li>VI Constitution and performance of the Board Committees</li> <li>VII Regulatory compliance</li> </ul>
<b>Company Board Meetings</b>	A.1.1	Complied	Five (5) board meetings were held to review financial performance and to consider other matters such as strategic and operational plans.
<b>Responsibilities of the Board</b>	A.1.2	Complied	The Board is collectively responsible for formulation, implementation and monitoring of business strategies. In order to do so, the Board appoints sub committees of the main board to assist the main board in fulfilling its stewardship function by reviewing systems of internal control, internal and external audit, risk management, IT system and financial reporting to shareholders.
<b>Compliance with laws and access to independent professional advice</b>	A.1.3	Complied	The Board members are permitted to obtain independent professional advice from third parties as deemed necessary which includes the Company's external lawyers and auditors at the expense of the Company.
<b>Company Secretary</b>	A.1.4	Complied	The Company Secretary possesses the required qualifications and expertise, and advises the Board on matters concerning the Companies Act and other relevant rules, regulations and regulatory guidelines.

	<b>Reference to SEC &amp; ICASL Code, CSE Listing Rules</b>	<b>Compliance</b>	<b>Details of Compliance</b>
<b>Independent judgement of the Directors</b>	A.1.5	Complied	All the Board members actively participate in the Board meetings by bringing up their own independent judgement.
<b>Dedicating Adequate time and effort</b>	A.1.6	Complied	The board members dedicate adequate time for the affairs of the company by attending Board meetings, Board sub-committee meetings and by making decisions via circular resolutions.
<b>Training for new and Existing Directors</b>	A.1.7	Complied	The Directors are provided with training as and when its required.

### **A.2. Chairman and Chief Executive Officer**

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

### **A.3 Chairman's Role**

The Chairman is responsible for the leadership of the Board, managing Board Meetings and the business undertaken thereat. The Chairman, is responsible to ensure all relevant issues are on the Board Agenda and Directors receive all appropriate information and documentation in a timely manner, thus facilitating the Directors to contribute at the deliberations.

<b>Role of Chairman</b>	A.3.1	Complied	The Chairman should ensure Board proceedings are conducted in a proper manner.
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### **A.4 Financial Acumen**

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

<b>Presence of Non-Executive Directors</b>	A.5.1 7.10.1(a),7.10.2(a) and 7.10..3(a)	Complied	Seven of the eight directors on the Board hold office in a non-executive capacity.
<b>Independence of Non-Executive Directors</b>	A.5.2 &5.3 5.5, 7.10.2(a-b) and 7.10.3 (a-b)	Complied	The Board comprises of three independent Non-Executive Directors.
<b>Annual Declaration of Non-Executive Directors</b>	A.5.4 7.10.2(b)	Complied	Each Non Executive Director has submitted his/her declaration to the CSE.  Each Non-Executive Director submits a signed and dated declaration annually of his independence or non-independence against a specified criteria as set out in Appendix 7A of Colombo Stock Exchange listing rule section 7.10.2(b).
<b>Requirement to appoint a 'Senior Non-Executive Director'</b>	A.5.6 and A.5.7	Not applicable	This is not relevant to the Company as the Chairman and CEO roles are segregated.

# Corporate Governance

	<b>Reference to SEC &amp; ICASL Code, CSE Listing Rules</b>	<b>Compliance</b>	<b>Details of Compliance</b>
<b>Chairman conducting meetings with the Non-Executive Directors</b>	A.5.9	Complied	The Chairman meets with the Independent Non-Executive Directors as and when necessary.
<b>Recording of concerns in the Board minutes</b>	A.5.10	Complied	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, their concerns are recorded in the Board minutes.
<b>A.6 Supply Information</b>			
<b>Obligation of the Management to provide appropriate and timely information</b>	A.6.1	Complied	The Group has a state-of-the-art management information system to process and monitor the performance of the Group and appropriate and timely information is made available to the Board members who make further inquiries when necessary.
<b>Adequate time for circulation at respective Board documents</b>	A.6.2	Complied	Board papers, agenda and previous board minutes are tabled one week prior to the Board Meeting.
<b>A.7 Appointment to the Board</b>			
<b>Nomination Committee and the assessment of composition of the Board</b>	A.7.1 and A.7.2	Complied	The names of the members of the Committee are on page 48 and on the inner back cover of this Annual Report.
<b>Disclosure to Shareholders</b>	A.7.3	Complied	New Directors' details are disclosed to the relevant authorities at the time of appointment. The existing as well as new directors to the Board are disclosed in the Directors' Report on pages 47-50 of this Annual Report.
<b>A.8 Re-election</b>			
<b>Re-election of Directors</b>	A.8.1 and A.8.2	Complied	To comply with the Articles of Association, the Directors who have been appointed to the Board during the year hold office until the next AGM, and are required to retire and a new director to be re-elected by the shareholders.
<b>A.9 Appraisal of Board Performance</b>			
<b>Appraisals of the Board and the subcommittees</b>	A9.1,A.9.2 and A.9.3	Complied	The Board annually appraises itself on its performance in the discharge of its key responsibilities. The Board also undertakes an annual self evaluation of its own performance and that of its committees and the Board states how such performance evaluations have been conducted.
<b>A.10 Disclosure of information in respect of Directors</b>			

	<b>Reference to SEC &amp; ICASL Code, CSE Listing Rules</b>	<b>Compliance</b>	<b>Details of Compliance</b>
<b>Directors' disclosures</b>	A.10.1 7.10.3(c-d)	Complied	The names of the Directors of the Board, their leadership expertise, skills and their profiles are disclosed on pages 04-05 of this Annual Report. Director's interests in contracts are indicated in Note 34.1 of the Financial Statements of this Annual Report. Names of the Chairman and the members of the Board Committees are provided on pages 47-49 and in the inner back cover of this Annual Report.
<b>A.11 Appraisal of Chief Executive Officer (CEO)</b>			
<b>Setting of the annual targets and the appraisal of the CEO</b>	A.11.1 and A.112	Complied	The CEOs performance is reviewed annually.
<b>B. DIRECTORS' REMUNERATION</b>			
<b>B.1/ 7.10.5 Remuneration Procedure</b>			
<b>Establishment of a Remuneration and its composition</b>	B.1.1,B..1.2 and B.1.3 7.10.5(a) and 7.10(b)	Complied	The Remuneration Committee comprises of Three (3) independent non-executive directors. Mr. R. J. Wickramasinghe is the Chairman of the Committee. The details of the Remuneration Committee's composition, policies and responsibilities are set out on page 54 of this Annual Report.
<b>Determination of the remuneration of the Non-Executive Directors</b>	B.1.4	Complied	The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and fee participating as a sub committee member.
<b>Consultation with the Chairman and the CEO</b>	B.1.5	Complied	Input of the Chairman is obtained as the Chairman of the said Sub Committee. External professional advice is sought on a need basis.
<b>B.2 Level and Makeup of Remuneration</b>			
<b>Level and makeup of the remuneration of Directors and comparison of remuneration with other Companies</b>	B.2.1,2.2 and 2.3	Complied	The remuneration scheme for Executive Directors is structured to align rewards to their individual and Corporate performance targets.
<b>Performance-based remuneration</b>	B.2.4	Complied	The performance related payments for Executive Directors is structured to align with individual and Corporate performance targets.
<b>Executive share options</b>	B.2.5	Not applicable	
<b>Designing the remuneration</b>	B.2.6	Complied	Provisions set-out in Schedule E of the Code of Best Practice is considered.
<b>Early termination of Directors</b>	B.2.7 ad B.2.8	Complied	

# Corporate Governance

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Remuneration of Non-Executive Directors	B.2.9	Complied	Non-Executive Directors fees are compared with the market rates.
<b>B.3 / 7.10.5 Disclosure of Remuneration</b>			
Disclosure of remuneration policy and aggregate remuneration	B.3.1	Complied	Please refer Remuneration Committee Report.
<b>C. RELATIONS WITH SHAREHOLDERS</b>			
<b>C.1 Constructive use of Annual General Meeting and conduct of general meetings</b>			
Use of Proxy	C.1.1	Complied	We ensure that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to our Chairman.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed at an Annual General Meeting on each substantially issue.
Chairman of Board Committees to be present	C.1.3	Complied	At an AGM the respective Chairmen of the Remuneration, Audit and Nomination Committees are present to provide any clarification to shareholders as necessary.
Adequate notice of Annual General Meeting and summary of Procedure	C.1.4 and C.1.5	Complied	The notice and the agenda of the AGM together with the Annual Report of the Company containing the relevant documents are sent to the shareholders giving 15 working days notice prior to the date of the AGM.
<b>C.2 Communication with Shareholders</b>			
Effective communication with the shareholders	C.2.1,C.2.2,C.2.3,C.2.4	Complied	The Board maintains a two-way communication with all investors providing an opportunity to seek non-price sensitive information throughout the year by conducting meetings and discussions and answering queries through our Company Secretarial Division and/or Communications Teams.
<b>C.3 Major and Material Transactions</b>			
Disclosures of Major transactions	C.3.1	Complied	All major transaction are disclosed where necessary
<b>D. ACCOUNTABILITY AND AUDIT</b>			
<b>D.1 Financial Reporting</b>			
Board responsibility to present the financial statements	D.1.1	Complied	The Board presents a balanced and understandable assessment which extends to interim and other price-sensitive public reports to regulators, as well as to information required to be presented by statutory requirements complying with regulatory deadlines.

	<b>Reference to SEC &amp; ICASL Code, CSE Listing Rules</b>	<b>Compliance</b>	<b>Details of Compliance</b>
<b>Annual Report of the Directors</b>	D.1.2	Complied	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary.  Please refer to the Annual Report of the Directors on pages 47-50.
<b>Statement by the Directors and the Auditors</b>	D.1.3	Complied	Please refer the Statement of Directors Responsibility on page 52.
<b>Management discussion and analysis</b>	D.1.4	Complied	Please refer Management Discussion and Analysis on pages 24-27.
<b>Declaration by the Board as to whether the business is a going concern</b>	D.1.5	Complied	Please refer to the Annual Report of the Directors on page 48.
<b>Requirement for an Extraordinary General meeting in a situation of serious loss of capital</b>	D.1.6	Not Applicable	
<b>D.2 Internal Control</b>			
<b>Directors to review Internal Controls</b>	D.2.1	Complied	The Board is responsible for establishing a sound framework of risk management and internal controls and monitoring its effectiveness on a continuous basis.
<b>Requirement to review the need for an Internal Audit function</b>	D.2.2	Not Applicable	The Internal Audit has been assigned to an independent third party.
<b>D.3/7.10.6 Audit Committee</b>			
<b>Composition of the Audit Committee and its Duties</b>	D.3.1 and D.3.2/7.10.6(a) and 7.10.6(b)	Complied	Please refer to the Audit Committee Report on page 53.
<b>Terms of Reference of the Audit Committee</b>	D.3.3	Complied	Please refer to the Audit Committee Report on page 53.
<b>Disclosure of names of the members of the Audit Committee</b>	D.3.4 7.10.6(c)	Complied	Please refer to the Audit Committee Report on page 53.

# Corporate Governance

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

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

Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	As per our Chairman's Statement on Pages 08-09 of this Annual Report, we affirm our adherence to good business conduct and ethics.
Affirmation of the code of conduct and ethics	D.4.2	Complied	

## D.5 Corporate Governance Disclosures

Disclosures of Corporate Governance	D.5.1	Complied	We aim to achieve greater year-on-year growth and value creation, improve stakeholder satisfaction and relationships in all our business activities, whilst adhering to the highest standards of corporate governance as is evident in this Annual Report on pages 40-46.
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## 2. SHAREHOLDERS

### E. INSTITUTIONAL INVESTORS

Shareholder voting	E.1.1	Complied	We conduct regular and structured dialogue with shareholders based on a mutual understanding of objectives.
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### F. OTHER INVESTORS

#### F.1 Investing and divesting decision

Investing and divesting decision	F.1	Complied	Individual shareholders, investing directly in shares of companies are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.
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#### F.2 Shareholders Voting

Individual shareholders' voting	F.2	Complied	Individual shareholders are encouraged to participate in General Meetings of companies and exercise their voting rights.
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# 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 2016.

## PRINCIPAL ACTIVITIES

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

## REVIEW OF OPERATIONS

The Chairman's Review on pages 08-09 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 24-27 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 58-96 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.

## FINANCIAL RESULTS

For the year ended 31st March	GROUP		COMPANY	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Profit/(Loss) for the Year before Taxation	(433,448)	(380,928)	460,068	(364,599)
Income Taxation	(29,323)	(7,680)	(33,480)	(15,859)
Profit/(Loss) for the Year after Taxation	(404,125)	(388,607)	426,588	(380,458)
Non-Controlling Interest	(27,767)	(41,439)	-	-
Profit/(Loss) attributable to Equity Holders of the Parent Company	(376,357)	(347,168)	426,588	(380,458)

## AUDITORS REPORT

The Auditor's Report on the Financial Statements is given in pages 57.

## ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Financial Statements are given in pages 62-68.

## DIVIDENDS

No dividends were declared as at 31st March 2016.

## 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 73-75.

## STATED CAPITAL

The Stated Capital of the Company as at 31st March 2016 was Rs. 1,498,498,000.

## DONATIONS

There were no donations made during the year

## CAPITAL COMMITMENTS

There is no Capital Expenditure Commitments as at 31 March 2016

## LIABILITIES AND PROVISIONS

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

The basis adopted for provisioning is disclosed on page 66 to the Financial Statements.

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

## STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to all relevant regulatory and statutory authorities have been

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

paid. A statement of compliance by the Board of Directors in relation to statutory payments is included in the Statement of Directors' Responsibilities on page 52.

## CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at 31st March 2016, except as disclosed in Note to the Financial Statements.

## EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date, that require adjustments to or disclosure in 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 are satisfied that the Company has adequate resources to continue its operation in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

## DIRECTORS WHO HELD OFFICE DURING THE YEAR

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

Mr. J.H.P. Ratnayeke  
Chairman

Mr. A.D.Ross  
Independent Non-Executive Director

Mr. V. Siva Jr.  
Independent Non-Executive Director

Mr. R.J. Wickramasinghe  
Independent Non-Executive Director

Mr. S. A. Abeyesinhe  
Executive Director

Mr. T. Tanaka  
Non Executive Director

Mr. Z. Merchant  
Non Executive Director

Mr. Y. Watanabe  
Non Executive Director

Mr. S. A. Abeyesinhe (Alternate Director to Mr. V. Siva Jr., appointed with effect from 6th June, 2011)

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

Mr. T. Tanaka (Alternate Director to Mr. Y. Watanabe, appointed with effect from 24th September, 2014)

## APPOINTMENTS DURING THE YEAR

No directors were appointed during the year.

## RESIGNATIONS DURING THE YEAR

No resignations were made during the financial year.

## APPOINTMENTS AFTER THE CONCLUSION OF THE YEAR

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

## DIRECTORS WHO HELD OFFICE AS AT THE END OF THE ACCOUNTING PERIOD 31ST MARCH 2016

Mr. J.H.P. Ratnayeke - Chairman

Mr. A.D.Ross

Mr. V. Siva Jr.

Mr. R.J. Wickramasinghe

Mr. S. A. Abeyesinhe

Mr. T. Tanaka

Mr. Z. Merchant

Mr. Y. Watanabe

Mr. S. A. Abeyesinhe [Alternate Director to Mr. V. Siva Jr.]

Mr. S. A. Abeyesinhe [Alternate Director to Mr. J.H.P. Ratnayeke]

Mr. T. Tanaka [Alternate Director to Mr. Y. Watanabe]

of the Eight (08) Directors, Mr. A.D. Ross, Mr. V. Siva Jr. and Mr. R. J. Wickramasinghe are Non-Executive, Independent Directors.

## DIRECTORS RETIRING (AT THE ANNUAL GENERAL MEETING)

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

## CORPORATE GOVERNANCE

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

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

## AUDIT COMMITTEE

Mr. A.D.Ross  
(Independent Non-Executive Director)

Mr. R.J. Wickramasinghe  
(Independent Non – Executive Director)

Mr. V. Siva Jr.  
(Independent Non-Executive Director)

## REMUNERATION COMMITTEE

Mr. R.J. Wickramasinghe  
(Independent Non-Executive Director)

Mr. V. Siva Jr.  
(Independent Non-Executive Director)

Mr. A.D.Ross  
(Independent Non-Executive Director)

## NOMINATIONS COMMITTEE

Mr. R.J. Wickramasinghe  
(Independent Non-Executive Director)

Mr. V. Siva Jr.  
(Independent Non-Executive Director)

Mr. A.D.Ross  
(Independent Non-Executive Director)

**RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

Mr. R.J. Wickramasinghe (Independent Non-Executive Director)

Mr. V. Siva Jr. (Independent Non-Executive Director)

Mr. A.D. Ross (Independent Non-Executive Director)

**DIRECTORS' INTEREST REGISTER**

In terms of the Companies Act No.7 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 70 of the Financial Statements.

**DIRECTORS' INTEREST IN SHARES**

Name	No. of Shares as at 31st March 2016	No. of Shares as at 31st March 2015
Mr. J.H.P. Ratnayake	30	30
Mr. A.D. Ross	-	-
Mr. V. Siva Jr.	-	-
Mr. R.J. Wickramasinghe	-	-
Mr. S. A. Abeyesinhe	-	-
Mr. T. Tanaka	400,000	400,000
Mr. Z. Merchant	-	-
Mr. Y. Watanabe	11,539,353	11,539,353

**DIRECTORS' INTEREST IN CONTRACTS**

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 34.1 on page 87 of the Financial Statements.

**SHAREHOLDERS INFORMATION**

The distribution and analysis of shareholdings were as follows;

Description	As at 31st March 2016			As at 31st March 2015		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1000	5,369	799,300	0.61	5,402	820,390	0.62
1001-10,000	712	2,069,091	1.58	742	2,195,866	1.67
10,001-100,000	94	2,616,136	1.99	99	2,621,348	2.00
100,001-1,000,000	6	1,656,166	1.26	5	1,512,089	1.15
1,000,001 & over	5	124,189,302	94.56	5	124,180,302	94.56
Total	6,186	131,329,995	100.00	6,253	131,329,995	100.00

Description	As at 31st March 2016			As at 31st March 2015		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	Local Shares	%
Resident	6,143	8,360,304	6.36	6,187	8,193,891	6.24
Non-Resident	43	122,969,691	93.64	66	123,136,104	93.76
Total	6,186	131,329,995	100.00	6,253	131,329,995	100.00

Description	As at 31st March 2016			As at 31st March 2015		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	Local Shares	%
Individual	6,045	121,497,558	92.51	6,125	121,456,142	92.48
Institutional	141	9,832,437	7.49	128	9,873,853	7.52
Total	6,186	131,329,995	100.00	6,253	131,329,995	100.00

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

## 20 Largest Equity Shareholders

Serial	Name	As at 31st March 2016		As at 31st March 2015	
		No. of Shares	Share %	No. of Shares	Share %
1	Mr. Vijayeswaran S. Vijayaratnam	94,039,467	71.61	94,039,467	71.61
2	Mr. Yoshimichi Watanabe	11,539,353	8.79	11,539,353	8.79
3	Mr. Eiji Watanabe	9,790,642	7.45	9,790,642	7.45
4	Fast Gain International Limited	6,794,400	5.17	6,785,400	5.17
5	P. W. Corporate Secretarial (Pvt) Ltd - Trustees to ESOP	2,025,440	1.54	2,025,440	1.54
6	Mr. Hans Anton Van Starrex	547,217	0.42	547,217	0.42
7	Mr. Toshiaki Tanaka	400,000	0.30	400,000	0.30
8	Asha Financial Services Limited	232,636	0.18	141,000	0.11
	Mr. C. N. Pakianathan				
9	Mr. Mohamed Hussain Nassim Hussain	199,064	0.15	-	-
10	Sandwave Limited	160,849	0.12	307,472	0.23
11	Asia Asset Finance PLC	116,400	0.09	116,400	0.09
12	Mr. S. N. C. W. M. Bandara Chandrasekera	100,000	0.08	100,000	0.08
13	Mr. Hamish Winston McDonald Woodward	98,300	0.07	98,300	0.07
14	Mr. W. A. Sampath Palitha De Saram	91,430	0.07	-	-
15	Mr. H. P. Chamila Roshan Priyadarshana	89,100	0.07	82,060	0.06
16	Mr. Amirally Lukmanjee	71,542	0.05	71,542	0.05
17	Mr. Kankanam Pandithage Premadasa Mrs. N. H. Fernando	69,066	0.05	-	-
18	Anglo Amalgamated (Pvt) Ltd	67,000	0.05	67,000	0.05
19	Mr. E. J. Lasantha Priyalal Silva Thilakaratne	64,780	0.05	-	-
20	Mr. Mohamed Hanif Aslam Kamil	62,803	0.05	-	-

## PUBLIC SHAREHOLDING

The percentage of public shareholding as at the 31st of March 2016 was 5.13%.

## ANNUAL GENERAL MEETING

The notice of the Annual General Meeting is on page 100.

## AUDITORS

The Financial Statements for the year ended 31st March 2016 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. Ratnayeke**  
Chairman/ Director



**S. A. Abeyesinhe**  
Director/Group Chief Executive Officer



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

18th August 2016

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

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

Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007,

Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995,

Listing rules of the Colombo Stock Exchange, and

Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission of Sri Lanka.

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

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

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent

and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs.

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

We are also satisfied that 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



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

18th August 2016

# Statement of Directors' Responsibilities

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

In the circumstances, the Directors of the Company state below their responsibilities in relation of the Financial Statements of the Company and its subsidiaries and associates for the year ended 31st March, 2016. These differ from the Auditors responsibilities, which are set out in their report given on page 57. The Board of Directors have a responsibility to ensure that the Company and its subsidiary and associates are maintaining sufficient accounting policies to ensure the accuracy and reliability of financial statements. The Directors have a general responsibility to take steps to safeguard the assets of the Company.

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

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

The overall responsibility of the Company's internal control systems lies with the Directors. Whilst recognising the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by them and which comprise internal checks, internal audit and financial and other controls are so designated that there is reasonable assurance that all assets are safeguarded and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

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



**S. A. Abeyesinhe**  
Director / Group Chief Executive Officer



**R. J. Wickramasinghe**  
Director

18th August 2016

# Audit Committee Report

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

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

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

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

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

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

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

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

## FINANCIAL REPORTING

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

## CONCLUSION

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



**R. J. Wickramasinghe**  
Chairman - Audit Committee

18th August 2016

# Remuneration Committee Report

Remuneration Committee consists as follows:

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

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

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

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



**R. J. Wickramasinghe**

Chairman - Remuneration Committee

18th August 2016

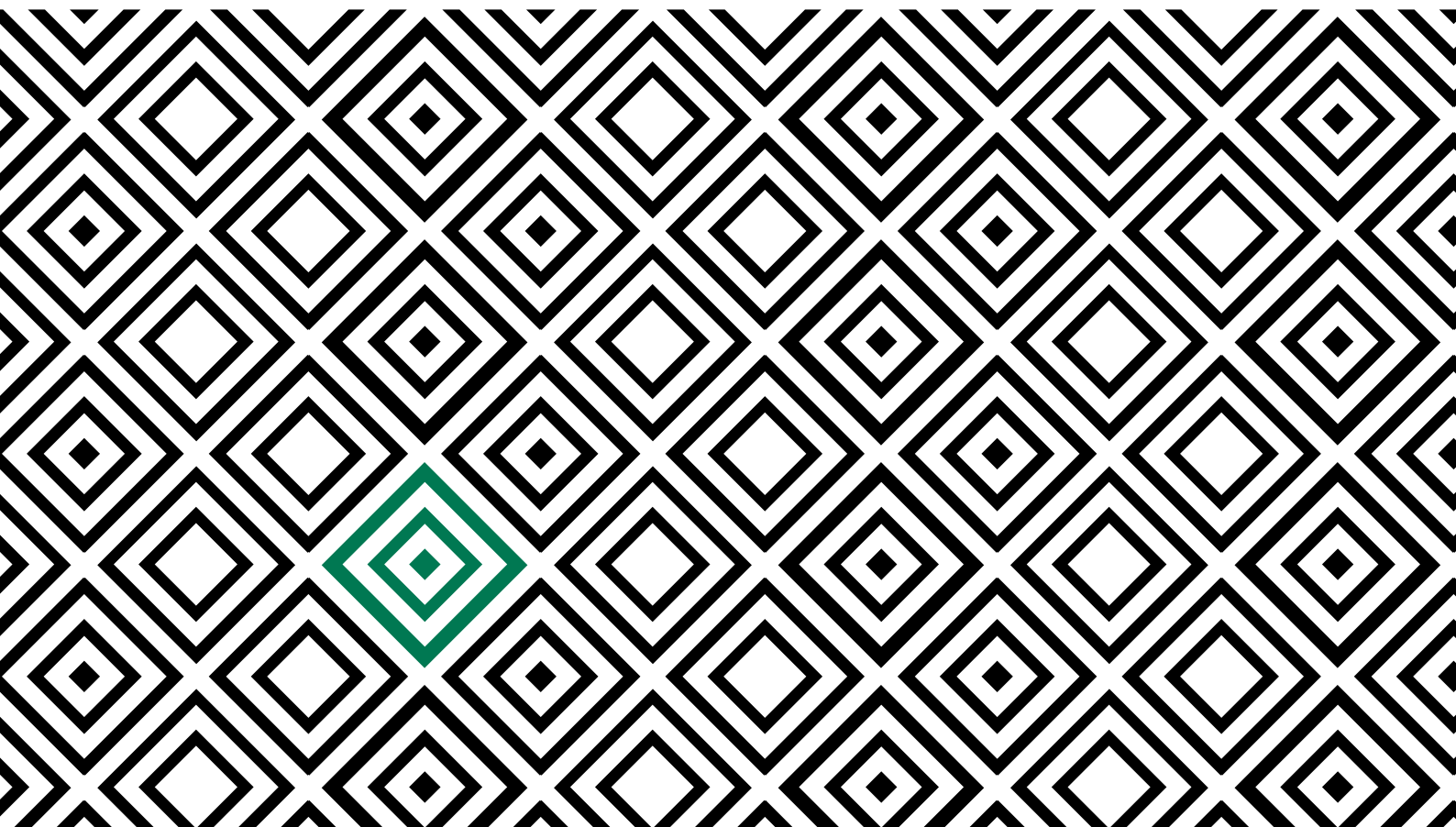


# Financial Information

**We are pursuing greater cost efficiencies and tighter financial controls in order to improve our bottom line over time.**

## **Financial Reports**

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# Independent Auditors' Report



**KPMG**  
(Chartered Accountants)  
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## TO THE SHAREHOLDERS OF ASIA CAPITAL PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Asia Capital PLC, ("the Company"), and the consolidated financial statements of the Company and its Subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 58 to 96 of the annual report.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion except for the matter described in "Basis for Qualified Opinion" paragraph.

### Basis for Qualified Opinion

Inventories of the Group includes Rs. 261,135,880 which relates to a movie produced by a subsidiary for which management has provided a provision of Rs. 65,283,970 as at the reporting date. Due to unavailability of a proper basis for calculation and supporting evidence to substantiate the same, we were unable to satisfy ourselves as to the completeness and accuracy of the provision made during the year and if any further provision is required to such movie as at the year end.

### Opinion

In our opinion, except for the possible effect on the financial statements of the matter described in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Emphasis of Matter

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

### Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company except for matter described in the "Basis for Qualified Opinion" paragraph given below,

### Basis for Qualified Opinion

Amounts due from related companies includes Rs. 376,186,351 from Asia Digital Entertainment (Pvt) Limited for which management has made a provision of Rs. 71,372,233 in the financial statements of the Company as at the reporting date. Due to unavailability of a proper basis for calculation and supporting evidence to substantiate the same, we were unable to satisfy ourselves as to the completeness and accuracy of the provision made during the year and if any further impairment provision is required to said amount due from Asia Digital Entertainment (Pvt) Limited as at the year end.

- Except for the possible effects on the financial statements for the matter referred to in "Basis for Qualified Opinion" paragraph above, the financial statements of the Company, give a true and fair view of its financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 7 of 2007.

**CHARTERED ACCOUNTANTS**  
Colombo

18 August 2016

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  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,	Note	GROUP		COMPANY	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Revenue</b>	5	498,791	1,651,075	1,070,779	868,462
Cost of Sales		(273,250)	(1,037,322)	(257,462)	(849,525)
<b>Gross Profit</b>		225,541	613,753	813,317	18,937
Other Operating Income	6	240,019	109,857	223,793	49,196
Selling and Distribution Expenses		(63,073)	(96,207)	(19,042)	(43,358)
Administrative Expenses		(517,313)	(739,761)	(158,713)	(136,032)
Other Operating Expenses		(199,457)	(154,885)	(122,157)	(143,980)
Provision for Impairment of Receivables	7	(2,184)	(10,901)	(192,393)	(17,962)
Net Finance Costs	8	(118,579)	(102,784)	(84,737)	(91,400)
Share of Profit of Equity - Accounted Investees, Net of Tax		1,598	-	-	-
<b>Profit/(Loss) before Taxation</b>	9	(433,448)	(380,927)	460,068	(364,599)
Income Tax Expenses	10	29,323	(7,680)	(33,480)	(15,859)
<b>Profit/(Loss) for the Year</b>		<b>(404,125)</b>	<b>(388,607)</b>	<b>426,588</b>	<b>(380,458)</b>
<b>Other Comprehensive Income/(Expense)</b>					
Actuarial gains/(losses) on Defined Benefit Obligations (net of tax)	28	3,789	(3,143)	1,045	(3,132)
Revaluation Surplus on Property, Plant and Equipment		1,773,911	-	-	-
Deferred Tax Impact on Building Revaluation		(63,419)	-	-	-
Other Comprehensive Income/(Expenses) for the year, net of tax		1,714,281	(3,143)	1,045	(3,132)
<b>Total Comprehensive Income/(Expenses) for the year</b>		<b>1,310,156</b>	<b>(391,750)</b>	<b>427,633</b>	<b>(383,590)</b>
<b>Profit/(Loss) Attributable to:</b>					
Equity Holders of the Parent Company		(376,357)	(347,168)	426,588	(380,458)
Non-Controlling Interests		(27,768)	(41,439)	-	-
		(404,125)	(388,607)	426,588	(380,458)
<b>Total Comprehensive Income/(Expenses) Attributable to:</b>					
Equity Holders of the Parent Company		992,468	(350,311)	427,633	(383,590)
Non-Controlling Interests		317,688	(41,439)	-	-
<b>Total Comprehensive Income for the year</b>		<b>1,310,156</b>	<b>(391,750)</b>	<b>427,633</b>	<b>(383,590)</b>
Basic Earnings/(Loss) per Share (Rs.)	11	(2.87)	(2.76)	3.25	(3.02)

Figures in brackets indicate deductions.

The Notes on pages 62-96 are and integral part of these Financial Statements.

# Statement of Financial Position

As at 31 March,	Note	GROUP		COMPANY	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	12	3,463,295	1,492,604	30,148	20,078
Intangible Assets	13	121,460	127,402	5,650	11,141
Investment Properties	14	-	-	-	-
Investments in Subsidiaries	15.1	-	-	1,094,286	327,522
Investment in Joint Venture	15.2	35,118	-	33,520	-
Financial Assets - Available for Sale	16	114,853	10,000	114,853	-
Long Term Deposits and Advances	17	11,947	29,325	11,947	9,899
Deferred Taxation	27	-	-	-	-
		<b>3,746,673</b>	<b>1,659,331</b>	<b>1,290,404</b>	<b>368,640</b>
<b>Current Assets</b>					
Inventories	18	207,240	280,518	-	-
Loans & Receivables	19	32,739	157,937	33,046	158,224
Loans given to ESOP	20	-	3,414	-	3,414
Financial Assets - Fair Value Through Profit & Loss	21	96,170	251,731	96,170	251,731
Short Term Lendings	22	-	-	-	-
Income Tax Receivable		1,374	1,535	-	-
Trade and Other Receivables	23	225,486	229,057	31,336	95,650
Amounts due from Related Companies	24	-	-	664,200	1,381,857
Cash and Cash Equivalents	25	19,523	57,809	630	18,074
		<b>582,532</b>	<b>982,001</b>	<b>825,382</b>	<b>1,908,950</b>
<b>Total Assets</b>		<b>4,329,205</b>	<b>2,641,332</b>	<b>2,115,786</b>	<b>2,277,590</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	26	1,498,498	1,498,498	1,498,498	1,498,498
Revaluation Reserve		1,408,670	43,634	5,905	5,905
Accumulated Losses		(732,683)	(1,192,237)	(400,270)	(827,903)
Shareholders' Fund		2,174,485	349,895	1,104,133	676,500
Non-Controlling Interests		471,114	19,852	-	-
<b>Total Equity</b>		<b>2,645,599</b>	<b>369,747</b>	<b>1,104,133</b>	<b>676,500</b>
<b>Non-Current Liabilities</b>					
Retirement Benefit Obligations	28	22,862	19,188	13,844	11,453
Interest Bearing Borrowings - Due after one year	29	966,836	1,869,675	556,888	1,371,621
		<b>989,698</b>	<b>1,888,863</b>	<b>570,732</b>	<b>1,383,074</b>
<b>Current Liabilities</b>					
Non - Interest Bearing Borrowings - Due within one year	30	96,050	111,011	96,050	111,011
Interest Bearing Borrowings - Due within one year	29	336,616	139,420	238,832	59,771
Deferred Income		11,485	-	11,485	-
Trade and Other Payables	31	193,725	105,164	46,148	36,550
Amounts due to Related Companies	32	-	-	20,595	-
Income Tax Payable		23,695	7,149	23,355	6,305
Bank Overdraft	25	32,337	19,978	4,456	4,379
		<b>693,908</b>	<b>382,722</b>	<b>440,921</b>	<b>218,016</b>
<b>Total Liabilities</b>		<b>1,683,606</b>	<b>2,271,585</b>	<b>1,011,653</b>	<b>1,601,090</b>
<b>Total Equity and Liabilities</b>		<b>4,329,205</b>	<b>2,641,332</b>	<b>2,115,786</b>	<b>2,277,590</b>

Net Assets per Share (Rs.)

16.56

2.66

8.41

5.15

Figures in brackets indicate deductions.

The Notes on pages 62-96 are and integral part of these Financial Statements.

The Independent Auditors' Report is given on page 57.

I certify that the above financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



**R. A. T. P. Perera**

Group Chief Financial Officer

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

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



**J. H. P. Ratnayake**

Chairman

18th August 2016

Colombo.



**S. A. Abeyesinhe**

Director/Group CEO

# Statement of Cash Flows

For the year ended 31 March,	Note	GROUP		COMPANY	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before Income Tax Expense		(433,448)	(380,927)	460,068	(364,599)
<b>Adjustments for;</b>					
Provision for Retirement Benefit Obligations	28	8,851	4,830	4,349	2,000
Depreciation	12	148,141	122,961	8,810	8,528
Deferred Income		11,485	-	11,485	-
Amortisation		5,867	5,928	5,491	5,553
Impairment Loss on Intangible Assets		75	-	-	-
Gain on Translation of Foreign Currency		-	-	-	5,383
Gain on Disposal of Property, Plant and Equipment		(3,583)	(25,483)	(2,804)	(10,655)
Gain/(Loss) on Disposal of Subsidiary		-	(132,088)	-	14,103
Unrealised Capital Gain		-	-	-	(5,701)
Impairment of Receivables		2,206	-	2,206	(30,169)
Share of Profit of Equity - Accounted Investees net of tax		(1,598)	-	-	-
Provision for Inventories		71,372	-	-	-
Provision for Long Term Deposits & Advances		-	10,901	1,831	-
Amortisation of amount due from Related Companies		-	-	190,210	17,961
Write-off ESOP		3,414	-	3,414	-
Interest Income	8	(3,304)	(16,099)	(8,328)	(13,607)
Interest Expenses	8	121,883	118,883	93,065	105,007
<b>Operating Profit/(Loss) before working capital changes</b>		<b>(68,639)</b>	<b>(291,094)</b>	<b>769,797</b>	<b>(266,196)</b>
<b>Changes in</b>					
Inventories		1,906	38,659	-	-
Loans & Receivable		125,198	213,246	125,178	57,416
Financial Assets Available For Sale		(104,853)	579	(114,853)	-
Financial Assets Fair Value Through Profit & Loss		155,561	(126,957)	155,561	(202,263)
Trade and Other Receivables		1,365	3,080,375	62,108	(63,038)
Amount due from Related Parties		-	63	527,447	(230,910)
Trade and Other Payables		88,561	(3,249,525)	9,598	6,598
Amount due to Related Parties		-	862	20,595	-
<b>Cash generated from/(used in) operations</b>		<b>199,099</b>	<b>(333,792)</b>	<b>1,555,431</b>	<b>(698,393)</b>
Gratuity paid	28	(1,388)	-	(913)	-
Income tax paid		(17,389)	(9,280)	(16,429)	(8,778)
<b>Net cash generated from / (used in) operating activities</b>		<b>180,322</b>	<b>(343,072)</b>	<b>1,538,089</b>	<b>(707,171)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Acquisition of Property, Plant & Equipment		(357,925)	(633,174)	(18,881)	-
Acquisition of Subsidiaries		-	-	(768,595)	-
Acquisition of Joint Venture		(33,520)	-	(33,520)	-
Net Proceeds from Disposal of Subsidiary		-	598,637	-	598,637
Proceeds from Disposal of Property, Plant and Equipment		16,588	28,487	2,805	14,500
Proceeds from Disposal of Long Term Investments		-	48,970	-	48,970
Interest Received		3,304	16,099	8,328	13,607
Long Term Advances	17	17,378	(10,186)	(2,048)	(1,501)
<b>Net cash generated from/(used in) investing activities</b>		<b>(354,175)</b>	<b>48,833</b>	<b>(811,911)</b>	<b>674,213</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from/Repayment of Other Loans		76,903	457,015	(829,384)	583,048
Proceeds from/Repayment of Amounts Payable under Re-purchase Agreement		-	-	233	(120,906)
Proceeds from/Repayment of Commercial Papers		168,188	10,551	178,517	(58,520)
Interest paid		(121,883)	(118,883)	(93,065)	(105,007)
<b>Net cash generated from/(used in) financing activities</b>		<b>123,208</b>	<b>348,683</b>	<b>(743,699)</b>	<b>298,615</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(50,645)</b>	<b>54,444</b>	<b>(17,521)</b>	<b>265,657</b>
<b>Cash and cash equivalents as at beginning of the year</b>	25	<b>37,831</b>	<b>(16,613)</b>	<b>13,695</b>	<b>(251,962)</b>
<b>Cash and cash equivalents as at end of the year</b>	25	<b>(12,814)</b>	<b>37,831</b>	<b>(3,826)</b>	<b>13,695</b>

Figures in brackets indicate deductions.

The Notes on pages 62-96 are and integral part of these Financial Statements.

# Statement of Changes in Equity

GROUP	Stated Capital	Revaluation Reserve	Capital Reserve	General Reserve	Accumulated Losses	Total Attributable to Equity Holders	Non-controlling Interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2014	1,114,558	45,779	5,922	19,054	(880,200)	305,113	263,492	568,605
Adjustment on Acquisition, Disposal and Change in Holding of Subsidiary	-	(2,145)	(5,922)	(19,054)	38,274	11,153	(202,201)	(191,048)
Share Issued during the Period	383,940	-	-	-	-	383,940	-	383,940
Loss for the year	-	-	-	-	(347,168)	(347,168)	(41,439)	(388,607)
Other Comprehensive Expenses for the Year, net of tax	-	-	-	-	(3,143)	(3,143)	-	(3,143)
Balance as at 31st March 2015	1,498,498	43,634	-	-	(1,192,237)	349,895	19,852	369,747
Adjustment on Acquisition, Disposal and Change in Holding of Subsidiary	-	-	-	-	832,122	832,122	133,574	965,696
Loss for the year	-	-	-	-	(376,357)	(376,357)	(27,768)	(404,125)
Other Comprehensive Income for the Year net of tax	-	1,422,355	-	-	3,789	1,426,144	351,556	1,777,700
Deferred Tax Impact on Revaluation	-	(57,319)	-	-	-	(57,319)	(6,100)	(63,419)
Balance as at 31st March 2016	1,498,498	1,408,670	-	-	(732,683)	2,174,485	471,114	2,645,599

COMPANY	Stated Capital	Revaluation Reserve	Available for Sale Reserve	Accumulated Losses	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2014	1,114,558	5,905	-	(444,313)	676,150
Share Issued during the period	383,940	-	-	-	383,940
Loss for the year	-	-	-	(380,458)	(380,458)
Other Comprehensive Expenses for the Year (Net of Tax)	-	-	-	(3,132)	(3,132)
Balance as at 31st March 2015	1,498,498	5,905	-	(827,903)	676,500
Profit for the Year	-	-	-	426,588	426,588
Other Comprehensive Income for the Year (Net of tax)	-	-	-	1,045	1,045
Balance as at 31st March 2016	1,498,498	5,905	-	(400,270)	1,104,133

Figures in brackets indicate deductions.

The Notes on pages 62-96 are and integral part of these Financial Statements.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

### 1.1 General

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

The Consolidated Financial Statements of the Company as at and for the year ended 31st March 2016 comprise of the company and its subsidiaries (together referred to as the ‘Group’ and individually as ‘Group Entities’) and the Group’s interest in jointly controlled entities.

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

### 1.2 Principal Activities and Nature of Operations

During the year the principal activities of the Group were Corporate Finance, Asset Management, Treasury Management, Financial Services and Hotels.

During the year primary activity of the Company was to act as an Investment Holding Company.

### 1.3 Parent and Ultimate Parent Company

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting standards issued by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No. 07 of 2007. These Financial Statements also provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange.

The Financial Statements were authorised for issue by the directors on 18th August 2016.

### 2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following material items in the Statement of Financial Position.

- Financial instruments at Fair Value through Profit or Loss are measured at fair value
- Available-for-Sale financial assets are measured at fair value
- The liability for Defined Benefit Obligations are measured at the present value
- Property, Plant and Equipment are measured at fair value

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Company’s functional currency. All amounts have been rounded to the nearest thousand unless stated otherwise.

### 2.4 Use of Estimates and Judgments

In preparing these Financial Statements in conformity with SLFRSs/LKASs, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of Assets, Liabilities, Income and Expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect

on the amounts recognised in the Company’s Financial Statements is included in the respective notes.

### 2.5 Materiality and Aggregation

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

### 2.6 Comparative Information

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

### 2.7 Going Concern

The Directors have made an assessment of Company’s ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.8 Directors’ Responsibility for the financial Statements

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



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

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

#### **3.1 Basis of Consolidation**

##### **3.1.1 Business Combinations**

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

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

##### **3.1.2 Subsidiaries**

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

##### **3.1.3 Non-controlling Interests**

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

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

##### **3.1.4 Loss of Control**

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

##### **3.1.5 Interests in Equity Accounted Investees**

The Group's interests in equity-accounted investees comprise interests in a joint venture.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

##### **3.1.6 Transactions Eliminated on Consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are

eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **3.2 Foreign Currency**

##### **3.2.1 Foreign Currency Transactions**

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

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

#### **3.3 Property, Plant and Equipment**

##### **3.3.1 Recognition and Measurement**

Items of Property, Plant and Equipment are stated at revalued amounts.

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

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

##### **3.3.2 Subsequent Expenditure**

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

# Notes to the Financial Statements

## 3.3.3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

Buildings and Improvements	15 Years
Computer Equipment	05 Years
Office Equipment	10 Years
Furniture and Fittings	10 Years
Fixtures and Fittings	10 Years
Motor Vehicles	04 Years
Plant and Machinery	04 Years
Hotel Equipment	04 Years

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

## 3.4 Intangible Assets and Goodwill

### 3.4.1 Recognition and Measurement

#### Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

#### Research and Development

Expenditure on research activities are recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent

to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

#### Other Intangible Assets

Other intangible assets, including customer relationships, patents and trademarks that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

### 3.4.2 Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### 3.4.3 Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

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

Computer Software	05 Years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 3.5 Financial Instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

### 3.5.1 Non-derivative Financial Assets and Financial Liabilities – Recognition and De-recognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

### 3.5.2 Non-derivative Financial Assets – Measurement

#### Financial Assets at Fair Value through Profit or Loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and

changes therein, including any interest or dividend income, are recognised in profit or loss.

### **Loans and Receivables**

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

### **Available-for-Sale Financial Assets**

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

#### **3.5.3 Non-derivative Financial Liabilities – Measurement**

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

### **3.6 Stated Capital**

#### **3.6.1 Ordinary Shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

### **3.7 Impairment**

#### **3.7.1 Non-derivative Financial Assets**

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

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

#### **Financial Assets measured at Amortised Cost**

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

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the

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

#### **Available-for-Sale Financial Assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

#### **Equity-accounted Investees**

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

#### **3.7.2 Non-Financial Assets**

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

# Notes to the Financial Statements

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (Cash Generating Unit). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 3.8 Inventories

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

to its present location and conditions are accounted using the following formulae.

### Food & Beverage

at purchase cost - First in first out basis

### Other Consumables

at purchase cost - First in first out basis

### Filter Papers

at purchase cost - Weighted average cost basis

### Finished Goods

at the cost of direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

## 3.9 Provisions

Provisions are made for all obligations existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

## 3.10 Leases

### 3.10.1 Determining whether an Arrangement contains a Lease

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

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

imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

### 3.10.2 Leased Assets

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

### 3.10.3 Lease Payments

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

## 3.11 Employee Benefits

### 3.11.1 Short-term Employee Benefits

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

### 3.11.2 Defined Contribution Plans

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

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

### 3.11.3 Defined Benefits Plans

The Company and the Group are liable to pay retirement benefits under the

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

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

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

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

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

### **3.12 Revenue**

#### **3.12.1 Revenue Recognition**

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

##### **3.12.1.1 Investments**

###### **3.12.1.1.1 Corporate and Government Securities**

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

##### **3.12.1.1.2 Income from Fee based Activities**

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

##### **3.12.1.2 Stock Broking**

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

##### **3.12.1.3 Deposit Mobilisation and Credit**

###### **3.12.1.3.1 Interest Income from Loans and Advances, Leases and Hire Purchase Contracts**

Interest Income from Leases and Hire Purchase Contracts are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the Loans and Advances,

Leases and Hire Purchase Contracts (or, where appropriate, a shorter period) to the carrying amount of the Loans and Advances, Leases and Hire Purchase Contracts. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the Leases and Hire Purchase Contracts, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of Loans and Advances, Leases and Hire Purchase Contracts.

###### **3.12.1.3.2 Overdue Interest**

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

##### **3.12.1.4 Leisure**

###### **3.12.1.4.1 Room Revenue**

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

##### **3.12.1.4.2 Food and Beverage**

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

##### **3.12.1.5 Dividend Income**

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

##### **3.12.1.6 Rendering of Services**

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

### **3.13 Expenses**

#### **3.13.1 Expenses Recognition**

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of the Income Statement the Directors are of the opinion that the function of the expenses method present fairly the elements of the Company's performance, and hence such a presentation method is adopted.

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

Repairs and renewals are charged to the Income Statement in the year in which the expenditure is incurred.

#### **3.13.2 Finance Income and Expenses**

Finance Income comprises interest income on funds invested. Interest income is recognised in the profit and loss as it accrues.

Finance costs comprise interest expense on borrowings and impairment losses

# Notes to the Financial Statements

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

## 3.14 Income Tax

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

### 3.14.1 Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

### 3.14.2 Deferred Tax

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

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

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

## 3.15 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible

to known amounts of cash and are subject to an insignificant risk of changes in value.

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

## 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 March 2016.

### 4.1 SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. SLFRS 9 was issued in 2012 and effective date of this standard has been deferred until 01 January 2018 or further notice.

### 4.2 SLFRS 15 - Revenue from Contracts with Customers

The objective of this standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. SLFRS 15 will become effective on 01 January 2018.

The impact on the implementation of the above standard has not been quantified yet.

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>5 REVENUE</b>				
<b>5.1 Summary</b>				
Gross Revenue	1,438,305	1,666,249	1,070,779	868,462
Less: Intra Group Transactions	(939,514)	(15,174)	-	-
	<b>498,791</b>	<b>1,651,075</b>	<b>1,070,779</b>	<b>868,462</b>
<b>5.2 Segments</b>				
Investments	131,265	871,462	1,070,779	868,462
Stock Brokering	-	193,944	-	-
Deposit Mobilisation and Credit	-	341,101	-	-
Leisure	365,902	236,967	-	-
Services	1,624	7,601	-	-
	<b>498,791</b>	<b>1,651,075</b>	<b>1,070,779</b>	<b>868,462</b>
<b>6 OTHER OPERATING INCOME</b>				
Dividend Income	-	869	-	-
Gains on Disposal of Property, Plant and Equipment	3,583	25,483	2,804	10,656
Gain on Project Income	103,368	-	103,368	-
Profit on Settled Contracts	-	7,899	-	-
Sundry Income	133,068	75,606	117,621	38,540
	<b>240,019</b>	<b>109,857</b>	<b>223,793</b>	<b>49,196</b>
<b>7 PROVISION FOR IMPAIRMENT OF RECEIVABLES</b>				
Balance at the beginning of the year	525,578	620,290	540,320	522,358
Provision made by during the year	2,184	10,901	192,393	17,962
Disposal of Subsidiary	-	(105,613)	-	-
Balance at the end of the Year (Note 7.1)	<b>527,762</b>	<b>525,578</b>	<b>732,713</b>	<b>540,320</b>
<b>7.1 Provision for Bad and Doubtful Debts reflected in,</b>				
Short Term Investments (Note 19)	18,860	18,860	18,860	18,860
Short Term Lendings (Note 22)	336,837	336,837	336,837	336,837
Trade Receivables (Note 23.1)	12,942	12,964	11,743	11,766
Other Receivables (Note 23.2)	135,557	133,351	117,881	115,675
Amounts due from Related Parties (Note 24)	23,566	23,566	247,392	57,182
Balance at the end of the Year	<b>527,762</b>	<b>525,578</b>	<b>732,713</b>	<b>540,320</b>
<b>8 NET FINANCE INCOME / (COSTS)</b>				
<b>Finance Income</b>				
Interest Income				
- Related Parties	-	-	5,339	2,900
- Others	3,304	16,099	2,990	10,707
	<b>3,304</b>	<b>16,099</b>	<b>8,329</b>	<b>13,607</b>
<b>Finance Costs</b>				
Interest on Overdraft	(11,771)	(17,248)	(7,113)	(7,475)
Interest on Other Borrowings				
- Related Parties	-	-	(45,146)	(44,256)
- Others	(110,112)	(101,635)	(40,807)	(53,276)
	<b>(121,883)</b>	<b>(118,883)</b>	<b>(93,066)</b>	<b>(105,007)</b>
Net Finance Costs	<b>(118,579)</b>	<b>(102,784)</b>	<b>(84,737)</b>	<b>(91,400)</b>

# Notes to the Financial Statements

		GROUP		COMPANY	
		2016	2015	2016	2015
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>9</b>	<b>PROFIT/(LOSS) BEFORE TAXATION</b>				
	<b>Profit/(Loss) before tax is stated after charging all expenses including the following :</b>				
	<b>Included in Administrative Expenses</b>				
	Auditors Remuneration - Audit Fees & Expenses	1,793	2,637	1,050	1,050
	- Non Audit Services	1,439	829	1,389	642
	Director's Emoluments	36,060	47,148	36,060	34,704
	Director's Fees	8,765	10,294	8,765	8,944
	Secretarial Fees	1,740	1,321	424	416
	Depreciation on Property Plant & Equipment	148,141	122,961	8,810	8,528
	Legal Fees	1,999	3,201	803	915
	<b>Personnel Costs Includes;</b>				
	Defined Benefit Plan - Gratuity	8,851	4,830	4,349	2,000
	Defined Contribution Plan Costs - EPF and ETF	19,728	26,892	8,169	6,706
	Staff Incentives	5,617	3,083	1,620	1,499
	Other Staff Costs	161,589	264,183	66,650	53,787
		GROUP		COMPANY	
		2016	2015	2016	2015
	Number Of Employees	245	211	30	25
		GROUP		COMPANY	
		2016	2015	2016	2015
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>10</b>	<b>INCOME TAX EXPENSES</b>				
	Current Tax Expenses - Company	22,347	2,691	22,347	2,691
	Current Tax Expenses - Subsidiaries (Note 10.2)	465	1,703	-	-
	Current Tax Expenses - Total	22,812	4,394	22,347	2,691
	Deferred Tax Originated During the Year (Note 10.3)	(63,419)	-	-	-
		(40,607)	-	-	-
	Under/(Over) Provision in Respect of Prior Years	11,284	3,286	11,133	13,168
	Deferred Taxation Charge/(reversal) (Note 27)	-	-	-	-
		(29,323)	7,680	33,480	15,859
<b>10.1</b>	<b>Reconciliation of Accounting Profit/(Loss) &amp; Taxable Income</b>				
	Accounting Profit/(Loss) before Tax	(433,448)	(380,927)	460,068	(364,599)
	Aggregate Disallowed Items	429,982	697,675	277,003	64,103
	Aggregate Allowable Items	(94,309)	(243,837)	(12,709)	(10,003)
	Income not subject to tax	213,444	(61,434)	(609,917)	315,477
	Tax Profit on Trade or Business	115,669	11,477	114,445	4,978
	Other Taxable Income	9,346	13,287	8,339	9,810
	Tax Losses Set off under section 32	(43,543)	(9,071)	(42,974)	(5,175)
	Taxable Income	81,472	15,693	79,810	9,613
	Income Tax @ 28%	22,812	4,394	22,347	2,691
	Current Tax Expense	22,812	4,394	22,347	2,691



	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>10.1.1 Reconciliation of Accumulated Tax Losses</b>				
Opening Balance	1,860,722	2,742,778	571,457	576,632
Over Provision in Respect of Prior Years	-	-	(1,770)	-
On Disposal of Subsidiary	-	(872,985)	-	-
Loss for the Year	246,964	-	-	-
Loss Utilised during the Year	(43,543)	(9,071)	(42,974)	(5,175)
	<b>2,064,143</b>	<b>1,860,722</b>	<b>526,713</b>	<b>571,457</b>
<b>10.2 Subsidiary Companies</b>				
Asia Leisure Holdings (Private) Limited	197	158	-	-
Asia Leisure (Private) Limited	27	36	-	-
Asia Digital Entertainment (Private) Limited	9	25	-	-
Shinagawa Beach Resorts (Private) Limited	-	-	-	-
Asia Tea Packaging (Private) Limited	-	14	-	-
Wadduwa Resorts (Private) Limited	5	84	-	-
Asia Growth Fund 1 (Private) Limited	-	-	-	-
Asia Capital Technologies (Private) Limited	-	3	-	-
Asia Asset Finance PLC	-	656	-	-
Asia Leisure Travels (Private) Limited	102	-	-	-
Asia Capital Projects (Private) Limited	1	563	-	-
Asia Fort Sri Lanka Direct Investment Fund Limited	124	164	-	-
	<b>465</b>	<b>1,703</b>	<b>-</b>	<b>-</b>

**10.3 Deferred Tax Charge to:**

Profit or Loss	(63,419)
Other Comprehensive Income	63,419

**10.4 Summary**

**Asia Fort Sri Lanka Direct Investment Fund Limited**

The Company is liable to taxation at the rate of 28% on its taxable profit. The income tax liability for the current year was Rs. 123,759 (2015: Rs. 164,000)

**Asia Growth Fund 1 (Private) Limited**

The Company is liable to taxation at the rate of 28% on its taxable profit. However, no provision has been made due to tax losses. The accumulated tax losses carried forward to year of assessment 2016/2017 is Rs. 2,716,563 (2015: Rs. 2,432,552).

**Asia Capital Technologies (Private) Limited**

The Company is liable to taxation at the rate of 28% on its taxable profit. However, no provision has been made due to tax losses and the accumulated tax losses carried forward to the year of assessment 2016/2017 is Rs. 83,791,289 (2015/2016: Rs. 77,965,526).

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

The Company is liable to taxation at the rate of 28% on its taxable profit. The Income Tax Liability for the current year was Rs. 736 (2015: Rs. 563,355).

**Asia Leisure Holdings (Private) Limited**

The Company is liable to taxation on Hotel Profit and Income at the rate of 28%. The income tax liability for the current year was Rs. 196,206 (2015: Rs. 158,204). The accumulated tax loss carried forward to the year of assessment 2016/2017 was Rs. 150,099,383 (2015/2016: Rs.138,278,146)

# Notes to the Financial Statements

## Asia Leisure (Private) Limited

The Company is liable to taxation at the rate of 28% on its taxable profit. The income tax liability for the current year was Rs. 26,863 (2015: Rs. 35,244). Tax losses carried forward to the year of assessment in 2016/17 is Rs. 281,951,095 (2015/2016: Rs. 274,296,756)

## Asia Digital Entertainment (Private) Limited

The company is liable to taxation at the rate of 28% on its taxable profit. The income tax liability for the current year was Rs. 9,044 (2015: Rs. 46,001)

## Asia Tea Packaging (Private) Limited

The Company is liable to taxation at the rate of 28% on its taxable profit. However, no provision has been made due to tax losses. The accumulated tax loss carried forward to year of assessment 2016/2017 is Rs. 83,791,289 (2015/2016: Rs. 77,965,526)

## Wadduwa Resorts (Private) Limited

The Company is liable to taxation at the rate of 28% on its taxable profit. The income tax liability for the current year was Rs. 5,255 (2015: Rs. 83,712). The accumulated tax loss carried forward to year of assessment 2016/2017 is Rs. 220,983,000 (2015/2016: Rs. 121,178,144)

## Shinagawa Beach Resorts (Private) Limited

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

## Asia Leisure Travels (Private) Limited

The Company is liable to taxation at the rate of 28% on its taxable profit. The income tax liability for the current year was Rs. 101,943.

## 11 BASIC EARNINGS/(LOSS) PER SHARE

Basic Earnings/(Loss) 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. Basic earnings/(Loss) per Share is calculated as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
Profit/(Loss) after tax attributable to Equity holders of the Company (Rs'000)	(376,357)	(347,168)	426,588	(380,458)
Weighted Average number of Ordinary Shares outstanding during the Year	131,329,995	125,997,496	131,329,995	125,997,496
Basic Earnings/(Loss) per Share (Rs.)	(2.87)	(2.76)	3.25	(3.02)

## 12 PROPERTY, PLANT AND EQUIPMENT

### 12.1 Group

	Balance as at 01.04.2015 Rs.'000	Additions Rs.'000	Disposals / Transfers Rs.'000	Adjustment due to Revaluation Rs.'000	Balance as at 31.03.2016 Rs.'000
<b>12.1.1 Cost / Valuation</b>					
<b>Freehold Assets</b>					
Land	564,201	375,696	(213,859)	1,430,017	2,156,055
Buildings and Improvements	706,479	41,152	-	174,946	922,577
Motor Vehicles	10,250	-	(9,698)	-	552
Office Equipment	40,314	3,679	-	(10,610)	33,383
Fixtures and Fittings	11,592	6,708	-	(85)	18,215
Furniture and Fittings	98,271	10,312	(17)	(14,814)	93,752
Computer Equipment	18,438	5,004	-	(2,699)	20,743
Plant and Machinery	69,898	3,499	(292)	(10,558)	62,547
Hotel Equipment	96,632	1,962	(229)	2,005	100,370
<b>Leasehold Assets</b>					
Motor Vehicles	47,366	37,263	(16,500)	-	68,129
<b>Total</b>	<b>1,663,441</b>	<b>485,275</b>	<b>(240,595)</b>	<b>1,568,202</b>	<b>3,476,323</b>

#### 12.1.1.1 In the Course of Construction

	Balance as at 01.04.2015 Rs.'000	Incurred During the Year Rs.'000	Reclassified/ Transferred Rs.'000	Balance as at 31.03.2016 Rs.'000
Building Work in Progress	5,387	89,843	(3,336)	91,894

#### 12.1.2 Depreciation

	Balance as at 01.04.2015 Rs.'000	Charge for the year Rs.'000	Disposals / Transfers Rs.'000	Adjustment due to Revaluation Rs.'000	Balance as at 31.03.2016 Rs.'000
Buildings and Improvements	71,718	57,390	-	(95,456)	33,652
Motor Vehicles	9,989	31	(9,699)	-	321
Office Equipment	7,788	7,434	-	(10,836)	4,386
Fixtures and Fittings	3,276	2,693	-	(2,842)	3,127
Furniture and Fittings	26,358	21,967	(3)	(33,728)	14,594
Computer Equipment	8,355	6,097	-	(5,463)	8,989
Plant and Machinery	14,870	15,418	(141)	(21,830)	8,317
Hotel Equipment	25,170	24,690	(40)	(35,555)	14,265
<b>Leasehold Assets</b>					
Motor Vehicles	8,700	12,421	(3,850)	-	17,271
<b>Total Depreciation</b>	<b>176,224</b>	<b>148,141</b>	<b>(13,733)</b>	<b>(205,710)</b>	<b>104,922</b>
<b>Net Carrying Value as at 31.03.2015</b>					<b>1,492,604</b>
<b>Net Carrying Value as at 31.03.2016</b>					<b>3,463,295</b>

# Notes to the Financial Statements

## 12.2 Company

	Balance as at 01.04.2015	Additions	Disposals / Transfers	Balance as at 31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

### 12.2.1 Cost/Valuation

<b>Freehold Assets</b>				
Motor Vehicles	10,020	-	(9,699)	321
Office Equipment	1,110	1,651	-	2,761
Fixtures and Fittings	2,946	6,276	-	9,222
Furniture and Fittings	3,802	7,855	(8)	11,649
Computer Equipment	7,206	3,099	-	10,305
<b>Leasehold Assets</b>				
Motor Vehicles	14,800	-	-	14,800
<b>Total</b>	<b>39,884</b>	<b>18,881</b>	<b>(9,707)</b>	<b>49,058</b>

### 12.2.2 Depreciation

	Balance As At 01.04.2015	Charge for the year	Disposals / Transfers	Balance As At 31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

#### Freehold Assets

Motor Vehicles	9,999	21	(9,699)	321
Office Equipment	446	302	-	748
Fixtures and Fittings	1,174	903	-	2,077
Furniture and Fittings	1,768	1,282	(7)	3,043
Computer Equipment	4,574	2,602	-	7,176

#### Leasehold Assets

Motor Vehicles	1,845	3,700	-	5,545
<b>Total Depreciation</b>	<b>19,806</b>	<b>8,810</b>	<b>(9,706)</b>	<b>18,910</b>

### 12.2.3 Net Carrying Value as at 31.03.2015

Net Carrying Value as at 31.03.2015				20,078
Net Carrying Value as at 31.03.2016				30,148

#### 12.2.4 Group Freehold Lands and Buildings

Company	Location	Land Extent in Acres, Roods & Perches	No of Buildings	Carrying Values of Land & Buildings (Rs)
Shinagawa Beach Resorts (Pvt) Ltd	No 30, Old Guruniwasa Road, Welithara, Balapitiya	1A, 10P	2	409,415,000
Wadduwa Resorts (Pvt) Ltd	No 352/16c, Ratnayaka Road, Talpitiya , Wadduwa	3A, 1R, 36P	3	849,845,900
Asia Leisure Holding (Pvt) Ltd	No 70, Uttamagana Mawatha, Welagedara, Balapitiya	1R	0	5,400,000
Asia Leisure (Pvt) Ltd	No 288, Galle Road, Dadalla, Galle	1A, 3R, 9P	1	208,452,000
Galle Beach CC Trust (Pvt) Ltd	471& 473, Colombo Road, Dadella, Galle	1A, 3R, 30P	0	442,000,000
Katumanakelle Hill Estate (Pvt) Ltd	Temple Mawatha, Misty Hills, Badulla Road, Katumana, Nuwaraeliya	5A, 2R, 8P 64P	0 1	325,000,000 80,000,000
River House Estate (Pvt) Ltd	Robert De Soysa Mawatha, Walagedara, Balapitiya	5A, 1R, 26P	0	162,000,000
Asia Tea Packaging (Pvt) ltd	No 19/2 Kalalgoda Road, Hokandara, Pannipitiya	1R, 38P	1	65,000,000
River House (Pvt)Ltd	No 70, Uttamagana Mawatha, Welagedara, Balapitiya	6A, 1R, 36P	3	399,911,600
				2,947,024,500

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

# Notes to the Financial Statements

		GROUP		COMPANY	
		2016	2015	2016	2015
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>13</b>	<b>INTANGIBLE ASSETS</b>				
<b>13.1</b>	<b>Computer Software</b>				
	<b>Cost</b>				
	Balance as at the beginning of the year	66,374	88,508	30,471	30,471
	Additions during the year	-	-	-	-
	On Disposal of Subsidiary	-	(22,134)	-	-
	Balance as at end of the year	66,374	66,374	30,471	30,471
<b>13.1.1</b>	<b>Amortisation</b>				
	Balance as at the beginning of the year	44,415	46,680	19,330	13,777
	Amortisation for the year	5,867	5,928	5,491	5,553
	On Disposal of Subsidiary	-	(8,193)	-	-
	Balance as at end of the year	50,282	44,415	24,821	19,330
	Net Carrying Value	16,092	21,959	5,650	11,141
<b>13.2</b>	<b>Goodwill</b>				
	Balance as at the beginning of the year	105,443	105,443	-	-
	Written off during the year	(75)	-	-	-
	Balance as at end of the year	105,368	105,443	-	-
	Total Net Carrying Value	121,460	127,402	5,650	11,141

		2016	2015
		Rs.'000	Rs.'000
<b>13.3</b>	<b>Summary of Goodwill - Group</b>		
	Wadduwa Resorts (Pvt) Ltd	100,347	100,347
	Asia Capital Projects (Pvt) Ltd	-	75
	Asia Leisure (Pvt) Ltd	5,021	5,021
		105,368	105,443

Goodwill as at the reporting date has been tested for impairment and Rs. 75,000 was charged to the Group Profit or Loss as impairment losses during the year.

Recoverable Value of goodwill has been estimated based on the future cash flows.

		GROUP		COMPANY	
		2016	2015	2016	2015
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>14</b>	<b>INVESTMENT PROPERTIES</b>				
	Balance at the beginning of the year	-	98,353	-	-
	On Disposal of Subsidiary	-	(98,353)	-	-
	Balance as at end of the year	-	-	-	-

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>15 LONG TERM INVESTMENTS</b>				
Investments in Subsidiaries (Note 15.1)	-	-	1,094,286	327,522
Investment in Joint Venture (Note 15.2)	35,118	-	33,520	-
Total Investments	35,118	-	1,127,806	327,522

	COMPANY			
	2016		2015	
	Effective Holding %	'Rs.'000	Effective Holding %	'Rs.'000

<b>15.1 Investments in Subsidiaries</b>				
<b>Non-Quoted</b>				
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	100%	4,000	100%	4,000
Asia Capital Projects (Private) Limited	100%	25,000	100%	25,000
Asia Capital Technologies (Private) Limited	100%	32,000	100%	32,000
Asia Digital Entertainment (Private) Limited	100%	4,088	100%	4,088
Asia Tea Packaging (Private) Limited	100%	86,787	100%	86,787
Asia Leisure Holdings (Private) Limited	96%	872,509	-	-
Shinagawa Beach Resorts (Private) Limited	-	-	66%	101,551
River House (Private) Limited	-	-	89%	80,000
Wadduwa Resorts (Private) Limited	-	-	77%	139,139
Asia Leisure (Private) Limited	98%	109,494	-	-
Galle Beach CC Trust (Private) Limited	49%	107,282	-	-
		1,256,211		487,616
Less: Provision for fall in value of investments (Note 15.1.1)		(161,925)		(160,094)
Total Investments in Subsidiaries		1,094,286		327,522

	COMPANY	
	2016	2015
	Rs.'000	Rs.'000

<b>15.1.1 Provision for Fall in value of Investments</b>		
Asia Growth Fund 1 (Private) Limited	(10,050)	(10,050)
Asia Apparel Trading (Private) Limited	(4,000)	(4,000)
Asia Capital Projects (Private) Limited	(25,000)	(25,000)
Asia Digital Entertainment (Private) Limited	(4,088)	(4,088)
Asia Tea Packaging (Private) Limited	(86,787)	(86,787)
Asia Capital Technologies (Private) Limited	(32,000)	(30,169)
	(161,925)	(160,094)

# Notes to the Financial Statements

	GROUP		COMPANY	
	2016	2015	2016	2015
	Effective Holding %	'Rs.'000	Effective Holding %	'Rs.'000
<b>15.2 Investment in Joint Venture</b>				
Strider Capital Asia (Private) Limited	50%	35,118	50%	33,520

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>16 FINANCIAL ASSETS - AVAILABLE FOR SALE</b>				
<b>Non current</b>				
Investment in Equity Securities - Non Quoted (Note 16.1)	114,853	10,000	114,853	-
	114,853	10,000	114,853	-

## 16.1 Investments in Equity Securities - Non Quoted

	2016		2015	
	No. of Shares	Carrying Value Rs.'000	No. of Shares	Carrying Value Rs.'000
<b>Group</b>				
Investment in Galle Heritage Lanka (Private) Limited	20	74,506	-	-
Investment in Marine Drive Hotel (Private) Limited	10	40,347	-	-
Investment in River House (Private) Limited	-	-	01	10,000
Total	30	114,853	01	10,000
<b>Company</b>				
Investment in Galle Heritage Lanka (Private) Limited	20	74,506	-	-
Investment in Marine Drive Hotel (Private) Limited	10	40,347	-	-
Total	30	114,853	-	-

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>17 LONG TERM DEPOSITS AND ADVANCES</b>				
Rent Deposit	11,947	9,899	11,947	9,899
Advances Paid	1,241	20,667	1,241	1,241
	13,188	30,566	13,188	11,140
Less: Provision for Impairment	(1,241)	(1,241)	(1,241)	(1,241)
	11,947	29,325	11,947	9,899
<b>18 INVENTORIES</b>				
Food and Beverages	10,789	10,537	-	-
Films Stock	267,224	267,224	-	-
Tea Stock	599	2,757	-	-
	278,612	280,518	-	-
Less: Provision for Inventories	(71,372)	-	-	-
	207,240	280,518	-	-



	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>19 LOANS &amp; RECEIVABLES</b>				
Commercial Papers - Asia Fort Asset Management (Private) Limited	18,860	18,860	18,860	18,860
Investments in Fixed Deposits	32,583	116,970	32,583	116,970
Investments in Reverse Repurchase Agreements	156	40,967	463	41,254
	51,599	176,797	51,906	177,084
Less: Provision for fall in value of investments	(18,860)	(18,860)	(18,860)	(18,860)
	32,739	157,937	33,046	158,224

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>20 LOANS GIVEN TO ESOP</b>				
Balance at the beginning of the year	3,414	3,414	3,414	3,414
Loan given during the year	-	-	-	-
Settlement During the year	(3,414)	-	(3,414)	-
Balance at the end of the year	-	3,414	-	3,414

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>21 FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT &amp; LOSS</b>				
Quoted Investments (Note 21.1 & 21.2)	96,170	251,731	96,170	251,731
	96,170	251,731	96,170	251,731

**21.1 Investments in Equity Securities - Quoted**

	GROUP			
	2016		2015	
	No. of Shares	Market Value Rs.'000	No. of Shares	Market Value Rs.'000
<b>Bank, Finance and Insurance</b>				
Asia Asset Finance PLC	73,976,285	96,170	157,331,395	251,731
Grand Total		96,170		251,731

# Notes to the Financial Statements

## 21.2 Investments in Equity Securities - Quoted

	COMPANY			
	2016		2015	
	No. of Shares	Market Value Rs.'000	No. of Shares	Market Value Rs.'000
<b>Bank, Finance &amp; Insurance</b>				
Asia Asset Finance PLC	73,976,285	96,170	157,331,395	251,731
Grand Total		96,170		251,731

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>22 SHORT TERM LENDINGS</b>				
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)
	-	-	-	-
<b>23 TRADE AND OTHER RECEIVABLES</b>				
Trade Receivables (Note 23.1)	168,909	109,698	11,082	-
Other Receivables (Note 23.2)	56,577	119,359	20,254	95,650
	225,486	229,057	31,336	95,650
<b>23.1 Trade Receivables</b>				
Trade Debtors	181,851	122,662	22,825	11,766
Less: Provision for Bad and Doubtful Receivables	(12,942)	(12,964)	(11,743)	(11,766)
	168,909	109,698	11,082	-
<b>23.2 Other Receivables</b>				
Staff Loans (Note 23.2.1)	286	268	286	268
Advances and Prepayments	43,481	26,058	1,966	6,142
Deposits	131	329	-	-
Other Debtors	96,690	174,509	84,337	153,369
Receivable from Asia Fort Asset Management (Private) Limited	51,546	51,546	51,546	51,546
	192,134	252,710	138,135	211,325
Less: Provision for Bad & Doubtful Debts	(135,557)	(133,351)	(117,881)	(115,675)
	56,577	119,359	20,254	95,650

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>23.2.1 Staff Loans</b>				
Balance at the beginning of the year	268	637	268	257
On Disposal of Subsidiary	-	(380)	-	-
Loans granted during the year	18	11	18	11
Less: Repayments	-	-	-	-
Balance at the end of the year	286	268	286	268

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

<b>24 AMOUNTS DUE FROM RELATED COMPANIES</b>					
Asia Apparel Trading (Private) Limited	Subsidiary	4,710	4,710	4,710	4,710
Asia Growth Fund 1 (Private) Limited	Subsidiary	-	-	117,722	117,408
Asia Fort Sri Lanka Direct Investment Fund Limited	Subsidiary	-	-	1,079	7,937
Asia Capital Technologies (Private) Limited	Subsidiary	-	-	19,906	14,447
Asia Capital Projects (Private) Limited	Subsidiary	-	-	14,379	7,060
Asia Leisure Holdings (Private) Limited	Subsidiary	-	-	1,124	96,794
Asia Couture (Private) Limited	Subsidiary	18,856	18,856	18,856	18,856
Asia Digital Entertainment (Private) Limited	Subsidiary	-	-	376,186	377,558
Asia Leisure (Private) Limited	Subsidiary	-	-	1,380	105,825
Asia Tea Packaging (Private) Limited	Subsidiary	-	-	60,243	60,784
Asia Capital Private Equity (Private) Limited	Subsidiary	-	-	31,448	31,262
Wadduwa Resorts (Private) Limited	Subsidiary	-	-	-	192,996
Shinagawa Beach Resorts (Private) Limited	Subsidiary	-	-	-	119,906
River House (Private) Limited	Subsidiary	-	-	5,407	5,075
River House Estate (Private) Limited	Subsidiary	-	-	49,054	59,769
Galle Beach Hotel (Private) Limited	Subsidiary	-	-	-	218,652
Galle Beach CC Trust (Private) Limited	Subsidiary	-	-	12,437	-
Asia Leisure Travels (Private) Limited	Subsidiary	-	-	5,073	-
Katumankelle Hill Estate (Private) Limited	Subsidiary	-	-	192,588	-
		23,566	23,566	911,592	1,439,039
<b>Less: Provision for Bad &amp; Doubtful Debts</b>					
Asia Apparel Trading (Private) Limited	Subsidiary	(4,710)	(4,710)	(4,710)	(4,710)
Asia Growth Fund 1 (Private) Limited	Subsidiary	-	-	(26,556)	(26,556)
Asia Couture (Private) Limited	Subsidiary	(18,856)	(18,856)	(18,856)	(18,856)
Asia Capital Projects (Private) Limited	Subsidiary	-	-	(14,379)	(7,060)
Asia Tea Packaging (Private) Limited	Subsidiary	-	-	(60,243)	-
Asia Capital Technologies (Private) Limited	Subsidiary	-	-	(19,906)	-
Asia Digital Entertainment (Private) Limited	Subsidiary	-	-	(71,372)	-
Asia Capital Private Equity (Private) Limited	Subsidiary	-	-	(31,370)	-
		(23,566)	(23,566)	(247,392)	(57,182)
		-	-	664,200	1,381,857

## Notes to the Financial Statements

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>25 CASH AND CASH EQUIVALENTS</b>				
<b>Favourable Balances</b>				
Cash in Hand & at Bank	19,523	57,809	630	18,074
	19,523	57,809	630	18,074
<b>Unfavourable Balances</b>				
Bank Overdrafts	(32,337)	(19,978)	(4,456)	(4,379)
Cash and Cash Equivalents for the Cash Flow Purpose	(12,814)	37,831	(3,826)	13,695
<b>26 STATED CAPITAL</b>				
	2016		2015	
	No. of Shares	Value	No. of Shares	Value
		Rs.'000		Rs.'000
Ordinary Shares	131,329,995	1,498,498	131,329,995	1,498,498
Grand Total	131,329,995	1,498,498	131,329,995	1,498,498
	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>27 DEFERRED TAXATION</b>				
Balance at the beginning of the Year	-	(88,627)	-	-
Provision/(reversal) made during the Year	-	-	-	-
On Revaluation Surplus	-	-	-	-
On Disposal of Subsidiary	-	88,627	-	-
Balance at the end of the Year	-	-	-	-
	GROUP			
	2016		2015	
	Temporary Differences	Temporary Tax Effect	Temporary Differences	Temporary Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
On Temporary differences of Property, Plant and Equipment	(279,878)	(78,366)	(20,036)	(5,610)
On Retirement Gratuity	22,862	6,401	19,188	5,372
On Tax Losses carried forward	2,064,143	577,967	1,860,722	521,002
Grand Total	1,807,127	505,995	1,859,874	520,764

	COMPANY			
	2016		2015	
	Temporary Differences	Temporary Tax Effect	Temporary Differences	Temporary Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
On Temporary differences of Property, Plant and Equipment	(10,262)	(2,872)	(9,162)	(2,565)
On Retirement Gratuity	13,844	3,876	11,453	3,207
On Tax Losses carried forward	526,713	147,480	571,457	160,008
	530,295	148,483	573,748	160,650

**Note: Group**

Deferred tax arising from the temporary differences 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 reporting date. Therefore, the unrecognised deferred tax asset of the Company is Rs.148 million (2015: Rs.161 million).

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>28 RETIREMENT BENEFIT OBLIGATIONS</b>				
Balance at the beginning of the Year	19,188	30,190	11,453	6,321
On Disposal of subsidiary	-	(18,975)	-	-
Interest for the Year	2,146	1,632	1,159	800
Provision made during the Year	6,705	3,198	3,190	1,200
Actuarial (Gain)/Loss Recognised in OCI	(3,789)	3,143	(1,045)	3,132
Payments made during the Year	(1,388)	-	(913)	-
Balance at the end of the Year	22,862	19,188	13,844	11,453

As required by the Sri Lanka Accounting Standard 19 - "Employee Benefits" all the companies in the Group have provided gratuity liability based on the gratuity formula method. The principal assumptions used to arrive above gratuity liability are as follows:

	2016	2015
Rate of Interest	10.5%	9.5%
Rate of Salary Increase	10%	10%
Labour Turnover	5%	5%
Retirement Age	60	60

**28.1 Sensitivity of Assumptions Employed in the Valuation**

Sensitivity analysis on discounting rate and salary increment rate to Statement of Financial Position and Statement of Profit and Loss.

# Notes to the Financial Statements

	Sensitivity Effect on	
	Total comprehensive income Increase/(Reduction)	Employment Benefit Obligation Increase/(Reduction) in the Liability
<b>Group</b>		
Increase in Discounts Rate (1%)	513	(513)
Decrease in Discount Rate (1%)	(1,199)	1,199
Increase in Salary Increment Rate (1%)	(775)	775
Decrease in Salary Increment Rate (1%)	753	(753)
<b>Company</b>		
Increase in Discounts Rate (1%)	712	(712)
Decrease in Discount Rate (1%)	(788)	788
Increase in Salary Increment Rate (1%)	(714)	714
Decrease in Salary Increment Rate (1%)	715	(715)

	GROUP		COMPANY	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>29 INTEREST BEARING BORROWINGS</b>				
Direct Borrowing	309	288	309	288
Preference Facility Loan	425,969	1,336,261	425,969	1,336,261
Borrowing under Commercial Papers	224,641	56,453	234,970	56,453
Borrowing under Repurchase Agreement	-	-	786	552
Other Long Term Loans	652,532	616,093	133,686	37,838
	<b>1,303,451</b>	<b>2,009,095</b>	<b>795,720</b>	<b>1,431,392</b>
Due within One Year	336,615	139,420	238,832	59,771
Due after One Year	966,836	1,869,675	556,888	1,371,621
	<b>1,303,451</b>	<b>2,009,095</b>	<b>795,720</b>	<b>1,431,392</b>

## 29.1 Assets Pledged

Name of the Lender	Nature of Facility	Facility Limit Rs. Mn.	Details of Assets Pledged	Balance as at 31st March 2016 Rs.	Balance as at 31st March 2015 Rs.
<b>Asia Capital PLC</b>					
Seylan Bank PLC	Long Term Loan	100	Kosgoda Land 5 A – 2R – 8P	94,047,619	-
<b>Shinagawa Beach Resorts (Private) Limited</b>					
Seylan Bank PLC	Long Term Loan	200	Shinagawa Land and Building located in Guruniwase Road, Balapitiya 1A – 0R – 10P	141,895,073	176,000,000
<b>Wadduwa Resorts (Private) Limited</b>					
Seylan Bank PLC	Long Term Loan	325	Taprobane Land and Buildings Located at No 325/16, Ratnayaka Road, Thalpitiya, Wadduwa 3A – 1R – 36P	281,597,222	325,000,000

**Assets Pledged**

Name of the Lender	Nature of Facility	Facility Limit	Details of Assets Pledged	Balance as at 31st March 2016 Rs.	Balance as at 31st March 2015 Rs.
<b>Asia Leisure Holdings (Private) Limited</b>					
Seylan Bank PLC	Long Term Loan	52	Rs. 40 Mn fund Corporate Guarantee of Asia Capital PLC and Rs. 52 Mn Cash Deposit	20,361,659	29,088,085

**29.2 Analysis of Non Current Portion of Interest Bearing Borrowings**

	Payable within One year Rs.	Payable after One year Rs.
<b>Group</b>		
Direct Borrowing	309	-
Preference Facility Loan	-	425,969
Borrowing under Commercial Papers	224,641	-
Borrowing under Repurchase Agreement	-	-
Other Long Term Loans	111,665	540,867
	336,615	966,836
<b>Company</b>		
Direct Borrowing	309	-
Preference Facility Loan	-	425,969
Borrowing under Commercial Papers	224,641	-
Borrowing under Repurchase Agreement	-	-
Other Long Term Loans	13,882	130,919
	238,832	556,888

	GROUP		COMPANY	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000

**30 NON - INTEREST BEARING BORROWINGS**

Balance at the beginning of the year	111,011	132,615	111,011	132,615
Loan obtained during the year	-	-	-	-
Installments paid during the year	(14,961)	(21,604)	(14,961)	(21,604)
Balance at the end of the year	96,050	111,011	96,050	111,011

	GROUP		COMPANY	
<b>31 TRADE AND OTHER PAYABLES</b>				
Trade Creditors	28,064	24,638	-	-
Sundry Creditors and Accrued Expenses	165,661	80,526	46,148	36,550
	193,725	105,164	46,148	36,550

	GROUP		COMPANY	
Relationship	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000

**32 AMOUNTS DUE TO RELATED COMPANIES**

Wadduwa Resorts (Private) Limited	Subsidiary	-	-	10,977	-
Shinagawa Beach Resorts (Private) Limited	Subsidiary	-	-	9,288	-
Galle Beach Hotel (Private) Limited	Subsidiary	-	-	330	-
		-	-	20,595	-

# Notes to the Financial Statements

## SUMMARISED FINANCIAL INFORMATION OF SUBSIDIARIES

	Assets		Liabilities		Equity		Revenue		Profit after Tax		Total Comprehensive Income	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Asia Growth Fund (Pvt) Ltd	94,565	117,910	117,625	(23,345)	(23,060)	-	(284)	(241)	(284)	(241)	(284)	(241)
Asia Fort Sri Lanka Direct Investment Fund Ltd	12,161	2,086	8,980	10,076	9,630	-	446	736	446	736	446	736
Asia Capital Private Equity (Pvt) Ltd	26,268	31,594	31,441	(5,326)	(5,173)	-	(152)	(92)	(152)	(92)	(152)	(92)
Asia Capital Technologies (Pvt) Ltd	12,932	23,618	18,340	(10,686)	(3,985)	1,624	(7,239)	(4,245)	(7,239)	(4,245)	(6,700)	(4,298)
Asia Digital Entertainment (Pvt) Ltd	213,883	376,321	377,899	(162,438)	(88,608)	-	(73,841)	(17,731)	(73,841)	(17,731)	(73,830)	(17,731)
Asia Capital Projects (Pvt) Ltd	52	14,434	9,760	(14,382)	5,444	-	(9,058)	(1,865)	(9,058)	(1,865)	(9,058)	(1,865)
Galle Beach Hotel (Pvt) Ltd	36,211	217,316	219,723	36,183	(2,407)	-	38,589	(1,685)	38,589	(1,685)	38,589	(1,685)
Asia Leisure Holding (Pvt) Ltd	992,279	47,422	139,869	944,857	75,933	22,589	(10,887)	(12,885)	(10,887)	(12,885)	(3,585)	(12,301)
Asia Leisure (Pvt) Ltd	219,828	134,044	234,034	85,784	(98,633)	66,108	(12,701)	(14,431)	(12,701)	(14,431)	74,790	(14,402)
Shinagawa Beach Resorts (Pvt) Ltd	619,505	487,734	423,084	337,085	64,650	130,451	(43,352)	(58,868)	(43,352)	(58,868)	94,434	(58,871)
Wadduwa Resorts (Pvt) Ltd	1,015,482	388,230	588,633	627,252	(8,136)	76,619	(88,185)	(81,647)	(88,185)	(81,647)	371,389	(81,647)
Asia Tea Packaging (Pvt) Ltd	71,377	60,787	60,379	10,590	(11,062)	-	(7,690)	(8,775)	(7,690)	(8,775)	21,653	(8,775)
River House (Pvt) Ltd	410,563	7,556	7,225	403,007	88,425	-	(331)	(21)	(331)	(21)	314,582	(21)
River House Estate (Pvt) Ltd	191,295	75,242	59,839	116,053	(272)	-	(5,136)	(272)	(5,136)	(272)	116,326	(272)
Asia Leisure Travels (Pvt) Ltd	20,752	17,447	6,934	3,305	2,550	70,135	599	(450)	599	(450)	754	(450)
Galle Beach CC Trust (Pvt) Ltd	531,844	90,172	-	441,672	-	-	(1,164)	-	(1,164)	-	403,971	-
Katumannakelle Hill Estate (Pvt) Ltd	405,001	192,598	-	212,403	-	-	(542)	-	(542)	-	212,402	-

## Non Controlling Interest (NCI) in Subsidiaries

	% of Ownership held by NCI		% of Voting Rights held by NCI		Share of Loss of NCI for the Year ended		Share of Total Comprehensive Income		NCI as at	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	%	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Shinagawa Beach Resorts (Pvt) Ltd	32	34	32	34	(13,873)	(20,015)	(13,873)	(20,015)	107,867	21,981
Wadduwa Resorts (Pvt) Ltd	22	26	22	26	(19,401)	(21,424)	(19,401)	(21,424)	137,995	(2,129)
Galle Beach CC Trust (Pvt) Ltd	51	-	51	-	(594)	-	(594)	-	225,253	-



### 34 RELATED PARTY DISCLOSURE

#### 34.1 Transactions, Arrangements and Agreements involving Key Management Personnel (KMP) and their Close Family Members (CFM)

According to Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures", Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly, the Board of Directors (including executive and Non-executive Directors), Chief Executive Officer and Chief Financial Officer have been classified as Key Management Personnel of the Company. Emoluments paid to Key Management Personnel have been disclosed in Note 09.

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

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependents of the individual or the individual's domestic partner

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

#### 34.2 Transactions with Related Companies

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

Name of the Related Party	Nature of the Relationship	Name of the Common Director	Details of the Transactions	Value of the Transactions	
				2016	2015
				Rs.000	Rs.000
<b>(a) Transactions with Subsidiaries/Sub-Subsidiaries</b>					
Asia Growth Fund 1 (Private) Limited	Subsidiary	Mr. J.H.P. Rathnayake Mr. S. A. Abeyesinhe	Reimbursement of Expenses (net)	314	(203)
Asia Fort Sri Lanka Direct Investment Fund Limited	Subsidiary	Mr. J. H. P. Rathnayake Mr. S. A. Abeyesinhe	Interest Expense on Commercial Papers	(84)	(2,128)
			Transfer of Long Term Loans	-	25,843
			Reimbursement of Expenses (net)	442	(1,829)
			Settlement of Commercial Paper	7,300	-
Asia Capital Technologies (Private) Limited	Subsidiary	Mr. S. A. Abeyesinhe	Reimbursement of Expenses (net)	6,046	8,048
			Intercompany Fund Transfers	-	950
Asia Capital Projects (Private) Limited (Formerly known as Asia Wealth Management Company (Private) Limited)	Subsidiary	Mr. S. A. Abeyesinhe	Reimbursement of Expenses (net)	-	(8,436)
			Intercompany Fund Transfers	7,008	(3,630)
			Expense Incurred by ACAP	310	-
			Settlement of Liabilities	-	27,034
Asia Leisure Holdings (Private) Limited	Subsidiary	Mr. S. A. Abeyesinhe	Intercompany Fund Transfers	15,856	(74,785)
		Mr T. Tanaka	Interest on Intercompany funds	223	175
		Mr Y. Watanabe	Interest Payment for ALH Loan	-	12,933
			Inter Company Balance Settlement	(430,509)	-
Asia Leisure (Private) Limited	Subsidiary	Mr. S. A. Abeyesinhe	Interest on Intercompany funds	4,914	(3,737)
			Reimbursement of Expenses (net)	(135)	-
			Inter Company Balance Settlement	(109,495)	-

# Notes to the Financial Statements

Name of the Related Party	Nature of the Relationship	Name of the Common Director	Details of the Transactions	Value of the Transactions	
				2016	2015
				Rs.000	Rs.000
Asia Capital Private Equity Private Ltd	Subsidiary	Mr. S. A. Abeyesinhe Mr. T. Tanaka	Intercompany Fund Transfers (net)	-	38
			Reimbursement of Expenses (net)	186	(7,453)
Asia Digital Entertainment (Private) Limited	Subsidiary	Mr. V. Siva Jr.	Intercompany Fund Transfers	(1,372)	(3,400)
			Reimbursement of Expenses	-	5,857
Asia Tea Packaging (Private) Limited	Subsidiary	-	Intercompany Fund Transfers	-	(397)
			Reimbursement of Expenses	(459)	353
Shinagawa Beach Resorts (Private) Ltd. (Formerly Known as Balapitiya Beach Resorts (Private) Ltd.)	Subsidiary	Mr. S. A. Abeyesinhe Mr. T. Tanaka	Intercompany Fund Transfers	83,968	77,936
			Interest on Loan Inter Company balance Settlement	(13,262) (178,000)	(18,256) -
River House (Private) Ltd	Subsidiary	Mr. S. A. Abeyesinhe	Reimbursement of Expenses	77	(21)
			Interest on inter co Funds	254	-
Wadduwa Resorts (Private) Ltd	Subsidiary	Mr. S. A. Abeyesinhe	Intercompany Fund Transfers	92,030	60,022
		Mr T. Tanaka	Interest paid for Loan taken from Wadduwa Resort	(32,003)	(14,236)
		Mr Y. Wattanabe	Inter Company balance Settlement	(264,000)	-
River House Estate (Private) Ltd Formerly Known as Asia Investment 2 (Private) Ltd	Subsidiary	Mr. S. A. Abeyesinhe Mr. V. Siva Jr.	Intercompany Fund Transfers	7,489	-
			Reimbursement of Expenses	509	(59,706)
			Transfer of Kosgoda Land to Katumanakelle	(19,774)	-
Galle Beach Hotel (Private) Ltd	Subsidiary	Mr. S. A. Abeyesinhe Mr. V. Siva Jr.	Reimbursement of Expenses	4,521	(3,955)
			Current Account Balance Settlement	(223,040)	-
			Interest on Intercompany Funds	1,021	-
Galle Beach CC Trust (Private) Ltd	Subsidiary	Mr. S. A. Abeyesinhe	Reimbursement of Expenses (Net)	12,438	-
Katumannakelle Hill Estate (Private) Ltd	Subsidiary	Mr. S. A. Abeyesinhe	Intercompany Fund Transfers	127,960	-
			Interest on Loan	4,938	-
			Reimbursement of Expenses	4,332	-
			Transfer of land cost	55,356	-
Asia Leisure Travels (Private) Ltd	Subsidiary	Mr. S. A. Abeyesinhe	Reimbursement of Expenses	5,073	-
<b>(b) Transactions with Other Related Parties</b>					
P.R. Secretarial Services (Private) Limited	Common Directors	Mr. J. H. P. Rathnayake	Secretarial Fees	177	(389)

### 35 COMMITMENTS AND CONTINGENCIES

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

#### 35.1 Commitments

Company

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

Name of the Company	Name of the Bank	Purpose	2016 Rs.	2015 Rs.
Shinagawa Beach Resorts (Private) Ltd	Seylan Bank PLC	Constructions	141,895,073	200,000,000
Asia Leisure Holdings (Private) Ltd	Seylan Bank PLC	Constructions	20,361,659	50,000,000
Wadduwa Resorts (Private) Ltd	Seylan Bank PLC	Constructions	281,597,222	325,000,000

### 36 SUBSEQUENT EVENTS

There have been no material events subsequent to the reporting date which require disclosures/adjustments in the Financial Statements.

### 37 GOING CONCERN

The Financial Statements of the Group do not include any adjustments in relation to the recoverability and classification of recorded asset amounts or and classification of liabilities that may be necessary if the following companies are unable to continue as a going concern.

Asia Growth Fund 1 (Private) Limited has incurred a loss of Rs. 284,011 during the financial year ended 31st March 2016 and accumulated losses of Rs. 23,394,887 as at that date. The Company's current liabilities exceeded its current assets by Rs. 117,887,594 and total liabilities exceed total assets by Rs. 23,344,846 as at the reporting date. These factors raise substantial doubts whether the Company will be able to continue as a going concern in the future.

Asia Digital Entertainment (Private) Limited has incurred a net loss of Rs. 73,830,465 during the financial year ended 31st March 2016 and accumulated losses of Rs. 95,354,049 as at that date. The Company's current liabilities exceeded its current assets by Rs. 91,677,190 as at the reporting date. These factors raise substantial doubts on the Company's ability to continue as a going concern.

Asia Tea Packaging (Pvt) Ltd has incurred a net loss of Rs. 7,961,498 (2015: Rs. 8,775,234) during the financial year ended 31st March 2016 and accumulated losses of Rs. 106,968,144 as at that date. The Company's current liabilities exceeded its current assets by Rs. 56,054,186 (2015: Rs. 53,645,424) as at the reporting date. These factors raise substantial doubts on the Company's ability to continue as a going concern.

Asia Capital Project (Pvt) Ltd has incurred a net loss of Rs. 9,056,992 during the financial year ended 31st March 2016 and accumulated losses of Rs. 39,381,658 as at that date. The Company's current liabilities exceeded its current assets by Rs. 14,385,469 as at the reporting date. These factors raise substantial doubts on the Company's ability to continue as a going concern.

However, the Parent Company has confirmed that they will continue to provide financial support to these Companies to enable them to meet their obligations as they fall due.

# Notes to the Financial Statements

## 38 SEGMENTAL INFORMATION

### 38.1 Primary Segments

	Investments		Stock Brokering	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>				
Total Gross Sales	1,070,779	871,462	-	194,777
Less : Inter Segment sales/dividend	(939,514)	-	-	(834)
Net Segment Revenue	131,265	871,462	-	193,943
Segmental Operating Profit/(Loss)	(391,894)	(228,142)	-	15,343
Other Operating Income	223,793	49,076	-	341
Share of Profit/(Loss) of Associate companies	1,598	-	-	-
<b>Operating Profit/(Loss) before Provision for Fall in Value of Investments</b>	(166,503)	(179,066)	-	15,684
Provision for fall in value of investments	26,088	-	-	-
<b>Operating Profit/(Loss)</b>	(95,131)	(179,066)	-	15,684
Finance Cost	(93,079)	(96,307)	-	(2,217)
Finance Income	3,123	10,974	-	4,374
Profit Before Taxation	(185,087)	(264,399)	-	17,841
Income Taxation	(33,721)	(16,068)	-	9,902
Profit After Taxation	(218,809)	(280,467)	-	27,743
<b>Assets</b>				
Segment Assets	974,730	989,285	-	-
Deferred Tax Assets/(Liabilities)	-	-	-	-
Investment in Associates	35,118	-	-	-
Total Assets	1,009,848	989,285	-	-
<b>Liabilities</b>				
Segment Liabilities	225,229	37,323	-	-
Interest Bearing Borrowings	815,616	1,318,755	-	-
Total Liabilities	1,040,845	1,356,078	-	-
<b>Net Assets</b>	(30,997)	(366,792)	-	-
Capital Expenditure	319,455	55,359	-	-
Depreciation	14,343	9,026	-	-

	Deposit Mobilisation and Credit		Leisure		Manufacturing		Services		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	-	354,353	365,902	236,967	-	-	1,624	8,690	1,438,305	1,666,249
	-	(13,252)	-	-	-	-	-	(1,089)	(939,514)	(15,174)
	-	341,101	365,902	236,967	-	-	1,624	7,601	498,791	1,651,075
		2,188	(141,630)	(157,113)	(8,581)	(11,636)	(14,380)	(8,520)	(556,485)	(387,880)
	-	40,630	14,958	11,569	891	6,632	377	1,609	240,019	109,857
	-	-	-	-	-	-	-	-	1,598	-
	-	42,818	(126,672)	(145,665)	(7,690)	(5,004)	(14,003)	(6,911)	(314,868)	(278,143)
	-	-	-	-	-	-	-	-	-	-
	-	42,818	(126,672)	(145,665)	(7,690)	(5,004)	(14,003)	(6,911)	(314,868)	(278,143)
	-	-	(26,549)	(15,635)	-	(3,248)	(2,255)	(1,746)	(121,883)	(118,883)
	-	-	177	654	-	80	4	18	3,304	16,099
	-	42,818	(153,045)	(160,376)	(7,690)	(8,172)	(16,254)	(8,639)	(433,448)	(380,927)
	-	(657)	(331)	(277)	-	(14)	(43)	(566)	29,323	(7,680)
	-	42,161	(153,376)	(160,653)	(7,690)	(8,186)	(16,297)	(9,205)	(404,125)	(388,607)
		-	3,235,013	1,569,512	71,377	49,317	12,967	29,519	4,294,087	2,641,332
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	35,118	-
	-	-	3,235,013	1,569,512	71,377	49,317	12,967	29,519	4,329,205	2,641,332
	-	-	119,058	297,127	544	594	2,988	3,424	347,819	342,513
	-	-	520,168	597,243	-	-	2	13,075	1,335,787	1,929,072
	-	-	639,226	894,370	544	594	2,990	16,499	1,683,606	2,271,585
	-	-	2,595,788	675,142	70,833	48,723	9,977	13,020	2,645,599	369,747
	-	-	150,339	1,014,474	-	-	-	-	469,794	1,069,883
	-	-	127,571	64,968	5,104	5,267	306	306	147,323	79,567

# Notes to the Financial Statements

## 39 FINANCIAL RISK MANAGEMENT

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

Credit Risk  
Liquidity Risk  
Market Risk

This note represents qualitative and quantitative information about Group's exposure to each of the above risks, The Group's objectives, policies and procedures for measuring and managing risk and the Group's management of Capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

### Risk Management Framework

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

### 39.1 Credit Risk

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

Management of credit risk includes the following components:

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

### Exposure to Credit Risk

The Carrying amount of Financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

Description	GROUP		COMPANY	
	31st March 2016 Rs.'000	31st March 2015 Rs.'000	31st March 2016 Rs.'000	31st March 2015 Rs.'000
Loans & Receivables	32,739	157,937	33,046	158,224
Loans given to ESOP	-	3,414	-	3,414
Trade and Other Receivables	182,005	202,999	29,370	89,508
Amounts due from Related Parties	-	-	664,200	1,381,857
Long Term Deposits	11,947	29,325	11,947	9,899
Cash at Bank	19,003	57,559	580	18,049
	245,694	451,234	739,143	1,660,951

The financial institutions in which the deposits and cash at bank is existed are guaranteed by local and foreign credit rating agencies as A- or Better.

### 39.2 Liquidity Risk

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

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

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

### Management of liquidity risk

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

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

Description	GROUP		COMPANY	
	31st March 2016 Rs.'000	31st March 2015 Rs.'000	31st March 2016 Rs.'000	31st March 2015 Rs.'000
Loans and Receivables	32,739	157,937	33,046	158,224
Fair Value Through Profit & Loss	96,170	251,731	96,170	251,731
Trade and Other Receivables	182,005	202,999	29,370	89,508
Cash in Hand and at Bank	19,523	57,809	630	18,074
Total Liquid Assets	330,437	670,476	159,216	517,537
Non - Interest bearing borrowings	96,050	111,011	96,050	111,011
Interest Bearing Borrowings - Current	336,616	139,420	238,832	59,771
Trade and Other Payables	193,725	105,164	46,148	36,550
Bank Overdrafts	32,337	19,978	4,456	4,379
Amount Due to Related Parties	-	-	20,595	-
Total Liabilities	658,728	375,573	406,081	211,711
Net (debt) / cash	(328,291)	294,903	(246,865)	305,826

### Capital Management

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

	2016	2015	2016	2015
As at 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Debt/Equity	0.63	6.06	0.78	2.03

### 39.3 Market Risk

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

#### (a) Foreign Currency Risk

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

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

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

# Notes to the Financial Statements

Description	GROUP		COMPANY	
	31st March	31st March	31st March	31st March
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Preference Facility Loan ('000)	425,969	1,336,261	425,969	1,336,261
Net Borrowings ('000)	425,969	1,336,261	425,969	1,336,261
Closing Exchange Rate	146.78	134.73	146.78	134.73
Net Borrowings (Functional Currency) ('000)	2,902	9,918	2,902	9,918
Increase in Exchange Rate in 3%	151.18	138.77	151.18	138.77
Impact to the PBT ('000)	(12,779)	(40,088)	(12,779)	(40,088)
Decrease in Exchange Rate in 3%	142.38	130.69	142.38	130.69
Impact to the PBT ('000)	12,779	40,088	12,779	(40,088)

## (b) Interest rate risk

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

At the reporting date, the Group interest bearing financial instruments were as follows;

Description	GROUP		COMPANY	
	31st March	31st March	31st March	31st March
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Fixed Rate Instruments</b>				
Financial Assets				
Fixed Deposit	32,583	116,970	32,583	116,970
Staff Loan	286	268	286	268
Financial Liabilities				
Preference Facility loan	425,969	1,336,261	425,969	1,336,261
Other Long Term Loans	(652,532)	(616,093)	(133,686)	(37,838)
<b>Variable Rate Instruments</b>				
Financial Assets				
Reverse Repurchase Agreement	156	40,967	463	41,254
Financial Liabilities				
Direct Borrowings	309	288	309	288
Reverse Repurchase Agreement	-	-	(786)	(552)
Commercial papers	(224,641)	(56,453)	(234,970)	(56,453)
Bank Overdraft	(32,337)	(19,978)	(4,456)	(4,379)
	(450,207)	802,230	85,712	1,395,819



**(c) Cash flow sensitivity analysis for variable rate instruments**

The Group is exposed to changes in market interest rates through Bank Overdraft & Commercial Papers, which were borrowed at a variable interest rate.

Group	Profit or Loss		Equity	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Variable Rate Instruments</b>				
Commercial Papers	(2,261)	2,261	(2,261)	2,261
Direct Borrowings	(31)	31	(31)	31
Bank Overdrafts	(32)	32	(32)	32

Company	Profit or Loss		Equity	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Variable Rate Instruments</b>				
Commercial Papers	(2,349)	2,349	(2,349)	2,349
Direct Borrowings	(31)	31	(31)	31
Bank Overdrafts	(4,456)	4,456	(4,456)	4,456

**40 FAIR VALUES**

**40.1 Fair Values verses carrying amounts**

The fair values of financial assets and liabilities together with the carrying amounts shown in the Statement of Financial Position as at 31st March 2016 are as follows;

Description	GROUP		COMPANY	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets carried at Amortised Cost</b>				
Trade and Other Receivables	225,486	225,486	31,336	31,336
Loans and Receivables	32,739	32,739	33,046	33,046
Long Term Deposits and Advances	11,947	11,947	11,947	11,947
Amount due from Related Companies	-	-	664,200	664,200
Cash & Cash Equivalents	19,523	19,523	630	630
<b>Liabilities carried at Amortised Cost</b>				
Interest Bearing Borrowings	1,303,452	1,303,452	795,720	795,720
Non Interest Bearing Borrowings	96,050	96,050	96,050	96,050
Trade & Other Payables	193,725	193,725	46,148	46,148
Amount due to Related Companies	-	-	20,595	20,595
Bank Overdraft	32,337	32,337	4,456	4,456

# Notes to the Financial Statements

## 40.2 Fair Value Hierarchy

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

Description	2016			Total
	Level 1 Rs.'000	Level 2	Level 3 Rs.'000	
<b>Group</b>				
Fair Value through Profit & Loss Available for Sale	96,170	-	-	96,170
	-	-	114,853	114,853
	96,170	-	114,853	211,023
<b>Company</b>				
Fair Value through Profit & Loss Available for Sale	96,170	-	-	96,170
	-	-	114,853	114,853
	96,170	-	114,853	211,023

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

Description	2015			Total
	Level 1 Rs.'000	Level 2	Level 3 Rs.'000	
<b>Group</b>				
Fair Value through Profit & Loss	251,731	-	-	251,731
	251,731	-	-	251,731
<b>Company</b>				
Fair Value through Profit & Loss	251,731	-	-	251,731
	251,731	-	-	251,731

## 41 DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal 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.

### 01 Stock Exchange Listing

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

Ticker Symbol - ACAP.N0000

Market Sector - Diversified Holdings

### 02 Market Price

	31 March 2016 (Rs. per Share)	31 March 2015 (Rs. per Share)
Last Traded	5.80	8.70
Highest	11.00	17.80
Lowest	4.90	8.50

# Ten Year Summary

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>OPERATING RESULTS</b>										
Revenue	498,791	1,651,075	970,321	854,889	1,996,276	2,122,917	1,328,423	1,803,062	956,048	982,836
Profit/Loss before Taxation	(433,448)	(380,927)	(615,763)	(747,918)	843,459	1,331,927	288,795	(395,559)	(354,876)	2,229
Taxation	29,323	(7,680)	(6,992)	20,262	(146,226)	(180,912)	(66,435)	16,373	(16,125)	(33,034)
Profit/Loss after Taxation	(404,125)	(388,607)	(622,755)	(727,656)	697,232	1,151,015	222,360	(379,186)	(371,001)	(30,805)
Minority Interest	(27,768)	41,439	(2,007)	(4,684)	(158,517)	(162,997)	(12,600)	(65,681)	(60,641)	(186)
Profit/(Loss) attributable to Shareholders	(376,357)	(347,168)	(624,762)	(722,972)	538,715	988,018	209,760	(444,867)	(431,642)	(30,991)
<b>ASSETS</b>										
Property, Plant & Equipment	3,463,295	1,492,604	1,290,956	839,044	680,994	680,993	328,038	94,001	94,979	75,843
Intangible Assets	121,460	127,402	147,271	149,539	108,675	-	78,143	55,455	49,076	150,088
Investment Property	-	-	98,353	32,935	42,935	-	67,039	12,023	12,731	13,438
Long Term Investments	-	-	-	-	-	-	372,210	337,053	433,991	739,732
Investment in Joint Venture	35,118	-	-	-	-	-	-	-	-	-
Financial Assets - Available for Sale	114,853	10,000	10,000	-	-	-	-	-	-	-
Differed Taxation	-	-	88,627	84,860	54,939	-	1,913	17,809	129	-
ESOP Loan	-	-	-	-	-	-	17,491	17,491	17,491	17,491
Other Non Current Assets	11,947	29,325	1,482,972	1,086,956	1,066,774	17,402	1,339,611	560,766	7,962	14,824
Current Assets	582,532	982,001	3,039,296	3,381,593	2,985,043	2,457,919	3,548,588	3,255,127	3,857,563	2,050,008
Total Assets	4,329,205	2,641,332	6,157,475	5,574,927	4,939,359	3,156,315	5,753,033	4,349,725	4,473,922	3,061,424
<b>EQUITY AND LIABILITIES</b>										
Stated Capital	1,498,498	1,498,498	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558	1,114,558
Capital Redemption Reserve Fund	-	-	-	-	-	-	-	-	-	13,800
Revaluation Reserve	1,408,670	43,634	45,779	45,867	-	27,560	8,709	10,437	5,970	-
Available For Sale Reserve	-	-	-	-	(4,154)	(6,343)	-	-	-	-
Capital Reserve	-	-	5,922	11,148	6,229	5,774	1,790	1,344	1,344	3,174
Exchange Equalisation Reserve	-	-	-	-	-	-	-	-	-	78,316
General Reserve	-	-	19,054	16,347	8,425	3,000	3,000	3,000	3,000	-
Accumulated Profits/(Loss)	(732,683)	(1,192,237)	(880,200)	(410,842)	(92,315)	20,474	(856,779)	(1,080,850)	(635,983)	66,604
Shareholders' Fund	2,174,485	349,895	305,113	777,078	1,032,744	1,165,023	271,278	48,489	488,889	1,276,452
Minority Interest	471,114	19,852	263,492	138,609	44,096	598,549	248,106	194,959	131,945	542
Non-Current Liabilities	2,645,599	369,747	568,605	915,687	1,076,840	1,763,572	519,384	243,448	620,834	1,276,994
Current Liabilities	989,698	1,888,863	2,218,270	1,645,804	443,195	172,412	748,778	186,067	92,904	91,523
Total Liabilities	693,908	382,722	3,370,600	3,013,436	3,419,321	1,220,331	4,484,871	3,920,210	3,760,184	1,692,907
Total Liabilities	1,683,606	2,271,585	5,588,870	4,659,240	3,862,517	1,392,743	5,233,649	4,106,277	3,853,088	1,784,430
Total Equity & Liabilities	4,329,205	2,641,332	6,157,475	5,574,927	4,939,356	3,156,315	5,753,033	4,349,725	4,473,922	3,061,424

# Glossary

## **Accounting Policies**

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

## **Accrual Basis**

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

## **Amortisation**

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

## **Borrowings**

All interest and non interest-bearing liabilities.

## **Capital Employed**

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

## **Cash Equivalents**

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

## **Contingent Liabilities**

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

## **Corporate Governance**

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

## **Current Ratio**

Current assets divided by current liabilities.

## **Deferred Taxation**

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

## **Dividend per Share (DPS)**

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

## **EBIT**

Earnings before interest and tax.

## **Earnings per Share (EPS)**

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

## **Equity**

Shareholders' funds.

## **Fair Value**

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

## **Guarantees**

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

## **General Reserve**

Reserves available for distributions and investment.

## **Gross Domestic Product (GDP)**

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

## **Gross Dividend**

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

## **Gross Profit Ratio**

The percentage of gross profit to net turnover.

## **Impairment**

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

## **Interest Cover**

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

## **Key Performance Indicators (KPI)**

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

## **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 the of current assets over current liabilities.

# Notice of The Annual General Meeting

OF ASIA CAPITAL PLC FOR THE YEAR ENDED 31ST MARCH 2015/2016

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Asia Capital PLC will be held on 30th September 2016 at 9.30 am at Sri Lanka Foundation, No. 100, Padanama Mawatha, Independence Square, Colombo 07.

## AGENDA

- 1) To receive and consider the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2016 and the Report of the Auditors thereon.
- 2) To re-elect Mr. J. H. P. Ratnayake who retires in terms of Article 98 of the Articles of Association of the Company and being eligible, offers himself for re- election as a Director of the Company under Article 99 of the Articles of Association of the Company.
- 3) To re-appoint Messrs. KPMG Chartered Accountants as the Auditors to the Company for the ensuing year and to authorise the Directors to determine their remuneration.
- 4) To transact any other business of which due notice has been given.

BY ORDER OF THE BOARD



**Director/Secretaries**

Colombo, 18th August 2016

## Notes:

- \* A member is entitled to appoint a Proxy to attend and vote at this meeting on his/her behalf.
- \* A Proxy need not be a member of the Company.
- \* A member wishing to vote by Proxy may use the Form of Proxy enclosed.
- \* To be valid the completed Form of Proxy must be lodged at the Registered Office: No.21-01, West Tower, World Trade Centre, Echelon Square, Colombo 01, Sri Lanka not less than 48 hours before the time appointed for the holding of the meeting (i.e. 28th September no later than 9.30 am)
- \* Members/ Proxy Holders are kindly requested to bring along with them their National Identity Card or a similar form of accepted identity when attending the meeting.







# Form of Proxy

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

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

as my/our\* Proxy to represent me/us\* and vote and speak for me/us\* on my/our\* behalf at the Annual General Meeting of Asia Capital PLC to be held on 30th September 2016 at 9.30 am at Sri Lanka Foundation, No. 100, Padanama Mawatha, Independence Square, Colombo 07 and at every poll which may be taken in consequence thereof at the aforesaid meeting and at any adjournment thereof.

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

	For	Against
1) To receive and consider the Report of the Directors and the Audited Financial Statements for the year ended 31st March 2016 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. J. H. P. Ratnayeke who retires in terms of Article 98 of the Articles of Association of the Company and being eligible, offers himself for re-election as a Director of the Company under Article 99 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-appoint Messrs KPMG Chartered Accountants as the Auditors to the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this .....day of.....2016.

.....  
 Signature of shareholder

Note:

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

**Instructions as to completion**

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

# Corporate Information

## NAME

Asia Capital PLC

## LEGAL FORM

A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 29th October 1991 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 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 Capital Projects (Private) Limited  
(Formerly known as Asia Wealth Management (Private) Limited)  
Asia Capital Technologies (Private) Limited  
Asia Fort Sri Lanka Direct Investment Fund Limited  
Asia Growth Fund 1 (Private) Limited  
Asia Leisure Holdings (Private) Limited  
Asia Leisure (Private) Limited  
Asia Tea Packaging (Private) Limited  
Asia Digital Entertainment (Private) Limited  
Asia Capital Private Equity (Private) Limited  
Shinagawa Beach Resorts (Private) Limited  
(Formerly known as Balapitiya Resorts (Private) Limited)  
Wadduwa Resorts (Private) Limited  
Asia Leisure Travels (Private) Limited  
River House (Private) Limited  
River House Estate (Private) Limited  
(Formerly known as Asia Investment 2 (Private) Limited)  
Galle Beach (Private) Limited  
Galle Beach Hotel (Private) Limited  
Galle Beach CC Trust (Private) Limited  
Katumanakelle Hill Estate (Private) Limited  
Forest Resorts Nuwara Eliya (Private) Limited

## JOINT VENTURE

Strider Capital Asia (Private) Limited

## BOARD OF DIRECTORS

J H P Ratnayeke (Chairman)  
S A Abeyesinhe (Group Chief Executive Officer)  
A D Ross  
V Siva Jr.  
R J Wickramasinghe  
Z Merchant  
T Tanaka  
Y Watanabe

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## 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 (D O R 31/03/2016)

Business Intelligence Ltd  
D O A (01/04/2016)

## AUDITORS

KPMG  
32A Sir Mohamed Macan Markar Mawatha,  
Colombo 3

## LAWYERS

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

## BANKERS

Hongkong and Shanghai Banking Corporation Limited  
Pan Asia Banking Corporation PLC  
Hatton National Bank PLC  
Seylan Bank PLC  
Sampath Bank PLC  
Commercial Bank of Ceylon PLC  
Nation Trust Bank PLC

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